

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

of the

City of Melissa, Texas

**For the Year Ended
September 30, 2021**

Prepared by:

Jason Little
City Manager

Gail Dansby
Director of Finance

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City of Melissa, Texas

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INTRODUCTORY SECTION

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February 18, 2022

To the Honorable Mayor and City Council, and
Citizens of the City of Melissa, Texas

The City's Management Team is pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Melissa (the "City") for the fiscal year ending September 30, 2021. The City's Management Team assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

In accordance with the City's Charter, bond covenants and Chapter 103 of the Texas Local Government Code, the City is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City's financial statements have been audited by BrooksWatson & Company, PLLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2021, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The Annual Comprehensive Financial Report (ACFR) is prepared in accordance with GAAP in the United States of America established by the Government Accounting Standards Board. The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the management's discussion and analysis (MD&A), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors'

report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

The Reporting Entity

The City of Melissa was founded in 1851 and is a Home Rule City operating under a Council-Manager form of government adopted in the City's Home Rule Charter in November 2011. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a six-member Council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Effective May 2012, Council Members will serve three-year staggered terms and are elected in an "at-large" system. The Mayor is elected to serve a three-year term and is also elected at-large.

The City of Melissa provides a full range of municipal services including police and fire protection, water and wastewater services, the construction and maintenance of streets, infrastructure and other related facilities, code enforcement, building inspection, parks, library, public improvements, planning and zoning, economic development, and general administrative services. Technical services such as engineering, legal, and solid waste/recycling are outsourced to the private sector.

The accompanying ACFR incorporates all funds of the City and includes all government activities, organizations and functions for which the City is financially accountable. The criteria used in determining activities to be reported within the City's basic financial statements are based upon and consistent with those set forth by the Governmental Accounting Standards Board.

Component units are legally separate organizations that a primary government must include as a part of its financial entity. The City has included financial statements for the Melissa Industrial and Economic Development Corporation (4A) and the Melissa Community and Economic Development Corporation (4B). The 4A and 4B Funds account for the local sales tax used to stimulate local economy, development, and redevelopment.

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by Fund and department (e.g. police). Department heads may transfer resources within a department with the City Manager's approval. Any amendments and adjustments to the annual budget need approval from the governing Council.

The City of Melissa

The City of Melissa is a fast-growing North Texas community with a population of approximately 20,000. It is located seven miles northeast of McKinney just off State Highway 75, in north central Collin County. Melissa is in a dynamic growth area with a region encompassing nine counties and spanning one hundred miles with a population of over four million. Melissa's close proximity to Dallas and its suburbs offer easy access to all parts of the Metroplex.

From this community came many individuals and families who have been prominent in the business and professional life of Collin County. Some of the first settlers came from the old Highland community, which was located north of present day Melissa. It was here that C.H. Wysong settled as early as 1846. A Post Office was established and Isaac N. Foster became the first Postmaster on September 9, 1853. The location of the Post Office was located at Foster Crossing about 3 miles north of Melissa. The rich soils of the Blackland Prairie and the waters of the Elm Fork of the Trinity River attracted settlers to the area in the 1840s. In 1872, the Houston and Texas Central Railroads were built through the community, and the town of Melissa was laid out. Sources disagree as to the origin of the name of the town. Some say that Melissa was named for Melissa Quinlan, daughter of George A. Quinlan, an official of the Houston and Texas Central Railroad. Others say that it received its name for Melissa Huntington, daughter of C. P. Huntington, a prominent railroad executive.

In 1886 Melissa had a flourmill, two cotton gins that shipped 3,000 bales of cotton annually and several business houses. It became a stop on the Interurban (The Texas Electric Railway), linking Dallas and Denison in 1908. Due to this transportation network, it made Melissa a commercial and community center for area farmers. By 1914, Melissa's population had reached 400. Unlike many rural communities in Texas, Melissa had electric lights, a telephone exchange, and paved roads before 1920. It also had five churches, a large school, and a number of businesses, including a bank. A tornado struck the town on April 13, 1921, killing thirteen people, injuring fifty-four, and demolishing many homes and businesses. Eight years later, on August 8, 1929, a fire destroyed many of the buildings that had been rebuilt after the tornado.

The Great Depression, the mechanization of farming, and job opportunities in the Dallas metropolitan area after World War II further slowed community growth. The population of Melissa declined from 500 in 1925 to 285 in 1949. In 1966 the population was 375. Melissa was incorporated in the early 1970s. In 1980 it had a population of 604 and nine businesses. Melissa encompasses approximately twenty-one square miles of rolling hills situated between the East fork of the Trinity River and Sister Grove Creek. The City of Melissa is located a short distance from two popular Texas lakes, Lake Lavon and Lake Texoma. Melissa has three intersecting highways, Highway 75, State Highway 121 and Highway 5 (McKinney Street) all of which provide easy access south to Dallas, Austin and San Antonio, and north to Oklahoma. Highway 75 also intersects with Interstate 635, the major business loop around Dallas. State Highway 121 runs northeast and southwest providing access south to DFW International Airport and south to the Dallas North Tollway.

Economic Condition and Outlook

By most measures, Melissa is a city on the rise and continues to attract new residents at a brisk pace. The 2000 Census estimated the population to be 1,350, while the 2022 population estimate is approximately 20,000 residents. People continue to relocate to Melissa because it is a great place to live, attend quality schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of the future growth.

The City continues to focus on the development of its infrastructure systems through a systematic and planned approach. The City felt that being prepared for the growth in the community will allow the City to grow at the pace and standards it wants. Beginning in 2006, the City adopted its first ever Comprehensive Plan to set the ground work for action planning in the future. In early 2007, staff began planning for the infrastructure that would be needed if the City grows at the pace the Comprehensive Plan anticipates. The City has since adopted Capital Improvement Programs (CIP's) for transportation, water/wastewater and parks/trails system. Both the Comprehensive Plan and CIP's were reviewed, updated and adopted in 2015 and look at the needs and priorities for the community for the next ten years.

The CIP models are built upon the projects that will be needed over the next ten year planning period if the assumed growth is consistent with the Comprehensive Plan projections. Projects are initiated by need or stress placed upon the system by growth. Examples of these triggers include the growth in the tax base or increased water customers. In addition to the tangible triggers, the City Council will also evaluate the subjective factors such as general economic conditions, leveraging of City funds with outside sources, and economic development opportunities. This data, both objective and subjective, are used by the City Council when initiating a project. The models are also built with flexibility in the project schedule. If the triggers do not materialize in a given year, the proposed projects are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the plan. Lastly, the plan also allows for the City to be proactive with economic development opportunities by moving a project forward to capture an unforeseen opportunity.

The CIPs again are based upon the assumption of growth. If the growth does not materialize in the manner in which assumed, the projects are not constructed and delayed until appropriate. If the City does not plan aggressively, then the growth that will eventually occur will overwhelm the infrastructure systems. Services, residents, and businesses all suffer when infrastructure systems are at capacity. Appropriate planning is the key to being proactive.

Financial Planning and Fiscal Policies

The City maintains several master plans to guide the City's long-term financial planning process. The following is a list of the plans utilized by the City and how they may impact the FY22 budget.

Comprehensive Plan:

Overview: The City adopted its first Comprehensive Plan in 2006 with the help of an outside consulting firm. The document reviewed many building blocks for community development including utilities, thoroughfares, parks, facilities, housing, and many other issues. The action steps that were to be considered in the future were outlined in a specific chapter within the document. These action steps were designed to help the City address any existing issues identified through the study or to help the City proceed in the desired direction. The Comprehensive Plan was updated and adopted in 2015 and is available on the City's website at www.cityofmelissa.com. The Comprehensive Plan is reviewed for any implementation priorities during each budget cycle.

Capital Improvement Programs:

Overview: The City adopted Capital Improvement Programs for water, wastewater, and transportation in 2007. The plans are for the ultimate growth of each of these systems and total in excess of \$100 million. Each plan is built upon the assumption of growth in the Melissa tax base/customers/community and established general timelines on what infrastructure needs to be in place if certain growth occurs. If the growth does not occur, the projects are not constructed until the need exists. The continued investment in the CIP's in future years will be evaluated at that time based on the growth and Council priorities.

Accounting System and Budgetary Control

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. The budget is developed and controlled at the department level, although appropriations are set at the fund level.

Other Information

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its annual comprehensive financial report (ACFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City submitted and received this award for the ACFR for the fiscal years ended September 30, 2009, September 30, 2010, September 30, 2011, September 30, 2012, September 30, 2013, September 30, 2014, September 30, 2015, September 30, 2016, September 30, 2017, September 30, 2018, September 30, 2019, September 30, 2020 and will be submitting the ACFR for the fiscal year ended September 30, 2021.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

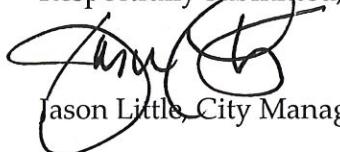
The City is submitting this ACFR for consideration for the Certificate of Achievement for Excellence in Financial Reporting. In addition, the City of Melissa has submitted and received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2021. This is the thirteenth year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning and organization. The budget for fiscal year 2022 will be submitted for the Distinguished Budget Award.

Acknowledgements:

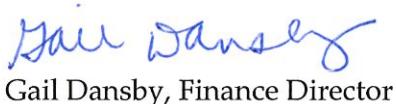
The preparation of this report could not be accomplished without the efficient and dedicated services of the Administrative Department staff and the Finance Department staff. We would like to express our appreciation to all employees who assisted and contributed to its presentation. Acknowledgement is also given to the representatives of BrooksWatson & Company, PLLC for their assistance in producing the final product.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

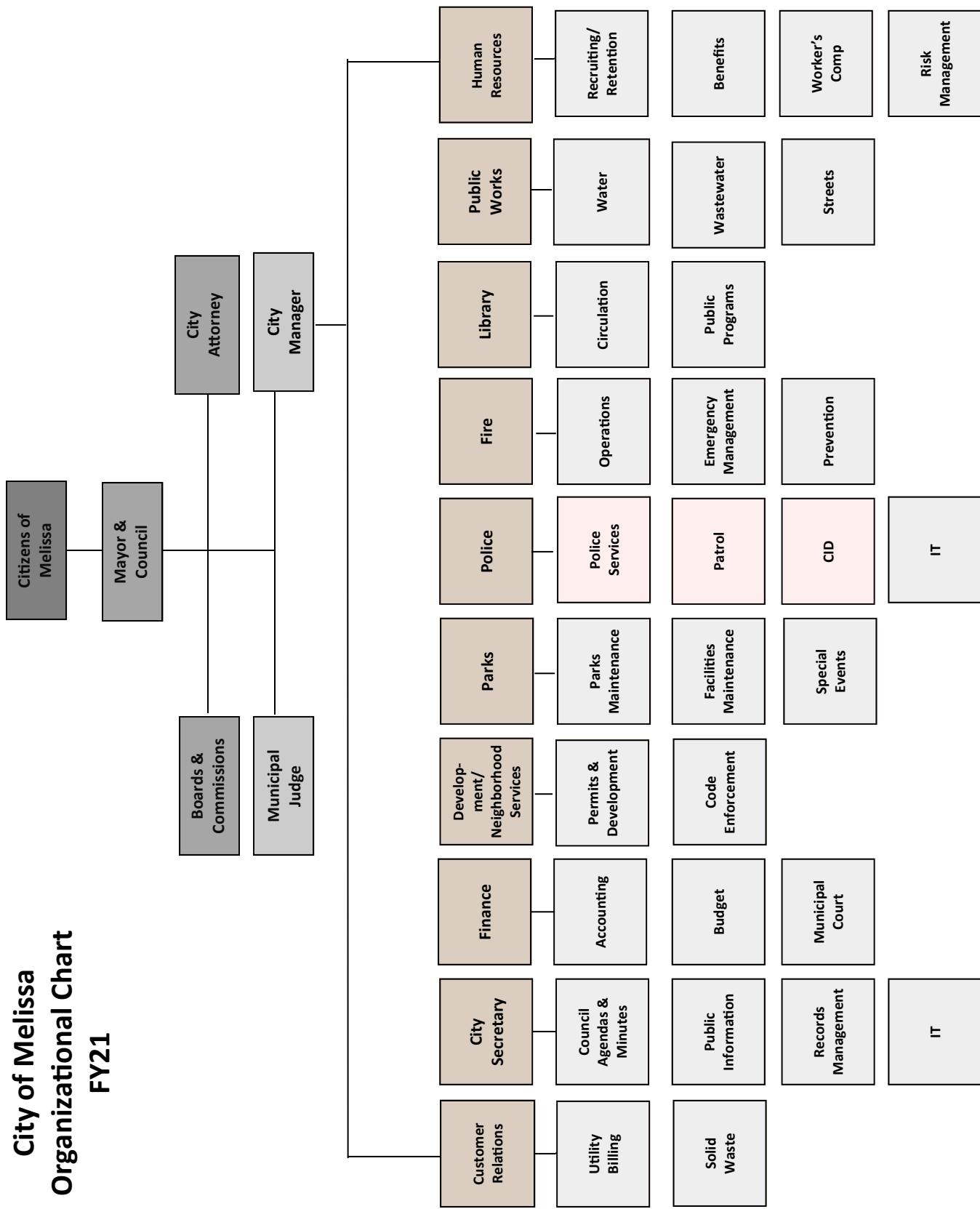


Jason Little, City Manager



Gail Dansby, Finance Director

City of Melissa Organizational Chart FY21



CITY OF MELISSA, TEXAS



List of Elected and Appointed Officials

FISCAL YEAR 2021
OCTOBER 1, 2020- SEPTEMBER 30, 2021

THE MAYOR AND THE CITY COUNCIL

MAYOR
REED GREER

MAYOR PRO TEM
JAY NORTHCUT

CITY COUNCIL MEMBERS
SHANNON SWEAT
STACY JACKSON
CHAD TAYLOR
CRAIG ACKERMAN
DANA CONKLIN

STAFF:

City Manager – Jason Little
Finance Director – Gail Dansby
City Secretary – Kacie Galyon
Police Chief – Duane Smith
Interim Fire Chief – Carl Nix
Development & Neighborhood Services Director – Tyler Brewer
City Librarian – Jennifer Nehls
Public Works Director – Jeff Cartwright
Human Resources Director – Mitzi McCabe
Parks Director – Ron Duzenack



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Melissa
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Monell

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Melissa, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's undivided interest in utility assets and liabilities, which represent 20 percent, 15 percent, and 41 percent, respectively, of the assets, liabilities and net position of the utility fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the undivided interest, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and the schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Brooks Watson & Co." The signature is fluid and cursive, with "Brooks" on the first line and "Watson & Co." on the second line.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 18, 2022

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)

September 30, 2021

As management of the City of Melissa, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$71,147,019.
- The City's total net position increased by \$12,541,262. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$74,392,163 at September 30, 2021, an increase of \$43,272,061 from the prior fiscal year; this includes an increase of \$11,420,296 in the general fund, an increase of \$116,518 in the debt service fund, an increase of \$7,142,407 in the transportation construction fund, an increase of \$11,059,529 in the park construction fund, an increase of \$12,948,469 in the facilities construction fund, and an increase of \$584,842 in the nonmajor TIF fund. The increases are primarily due to a significant sale of land and proceeds from debt issuances.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$3,606,080 or 32% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$33,566,250 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$121,062,975, including premiums.
- The City's net pension liability totaled \$1,390,936 as of year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, community development, public safety, and public works. The business-type activities of the City include water and sewer, airport, and cemetery operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Melissa Economic Development Corporation and Community Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 22-27 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and transportation construction funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, special revenue, and utility funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 28-35 of this report.

Proprietary Funds

The City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its public utilities operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

The basic proprietary fund financial statements can be found on pages 38-42 of this report.

Component Units

The City maintains the accounting and financial statements for two component units. The Melissa Community and Economic Development Corporations are discretely presented component units displayed on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 43-80 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's changes in net pension liability and employer contributions to the plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Melissa, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$71,147,019 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$28,869,824, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2021			2020				
	Governmental Activities		Business-Type Activities	Total	Governmental Activities		Business-Type Activities	Total
	Activities	Activities		Activities	Activities			
Current and other assets	\$ 77,888,161	\$ 21,451,800	\$ 99,339,961	\$ 33,681,862	\$ 15,733,289	\$ 49,415,151		
Capital assets, net	67,388,664	34,678,567	102,067,231	65,643,753	31,709,965	97,353,718		
Total Assets	145,276,825	56,130,367	201,407,192	99,325,615	47,443,254	146,768,869		
Deferred Outflows of Resources	816,058	134,332	950,390	832,681	128,934	961,615		
Other liabilities	7,421,474	4,718,234	12,139,708	5,548,346	4,088,179	9,636,525		
Long-term liabilities	85,524,702	33,394,926	118,919,628	53,263,761	26,008,126	79,271,887		
Total Liabilities	92,946,176	38,113,160	131,059,336	58,812,107	30,096,305	88,908,412		
Deferred Inflows of Resources	127,931	23,296	151,227	185,253	31,062	216,315		
Net Position:								
Net investment in capital assets	24,984,055	3,885,769	28,869,824	24,160,897	6,975,257	31,136,154		
Restricted	13,534,795	9,590,676	23,125,471	10,861,407	5,706,002	16,567,409		
Unrestricted	14,499,926	4,651,798	19,151,724	6,138,632	4,763,562	10,902,194		
Total Net Position	\$ 53,018,776	\$ 18,128,243	\$ 71,147,019	\$ 41,160,936	\$ 17,444,821	\$ 58,605,757		

Total current and other assets increased by \$49,924,810 due primarily to unspent bond proceeds received in the current year, as well as governmental activities revenues exceeding expenses. Total capital assets increased by \$4,713,513 due to the investment in several major ongoing capital projects. Total long-term liabilities for increased by \$39,647,741 due to current year bond proceeds exceeding the current year debt refunding and principal payments made.

City of Melissa, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2021

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Governmental Activities		Total Primary Government	Governmental Activities		Total Primary Government
	Business-Type Activities			Business-Type Activities		
Revenues						
Program revenues:						
Charges for services	\$ 7,503,525	\$ 11,547,924	\$ 19,051,449	\$ 5,200,962	\$ 10,312,704	\$ 15,513,666
Operating grants	2,374,123	-	2,374,123	1,616,015	-	1,616,015
Capital grants	4,326,135	2,514,352	6,840,487	3,043,002	2,175,386	5,218,388
General revenues:						
Property tax	9,115,965	-	9,115,965	7,589,577	-	7,589,577
Sales tax	2,322,384	-	2,322,384	1,701,033	-	1,701,033
Franchise and local taxes	605,730	-	605,730	582,322	-	582,322
Investment income	147,444	54,533	201,977	465,833	232,386	698,219
Other revenues	188,369	290,276	478,645	154,863	216,569	371,432
Total Revenues	26,583,675	14,407,085	40,990,760	20,353,607	12,937,045	33,290,652
Expenses						
General government	7,350,845	-	7,350,845	4,819,582	-	4,819,582
Public safety	4,427,971	-	4,427,971	4,055,271	-	4,055,271
Streets	2,586,446	-	2,586,446	2,696,262	-	2,696,262
Culture and recreation	2,171,244	-	2,171,244	1,683,388	-	1,683,388
Interest and fiscal charges	2,025,257	1,078,894	3,104,151	1,811,506	1,012,677	2,824,183
Water and sewer	-	8,001,436	8,001,436	-	6,873,152	6,873,152
Sanitation	-	807,405	807,405	-	567,546	567,546
Total Expenses	18,561,763	9,887,735	28,449,498	15,066,009	8,453,375	23,519,384
Change in Net Position						
Before Transfers	8,021,912	4,519,350	12,541,262	5,287,598	4,483,670	9,771,268
Transfers	3,835,928	(3,835,928)	-	1,081,188	(1,081,188)	-
Total	3,835,928	(3,835,928)	-	1,081,188	(1,081,188)	-
Change in Net Position	11,857,840	683,422	12,541,262	6,368,786	3,402,482	9,771,268
Beginning Net Position	41,160,936	17,444,821	58,605,757	34,792,150	14,042,339	48,834,489
Ending Net Position	\$ 53,018,776	\$ 18,128,243	\$ 71,147,019	\$ 41,160,936	\$ 17,444,821	\$ 58,605,757

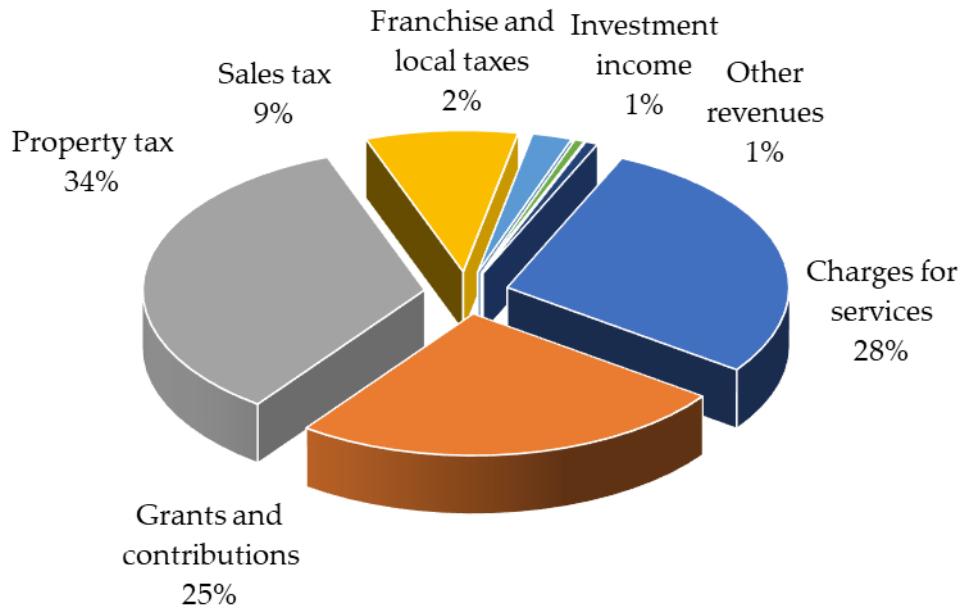
City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities Revenues



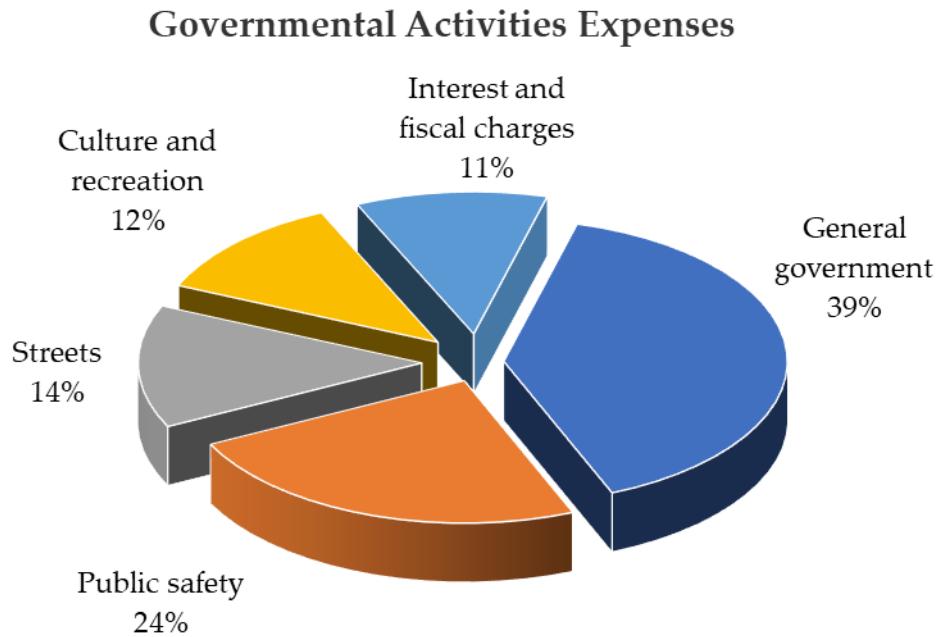
For the year ended September 30, 2021, revenues from governmental activities totaled \$26,583,675. Property tax and charges for services were the City's largest general revenue sources. Overall revenue increased \$6,230,068 or 31% from the prior year. This increase is primarily due to an overall increase in charges for services of \$2,302,563 and an increase in grants/contributions of \$2,799,349. Charges for services increased by \$2,302,563 primarily as a result of increased city licenses and permits issued, greater court revenue collections, and greater park development fees received in the current year. Capital grants increased by \$1,283,133 due to new developments and associated impact fees. Operating grants increased by \$758,108 due to nonrecurring COVID-19 recovery grants received in the current year. Property tax revenue increased by \$1,526,388 due to an increase in the overall taxable property values. Sales tax revenue increased by \$621,351 primarily due to increased economic growth within the City. Investment income decreased by \$318,389 primarily due to the realization of lower interest rates over the course of the year. Other revenue increased by \$33,506 due to nonrecurring miscellaneous revenue received in the current year. All remaining revenues remained relatively consistent with the previous year.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2021, expenses for governmental activities totaled \$18,561,763. This represents an increase of \$3,495,754 or 23% from the prior year. The City's largest functional expense is general government totaling \$7,350,845. General government increased by \$2,531,263 or 53% when compared to the prior year, which is primarily due to nonrecurring losses from sale of assets in the current year and greater reimbursement incentive related expenses. Public safety expenses increased by \$372,700 or 9% due to greater salaries and benefits as a result of new full-time positions in the fire and police departments and 3% to 5% raises for most staff in the current year. Street expenses decreased by \$109,816 or 4% primarily due to nonrecurring street maintenance expenditures in the prior year. Culture and recreation expenses increased by \$487,856 or 29% primarily as a result of greater personnel, facilities maintenance, sports facility/park services contract expenses, and annual depreciation expenses. Interest and fiscal charges increased by \$213,751 due to greater bond issuance costs incurred in the current year.

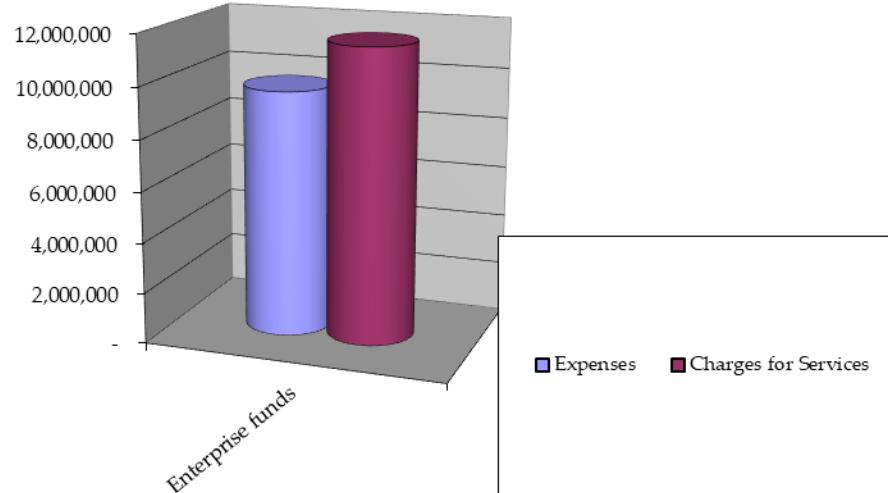
City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2021, charges for services by business-type activities totaled \$11,547,924. This is an increase of \$1,235,220 or 12% from the previous year. This increase directly relates to an increase in utility service consumption and a growing customer base.

Total expenses increased \$1,434,360 or 17% to a total of \$9,887,735. This increase is primarily attributed to increased cost of water and garbage services, sewer treatment services, and contract billing expenses. Water and sewer and interest expenses totaled \$9,080,330 and sanitation totaled \$807,405. Interest and fiscal charges increased by \$66,217 primarily due to new debt issuances occurring in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$74,392,163, an increase of \$43,272,061 in comparison with the prior year. Approximately 5% of this amount, \$3,606,080, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted or committed* to indicate

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

that it is 1) not in spendable form \$34,138, 2) assigned \$12,225,645 or 3) restricted for particular purposes \$58,526,300.

As of the end of the year the general fund reflected a total fund balance of \$26,632,443. Of this, \$10,766,580 is considered restricted and \$3,606,080 is unassigned. General fund balance increased by \$11,420,296. This increase can be attributed to greater than anticipated revenues and other financing sources.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$3,606,080 is 32% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$1,530,783 as of year end. Total fund balance increased by \$116,518 from the prior year due to greater than anticipated revenues in the current year.

The transportation construction fund had an ending fund balance of \$19,493,516 at September 30, 2021, an increase of \$7,142,407 when compared to the previous year. This increase is primarily attributable to intergovernmental revenue and bond proceeds exceeding capital outlay expenditures in the current year.

The park construction fund had an ending fund balance of \$12,553,228 at September 30, 2021, an increase of \$11,059,529. The increase is attributable to bond proceeds received in the current year.

The facilities construction fund had an ending fund balance of \$12,948,469 at September 30, 2021, an increase of \$12,948,469. The current year is the initial year for this fund. The change in fund balance was a direct result of transfers received from the general fund.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's only proprietary fund, the enterprise fund, totaled \$18,128,243. Unrestricted net position at the close of the fiscal year amounted to \$4,636,137 and a total increase in net position of \$683,422 from the previous year. Total investment in capital assets, net of related debt of was \$3,901,430, and capital assets, net of depreciation totaled \$32,438,567.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$2,118,476 and increasing total revenues by \$4,716,005. The primary reasons for the budget revision were due to higher than expected revenue from property taxes, sales taxes, permit revenue, and platting and development. Budgeted expenditures were increased to account for inspections and engineering on new developments; as well as increased administrative and public safety expenses. Total budgeted revenues of \$13,640,319 were less than actual revenues of \$20,333,158,

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

resulting in a total positive revenue variance of \$6,692,839. The majority of this variance is a result of road impact fees and park development fees not being included in the budget. In addition, actual intergovernmental and other revenues were significantly more than the budgeted amounts. Total budgeted expenditures of \$11,242,790 were less than actual expenditures of \$14,946,447, resulting in a total negative expenditure variance of \$3,703,657. This negative variance is primarily a result of capital outlay expenditures not being appropriated.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$67,388,664 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$32,438,567 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Major construction in progress additions of the following:

Melissa Road	\$	5,415,321
North Elevated storage tank	\$	3,883,482
Phase III Zplex	\$	1,339,902
Phase IV Zplex	\$	263,772
Downtown overlay	\$	267,813
HS Collector Roads	\$	427,496
- Land for Kim Korner purchased for \$1,995,749.
- ROW land acquisition for \$179,900.
- Land purchased at 3315 Fannin Road for \$212,751.
- 2020 Ferrara ladder truck purchased through capital lease financing for \$861,000.
- Purchases of new administrative office furniture/equipment totaling \$36,072.
- Purchase of decontamination system for \$42,536.
- IT Network upgrades totaling \$49,731.
- Purchase of washer/extractor for \$11,275.
- Purchases of new police and fire department equipment totaling \$164,093.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable increased by \$33,566,250 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$121,062,975, including premiums.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget document for Fiscal Year 2021 (FY21) was submitted to the Government Finance Officers Association of America ("GFOA") Distinguished Budget Award committee, and the City was awarded its Distinguished Budget Award for the thirteenth consecutive year. Comments submitted by the GFOA reviewers on items for improvement were addressed, and the document will be resubmitted for the FY 2022 award. The goal of the Distinguished Budget Award program is to evaluate the budget document in the context of it serving as a policy guide, operations guide, financial plan and communication document. These focus areas are intended to ensure the budget provides expanded information to anyone who reads the document, and at the same time, provides for a meaningful feedback tool to the departments and organization on how they are doing in the budget process as well.

The property tax revenue estimated for the Fiscal Year 2022 (FY22) budget is based on an ad valorum tax rate of \$.568157, a reduction from the previous tax rate of \$.041081. Although the City historically collects in excess of 100% of taxes due, which includes delinquent taxes from previous years, a conservative collection rate of 99% of the tax rate is assumed.

The FY22 assessed property value of the City of Melissa is approximately \$1.75 billion, an overall increase of \$327 million from the preceding year. The top ten taxpayers for 2021 make up only 4.11% of the \$1.75 billion taxable appraised value compared to 5.67% in 2013.

Sales tax is the second largest source of revenue to the City's General Fund, making up \$1,800,000 or 14% of total revenues.

The City Council remains committed to conduct an annual water rate study to ensure the rate structure pays for the debt and maintenance and operation of the water and wastewater systems. This planning effort is imperative in a community where investments in water and wastewater systems are critical to sustain the growth it is experiencing. The City purchases surface water from the North Texas Municipal Water District ("NTMWD") and supplements its water supply with limited well water. The NTMWD delivers water to the City and treats its wastewater as well. Current wholesale rates remained the same by NTMWD. Because there were no changes in wholesale costs and the growth in Melissa, the City was able to reduce water volumetric rates for all the water rate tiers. The rates will be reviewed again next year.

City of Melissa, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

Capital Improvement Planning projects and expenditures are captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten-year planning program for the City's Transportation, Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the roadway system, water, and wastewater system.

All these factors were considered in preparing the City of Melissa's FY22 budget.

The City of Melissa is committed to increasing the contingency or General Fund balance to defray unforeseen budget shortfalls. The Council adopted financial policy goal of at least 90 days of operating expenses for the City's General Fund. The fund balance ended at 90 days at 9/30/21. The FY 22 budget provides for an approximate increase of \$275,000 in the General Fund balance to remain at the 90-day benchmark.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 3411 Barker Avenue Melissa, Texas 75454.

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FINANCIAL STATEMENTS

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2021

	Primary Government			
	Governmental Activities		Business-Type Activities	
	Activities	Activities	Activities	
<u>Assets</u>				
Cash and cash equivalents	\$ 76,793,465	\$ 18,480,989	\$ 95,274,454	
Receivables, net	708,949	2,171,314	2,880,263	
Internal balances	351,609	(351,609)	-	
Prepaid and other assets	34,138	1,151,106	1,185,244	
Total Current Assets	77,888,161	21,451,800	99,339,961	
Contribution receivable, noncurrent	-	2,240,000	2,240,000	
Capital assets:				
Non-depreciable	14,379,569	8,498,570	22,878,139	
Net depreciable capital assets	53,009,095	23,939,997	76,949,092	
Total Noncurrent Assets	67,388,664	34,678,567	102,067,231	
Total Assets	145,276,825	56,130,367	201,407,192	
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	372,024	53,475	425,499	
Pension contributions	382,843	69,715	452,558	
Pension assumption changes	30,584	5,569	36,153	
Pension (gains) losses	4,769	868	5,637	
OPEB contributions	1,690	308	1,998	
OPEB assumption changes	24,148	4,397	28,545	
Total Deferred Outflows of Resources	816,058	134,332	950,390	

See Notes to Financial Statements.

Component Units	
Community Development	Economic Development
\$ 837,009	\$ 2,213,066
235,403	235,403
-	-
-	-
1,072,412	2,448,469
-	-
16,166	129,076
-	-
16,166	129,076
1,088,578	2,577,545
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2021

	Primary Government				
	Governmental Activities	Business-Type Activities			
Liabilities					
Accounts payable and accrued liabilities	\$ 3,197,051	\$ 1,550,735	\$ 4,747,786		
Customer deposits	-	1,004,274	1,004,274		
Unearned revenue	250,000	-	250,000		
Accrued interest payable	241,143	538,271	779,414		
Compensated absences, current	179,341	24,954	204,295		
Long-term debt due within one year	3,553,939	1,600,000	5,153,939		
Total Current Liabilities	7,421,474	4,718,234	12,139,708		
Noncurrent liabilities:					
Net pension liability	1,176,667	214,269	1,390,936		
OPEB liability	113,909	20,743	134,652		
Compensated absences, noncurrent	19,927	2,773	22,700		
Long-term debt due in more than one year	84,214,199	33,157,141	117,371,340		
Total Noncurrent Liabilities	85,524,702	33,394,926	118,919,628		
Total Liabilities	92,946,176	38,113,160	131,059,336		
Deferred Inflows of Resources					
Pension investment earnings	121,548	22,134	143,682		
OPEB (gains) losses	6,383	1,162	7,545		
Total Deferred Inflows of Resources	127,931	23,296	151,227		
Net Position					
Net investment in capital assets	24,984,055	3,885,769	28,869,824		
Restricted for:					
Municipal court	85,262	-	85,262		
Debt service	2,764,507	-	2,764,507		
Capital projects	9,154,363	9,590,676	18,745,039		
PEG Fees	29,402	-	29,402		
Coronavirus relief	1,501,261	-	1,501,261		
Economic development	-	-	-		
Unrestricted	14,499,926	4,651,798	19,151,724		
Total Net Position	\$ 53,018,776	\$ 18,128,243	\$ 71,147,019		

See Notes to Financial Statements.

Component Units			
Community Development		Economic Development	
\$	-	\$	-
-		-	
-		-	
-		-	
-		-	
-		-	
-		-	
16,166		129,076	
-		-	
-		-	
-		-	
-		-	
-		-	
1,072,412		2,448,469	
-		-	
\$ 1,088,578		\$ 2,577,545	

City of Melissa, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 7,350,845	\$ 4,758,494	\$ 1,588,145	\$ -
Public safety	4,427,971	485,031	68,575	-
Streets	2,586,446	-	135,836	4,029,906
Culture and recreation	2,171,244	2,260,000	581,567	296,229
Interest and fiscal charges	2,025,257	-	-	-
Total Governmental Activities	18,561,763	7,503,525	2,374,123	4,326,135
Business-Type Activities				
Water and sewer	9,080,330	10,659,437	-	2,514,352
Sanitation	807,405	888,487	-	-
Total Business-Type Activities	9,887,735	11,547,924	-	2,514,352
Total Primary Government	\$ 28,449,498	\$ 19,051,449	\$ 2,374,123	\$ 6,840,487
Component Units				
Community development	\$ 904,717	\$ -	\$ -	\$ -
Economic development	408,879	-	-	-
Total Component Units	\$ 1,313,596	\$ -	\$ -	\$ -

General Revenues:

Taxes
 Property tax
 Sales tax
 Franchise and local taxes
 Investment income
 Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position
 Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government				Component Units		
Governmental Activities	Business-Type Activities	Total		Community Development	Economic Development	
\$ (1,004,206)	\$ -	\$ (1,004,206)	\$ -	\$ -	\$ -	
(3,874,365)	-	(3,874,365)		-	-	
1,579,296	-	1,579,296		-	-	
966,552	-	966,552		-	-	
(2,025,257)	-	(2,025,257)		-	-	
(4,357,980)	-	(4,357,980)		-	-	
	4,093,459	4,093,459		-	-	
	81,082	81,082		-	-	
	4,174,541	4,174,541		-	-	
(4,357,980)	4,174,541	(183,439)		-	-	
			(904,717)		-	
				-	(408,879)	
			(904,717)		(408,879)	
9,115,965	-	9,115,965		-	-	
2,322,384	-	2,322,384	1,160,304		1,160,304	
605,730	-	605,730		-	-	
147,444	54,533	201,977	1,900		7,224	
188,369	290,276	478,645		-	-	
3,835,928	(3,835,928)	-		-	-	
16,215,820	(3,491,119)	12,724,701	1,162,204		1,167,528	
11,857,840	683,422	12,541,262	257,487		758,649	
41,160,936	17,444,821	58,605,757	831,091		1,818,896	
\$ 53,018,776	\$ 18,128,243	\$ 71,147,019	\$ 1,088,578		\$ 2,577,545	

City of Melissa, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Transportation Construction</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 26,873,892	\$ 1,530,688	\$ 21,463,224
Receivables, net	708,949	-	-
Prepaid items	34,138	-	-
Due from other funds	403,567	1,095	-
Total Assets	<u>\$ 28,020,546</u>	<u>\$ 1,531,783</u>	<u>\$ 21,463,224</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 1,088,061	\$ 1,000	\$ 1,969,708
Unearned grant revenue	250,000	-	-
Due to other funds	1,095	-	-
Total Liabilities	<u>1,339,156</u>	<u>1,000</u>	<u>1,969,708</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	48,947	-	-
Total Deferred Inflows of Resources	<u>48,947</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	34,138	-	-
Restricted for:			
Municipal court	85,262	-	-
Debt service	-	1,530,783	-
Capital projects	9,150,655	-	19,493,516
PEG Fees	29,402	-	-
Coronavirus relief	1,501,261	-	-
Assigned for:			
Various activities	12,225,645	-	-
Unassigned reported in:			
General fund	3,606,080	-	-
Total Fund Balances	<u>26,632,443</u>	<u>1,530,783</u>	<u>19,493,516</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 28,020,546</u>	<u>\$ 1,531,783</u>	<u>\$ 21,463,224</u>

See Notes to Financial Statements.

Park Construction	Facilities Construction	Nonmajor		Total Governmental Funds
		TIF Fund		
\$ 12,691,510	\$ 13,000,427	\$ 1,233,724	\$ 76,793,465	
-	-	-	708,949	
-	-	-	34,138	
-	-	-	404,662	
\$ 12,691,510	\$ 13,000,427	\$ 1,233,724	\$ 77,941,214	
<hr/>				
\$ 138,282	\$ -	\$ -	\$ 3,197,051	
-	-	-	250,000	
-	51,958	-	53,053	
138,282	51,958	-	3,500,104	
<hr/>				
-	-	-	48,947	
-	-	-	48,947	
<hr/>				
-	-	-	34,138	
-	-	-	85,262	
-	-	1,233,724	2,764,507	
12,553,228	12,948,469	-	54,145,868	
-	-	-	29,402	
-	-	-	1,501,261	
-	-	-	12,225,645	
-	-	-	3,606,080	
12,553,228	12,948,469	1,233,724	74,392,163	
\$ 12,691,510	\$ 13,000,427	\$ 1,233,724	\$ 77,941,214	

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City of Melissa, Texas

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2021**

Fund Balances - Total Governmental Funds		\$ 74,392,163
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		14,379,569
Capital assets - net depreciable		53,009,095
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property taxes		48,947
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Deferred charge on refunding		372,024
Pension contributions		382,843
Pension assumption changes		30,584
Pension (gains) losses		4,769
OPEB contributions		1,690
OPEB assumption changes		24,148
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.		
Pension investment earnings		(121,548)
OPEB (gains) losses		(6,383)
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.		
Net pension liability		(1,176,667)
OPEB liability		(113,909)
Accrued interest		(241,143)
Bond premium		(6,535,834)
Compensated absences		(199,268)
Non-current liabilities due in one year		(3,553,939)
Non-current liabilities due in more than one year		(77,678,365)
Net Position of Governmental Activities		\$ 53,018,776

See Notes to Financial Statements.

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

(Page 1 of 2)

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Transportation Construction
Revenues			
Property tax	\$ 5,477,273	\$ 2,245,652	\$ -
Sales tax	2,322,384	-	-
Franchise and local taxes	605,730	-	-
Road impact fees	2,521,026	-	-
Park development fees	2,260,000	-	-
License and permits	3,605,921	-	-
Charges for services	124,293	-	-
Fines and forfeitures	485,031	-	-
Platting and development	1,028,280	-	-
Intergovernmental	1,628,780	745,343	1,508,880
Lease revenue	100,049	-	-
Investment income	84,899	5,595	48,075
Other revenues	89,492	-	33,828
Total Revenues	20,333,158	2,996,590	1,590,783
Expenditures			
Administration	2,728,736	-	-
Planning and development	1,851,734	-	-
Code enforcement	85,051	-	-
Public library	322,769	-	-
Public safety	4,042,196	-	-
Streets	365,785	-	-
Municipal court	323,160	-	-
Building maintenance	155,851	-	-
Parks and recreation	1,011,564	-	-
Capital outlay	3,784,244	-	6,748,376
Debt service			
Principal	151,537	2,435,000	-
Interest	25,684	1,807,322	-
Bond issuance costs	98,136	-	116,285
Total Expenditures	14,946,447	4,242,322	6,864,661

Park Construction	Facilities Construction	Nonmajor		Total Governmental Funds
		TIF Fund		
\$ -	\$ -	\$ 1,389,880	\$ 9,112,805	
-	-	-	2,322,384	
-	-	-	605,730	
-	-	-	2,521,026	
-	-	-	2,260,000	
-	-	-	3,605,921	
-	-	-	124,293	
-	-	-	485,031	
-	-	-	1,028,280	
-	-	-	3,883,003	
-	-	-	100,049	
4,155	427	4,293	147,444	
-	-	-	123,320	
4,155	427	1,394,173	26,319,286	
-	-	-	2,728,736	
-	-	-	1,851,734	
-	-	-	85,051	
-	-	-	322,769	
-	-	-	4,042,196	
-	-	-	365,785	
-	-	-	323,160	
-	-	-	155,851	
-	-	-	1,011,564	
1,944,626	51,958	-	12,529,204	
-	-	-	2,586,537	
-	-	-	1,833,006	
114,267	-	-	328,688	
2,058,893	51,958	-	28,164,281	

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

(Page 2 of 2)

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Transportation Construction
Excess of Revenues Over (Under) Expenditures	\$ 5,386,711	\$ (1,245,732)	\$ (5,273,878)
<u>Other Financing Sources (Uses)</u>			
Transfers in	3,835,928	1,362,250	-
Transfers (out)	(13,552,919)	-	-
Sale of capital assets	5,287,922	-	-
Lease issuance	861,000	-	-
Bond issuance	8,460,000	-	10,590,000
Bond premium	1,456,654	-	1,826,285
Payment to refunding escrow agent	(315,000)	-	-
Total Other Financing Sources (Uses)	6,033,585	1,362,250	12,416,285
Net Change in Fund Balances	11,420,296	116,518	7,142,407
Beginning fund balances	15,212,147	1,414,265	12,351,109
Ending Fund Balances	\$ 26,632,443	\$ 1,530,783	\$ 19,493,516

See Notes to Financial Statements.

Park Construction	Facilities Construction	Nonmajor		Total Governmental Funds
		TIF Fund		
\$ (2,054,738)	\$ (51,531)	\$ 1,394,173	\$ (1,844,995)	
-	13,000,000	-	18,198,178	
-	-	(809,331)	(14,362,250)	
-	-	-	5,287,922	
-	-	-	861,000	
11,185,000	-	-	30,235,000	
1,929,267	-	-	5,212,206	
-		-	(315,000)	
<u>13,114,267</u>	<u>13,000,000</u>	<u>(809,331)</u>	<u>45,117,056</u>	
11,059,529	12,948,469	584,842	43,272,061	
1,493,699	-	648,882	31,120,102	
<u>\$ 12,553,228</u>	<u>\$ 12,948,469</u>	<u>\$ 1,233,724</u>	<u>\$ 74,392,163</u>	

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City of Melissa, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ 43,272,061

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	11,744,995
Depreciation expense	(2,974,323)
Adjustment for disposal of capital assets	(7,286,990)
Capital assets contributed from component unit	261,229

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes 3,160

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	139,878
OPEB expense	(10,946)
Compensated absences	(20,992)
Accrued interest	44,245
Amortization of deferred charges on refunding	(74,405)
Amortization of bond premium	166,597

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	2,586,537
Bond issuance	(30,235,000)
Premiums on bond issuance	(5,212,206)
Lease issuance	(861,000)
Bonds refunded	315,000
Change in Net Position of Governmental Activities	\$ 11,857,840

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2021

	Utility Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 18,480,989
Receivables, net	1,847,454
Contribution receivable, current	320,000
Other receivables	3,860
Prepays and other assets	1,151,106
Total Current Assets	21,803,409
Noncurrent Assets	
Contribution receivable, noncurrent	2,240,000
Capital assets:	
Non-depreciable	8,498,570
Net depreciable capital assets	23,939,997
Total Noncurrent Assets	34,678,567
Total Assets	56,481,976
Deferred Outflows of Resources	
Deferred charge on refunding	53,475
Pension contributions	69,715
Pension assumption changes	5,569
Pension (gains) losses	868
OPEB contributions	308
OPEB assumption changes	4,397
Total Deferred Outflows of Resources	134,332

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2021

	Utility Fund
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable	\$ 1,231,705
Accrued expenses	319,030
Customer deposits	1,004,274
Current maturities of long-term liabilities	1,600,000
Compensated absences, current	24,954
Accrued interest	538,271
Due to other funds	351,609
	Total Current Liabilities
	5,069,843
<u>Noncurrent Liabilities</u>	
Long-term liabilities	33,157,141
Compensated absences, noncurrent	2,773
Net pension liability	214,269
OPEB liability	20,743
	Total Noncurrent Liabilities
	33,394,926
	Total Liabilities
	38,464,769
<u>Deferred Inflows of Resources</u>	
Pension investment earnings	22,134
OPEB (gains) losses	1,162
	Total Deferred Inflows of Resources
	23,296
<u>Net Position</u>	
Net investment in capital assets	3,901,430
Restricted for capital projects	9,590,676
Unrestricted	4,636,137
	Total Net Position
	\$ 18,128,243

See Notes to Financial Statements.

City of Melissa, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2021

	Utility Fund
<u>Operating Revenues</u>	
Water revenue	\$ 5,984,629
Sanitation revenue	888,487
Sewer revenue	4,129,409
Tap fees	64,000
Meter installations	327,686
Reconnect fees	153,713
Other revenue	290,276
	Total Operating Revenues
	11,838,200
<u>Operating Expenses</u>	
Personnel services - water	667,774
Personnel services - billing	308,877
Material and supplies - water	1,753,080
Material and supplies - sewer	8,653
Material and supplies - billing	321,767
Other services - water	2,724,507
Other services - sewer	1,255,585
Other services - sanitation	807,405
Other services - billing	120,011
Depreciation	841,182
	Total Operating Expenses
	8,808,841
	Operating Income (Loss)
	3,029,359
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	54,533
Interest expense	(962,441)
Bond issuance costs	(116,453)
	Total Nonoperating Revenues (Expenses)
	(1,024,361)
	Income Before and Capital Contributions and Transfers
	2,004,998
<u>Capital Contributions and Transfers</u>	
Capital grants and contributions	226,412
Contributions-impact fees	2,287,940
Transfers (out)	(3,835,928)
	Change in Net Position
	683,422
Beginning net position	17,444,821
	Ending Net Position
	\$ 18,128,243

See Notes to Financial Statements.

City of Melissa, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

	Utility Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 11,965,465
Payments to suppliers and contractors	(5,998,492)
Payments to employees for salaries and benefits	(970,780)
Net Cash Provided (Used) by Operating Activities	4,996,193
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers (out)	(3,835,928)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,835,928)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of capital assets	(4,129,784)
Capital contributions	226,412
Contributions-impact fees	2,287,940
Current year debt refunding	(885,000)
Proceeds from capital debt	9,897,936
Principal paid on capital debt	(1,478,750)
Interest paid on capital debt	(1,107,317)
Bond issuance costs paid	(116,453)
Net Cash Provided (Used) by Capital and Related Financing Activities	4,694,984
<u>Cash Flows from Investing Activities</u>	
Interest on investments	54,533
Net Cash Provided by Investing Activities	54,533
Net Increase (Decrease) in Cash and Cash Equivalents	5,909,782
Beginning cash and cash equivalents	12,571,207
Ending Cash and Cash Equivalents	\$ 18,480,989

See Notes to Financial Statements.

City of Melissa, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2021

	Utility Fund
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 3,029,359
Adjustments to reconcile operating income to net cash provided (used):	
Depreciation	841,182
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(367,114)
Contribution receivable	320,000
Deferred Outflows of Resources:	
Pension contributions	(15,915)
OPEB contributions	(229)
Pension assumption changes	3,373
OPEB assumption changes	(2,454)
Deferred Inflows of Resources:	
Pension investment earnings	670
Pension (gains) losses	(7,764)
OPEB (gains) losses	(1,540)
Increase (Decrease) in:	
Prepaid expenses	216,831
Accounts payable and accrued expenses	434,131
Customer deposits	174,379
Compensated absences	13,432
Due to other funds	341,554
Net pension liability	8,878
OPEB liability	7,420
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,996,193</u>

See Notes to Financial Statements.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Melissa, Texas is a municipal corporation governed by an elected five-member council and mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Melissa Economic Development Corporation

The Melissa Economic Development Corporation (the "MEDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

remove appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing economic resources and is operated primarily within the geographic boundaries of the City. The Board is not substantially the same as the City Council, and therefore, is discretely presented.

Melissa Community Development Corporation

The Melissa Community Development Corporation (the "MCDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can remove appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City. The Board is not substantially the same as the City Council, and therefore, is discretely presented.

The MEDC and MCDC do not prepare separate financial statements; however, the presentations in the basic financial statements and the other supplementary information are a complete presentation.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has two discretely presented component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

The government reports the following major governmental funds:

General Fund

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, road impact fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation.

Debt Service Fund

The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds

The capital projects funds ("Transportation Construction" and "Park Construction") account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. Both funds are considered major as of September 30, 2021.

Facilities Construction Fund

The facilities construction fund accounts for the acquisition of assets or construction of public facilities not being financed by proprietary or nonexpendable trust funds.

As of September 30, 2021, the TIF fund is considered nonmajor for reporting purposes.

The government reports the following major proprietary fund:

Utility Fund

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the council had decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The government's enterprise fund is for water, sewer, and sanitation operations.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. These funds consist of the tax increment fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

E. Assets, Liabilities, Deferred Outflows / Inflows, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 years
Machinery and equipment	5 to 10 years
Infrastructure	40 years
Buildings and improvements	40 years

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

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6. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of unassigned fund balance in the general fund at an amount equal to or greater than 25% of operating expenditures of that fund.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

3. Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility fund, airport fund, cemetery operating,

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

and sanitation funds are charges to customers for sales and services. The public utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, TIF, and enterprise funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

A. Expenditures Over Appropriations

For the year ended September 30, 2021, the general fund's total expenditures exceeded appropriations at the legal level of control by \$3,703,657. In addition, the debt service fund's total expenditures exceeded appropriations at the legal level of control by \$6,529.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The primary government and its component units may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2021, the City did not maintain funds in any investment pools.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Utility Fund	Total
Property tax	\$ 48,947	\$ -	\$ 48,947
Sales tax	470,807	-	470,807
Franchise tax	109,003	-	109,003
Other	80,192	2,563,860	2,644,052
Accounts, net	-	2,179,078	2,179,078
Allowance	-	(331,624)	(331,624)
Total	\$ 708,949	\$ 4,411,314	\$ 5,120,263

The following comprise receivable balances of the component units at year end:

	Community Development	Economic Development	Total
Sales tax	\$ 235,403	\$ 235,403	\$ 470,806
Total	\$ 235,403	\$ 235,403	\$ 470,806

Contribution receivable

In May 2016, the City entered into an Interlocal Agreement with North Texas Municipal Water District ("NTMWD"). The City and NTMWD determined a mutual need for the construction of a sanitary sewer line to serve the Stiff Creek basin. NTMWD owns and operates the 121 Regional Disposal Landfill Facility and would like to dispose of discharge by connecting the landfill to the Stiff Creek Sewer line. The agreement stipulates a contribution to the City by NTMWD to offset a portion of the City's capital costs. The City is responsible for the design, construction and maintenance of the sewer line. Upon completion of the project and once the sewer line can service the landfill, the City is responsible to notify the NTMWD, which initiates the capital contribution. Upon completion and notification, the NTMWD is obligated to make payments bi-annually on the last day of June and December, in accordance with the following payment schedule. As of the September 30, 2021, the utility fund recorded a contribution receivable balance of \$2,560,000 on the statement of net position.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*
September 30, 2021

Payment Date	Amount
12/31/2021	\$ 160,000
6/30/2022	160,000
12/31/2022	149,333
6/30/2023	149,333
12/31/2023	138,667
6/30/2024	138,667
12/31/2024	128,000
6/30/2025	128,000
2025 - 2036	1,408,000
	\$ 2,560,000

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 8,775,276	\$ 2,388,490	\$ (7,241,714)	\$ 3,922,052
Construction in progress	5,205,801	7,994,456	(2,742,740)	10,457,517
Total capital assets not being depreciated	<u>13,981,077</u>	<u>10,382,946</u>	<u>(9,984,454)</u>	<u>14,379,569</u>
Capital assets, being depreciated:				
Buildings and improvements	14,144,296	-	380,802	14,525,098
Operating equipment	3,491,855	1,179,288	(583,876)	4,087,267
Infrastructure	49,212,591	182,761	2,609,721	52,005,073
Total capital assets being depreciated	<u>66,848,742</u>	<u>1,362,049</u>	<u>2,406,647</u>	<u>70,617,438</u>
Less accumulated depreciation				
Buildings and improvements	4,707,828	447,021	-	5,154,849
Operating equipment	2,022,633	421,990	(552,046)	1,892,577
Infrastructure	8,455,605	2,105,312	-	10,560,917
Total accumulated depreciation	<u>15,186,066</u>	<u>2,974,323</u>	<u>(552,046)</u>	<u>17,608,343</u>
Net capital assets being depreciated	51,662,676	(1,612,274)	2,958,693	53,009,095
Total Capital Assets	\$ 65,643,753	\$ 8,770,672	\$ (7,025,761)	\$ 67,388,664

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

Depreciation was charged to governmental functions as follows:

General government	\$ 312,185
Public safety	376,179
Streets	1,441,131
Parks and recreation	844,828
Total Governmental Activities Depreciation Expense	\$ 2,974,323

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Additions	Retirements/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 413,357	\$ -	\$ -	\$ 413,357
Construction in progress	3,991,143	4,094,070	-	8,085,213
Total capital assets not being depreciated	4,404,500	4,094,070	-	8,498,570
Capital assets, being depreciated:				
Building and system	31,718,037	29,465	-	31,747,502
Equipment	654,267	6,249	-	660,516
Total capital assets being depreciated	32,372,304	35,714	-	32,408,018
Less accumulated depreciation				
Building and system	7,152,164	791,103	-	7,943,267
Equipment	474,675	50,079	-	524,754
Total accumulated depreciation	7,626,839	841,182	-	8,468,021
Net capital assets being depreciated	24,745,465	(805,468)	-	23,939,997
Total Capital Assets	\$ 29,149,965	\$ 3,288,602	\$ -	\$ 32,438,567

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 841,182
Total Business-type Activities Depreciation Expense	\$ 841,182

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

A summary of changes in component-unit activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 129,076	\$ -	\$ -	\$ 129,076
Construction in progress	253,141	24,154	(261,129)	16,166
Total capital assets not being depreciated	<u>382,217</u>	<u>24,154</u>	<u>(261,129)</u>	<u>145,242</u>
Total Capital Assets	<u>\$ 382,217</u>	<u>\$ 24,154</u>	<u>\$ (261,129)</u>	<u>\$ 145,242</u>

D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2021. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Refunded</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Bonds, notes and other payables:						
Certificates of Obligation	\$ 30,685,000	\$ 29,950,000	\$ (1,075,000)	\$ -	\$ 59,560,000	\$ 1,965,000
General Obligation Bonds	21,600,000	285,000	(1,360,000)	(315,000)	20,210,000	1,415,000
Less deferred amounts:						
For premiums	1,490,225	5,212,206	(166,597)	-	6,535,834	-
Total Bonds Payable	<u>53,775,225</u>	<u>35,447,206</u>	<u>(2,601,597)</u>	<u>(315,000)</u>	<u>86,305,834</u>	<u>3,380,000</u>
Capital Leases	752,841	861,000	(151,537)	-	1,462,304	173,939
Total	<u>\$ 54,528,066</u>	<u>\$ 36,308,206</u>	<u>\$ (2,753,134)</u>	<u>\$ (315,000)</u>	<u>\$ 87,768,138</u>	<u>\$ 3,553,939</u>
Long-term liabilities due in more than one year						<u>\$ 84,214,199</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Refunded</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:						
Certificates of Obligation	\$ 19,205,000	\$ 7,660,000	\$ (850,000)	\$ (885,000)	\$ 25,130,000	\$ 1,025,000
General Obligation Bonds	1,445,000	785,000	(285,000)	-	1,945,000	220,000
Contract Revenue Bonds	6,067,500	-	(343,750)	-	5,723,750	355,000
Less deferred amounts:						
For premiums	549,233	1,452,936	(43,778)	-	1,958,391	-
Total	<u>\$ 27,266,733</u>	<u>\$ 9,897,936</u>	<u>\$ (1,522,528)</u>	<u>\$ (885,000)</u>	<u>\$ 34,757,141</u>	<u>\$ 1,600,000</u>
Long-term liabilities due in more than one year						<u>\$ 33,157,141</u>

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset. Long-term debt at year end was comprised of the following debt issues:

		Governmental Activities
Certificates of Obligation:		
2005A Certificates of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 & August 15.	\$	270,000
2015 Certificates of Obligation issued January 1, 2015 due in annual installments through February 15, 2040, bearing interest at rates ranging from 2.375% to 4%, payable February 15 & August 15.	7,205,000	
2016 Certificates of Obligation issued October 13, 2016 due in annual installments through September 30 2036, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 & August 15	4,070,000	
2017 Certificates of Obligation issued July 13, 2017 due in annual installments through September 30 2037, bearing interest rates ranging from 3.0 to 4.0%, payable February 15 & August 15	4,850,000	
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30 2043, bearing interest rates ranging from 3.0 to 5.0%, payable February 15 & August 15	8,850,000	
2020 Certificates of Obligation issued May 27, 2020 due in annual installments through September 30, 2045, bearing interest rates ranging from 2.0 to 4.0%, payable February 15 & August 15	4,365,000	
2021 Certificates of Obligation issued September 23, 2021 due in annual installments through September 30, 2046, bearing interest rates ranging from 3.0 to 4.0%, payable February 15 & August 15	29,950,000	
Total Certificates of Obligation	\$	59,560,000

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

	<u>Governmental Activities</u>
General Obligations:	
2013 General Obligation Refunding & Improvement Bonds issued January 1, 2013 due in annual installments through February 15, 2032, bearing interest at rates ranging from 1.0% to 3.0%, payable February 15 & August 15.	\$ 1,040,000
2015 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2035, bearing interest at rates ranging from 2.3% to 4%, payable February 15 & August 15.	1,695,000
2016 General Obligation Bonds issued November 15, 2016 due in annual installments through February 15, 2036, bearing interest at rates ranging from 2% to 4%, payable February 15 & August 15.	9,945,000
2017 General Obligation Bonds issued July 13, 2017 due in annual installments through September 30, 2037, bearing interest at rates ranging from 3% to 4%, payable February 15 & August 15.	3,350,000
2018 General Obligation Bonds issued September 27, 2018 due in annual installments through September 30, 2043, bearing interest at rates ranging from 3% to 5%, payable February 15 & August 15.	3,895,000
2021 General Obligation Bonds issued September 23, 2021 due in annual installments through September 30, 2032, bearing an interest rate of 4%, payable February 15 & August 15.	285,000
Total General Obligation bonds	\$ 20,210,000
Less deferred amounts:	
Premiums	\$ 6,535,834
Capital Leases Payable:	1,462,304
Total Long-term Debt	<u>\$ 87,768,138</u>

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

	Business - Type Activities
Certificates of Obligation:	
2013 Certificates of Obligation issued February 12, 2013 due in annual installments through February 15, 2032, bearing interest rates from 2.0% to 3.0%, payable February 15 & August 15.	\$ 3,020,000
2014 Certificates of Obligation issued June 15, 2014 due in annual installments through February 15, 2034 bearing interest rates ranging from 2.0% to 3.75%, payable February 15 & August 15.	1,580,000
2015 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	1,455,000
2016 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	4,275,000
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30, 2043 bearing interest rates ranging from 3% to 5%, payable February 15 & August 15.	7,140,000
2021 Certificates of Obligation issued September 30, 2021 due in annual installments through September 30, 2046 bearing interest rates ranging from 3% to 4%, payable February 15 & August 15.	7,660,000
Total Certificates of Obligation	\$ 25,130,000
General Obligations:	
2016 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	1,160,000
2021 General Obligation Bonds issued September 30, 2021 due in annual installments through September 30, 2032 bearing an interest rate of 4%, payable February 15 & August 15.	785,000
Total General Obligation bonds	\$ 1,945,000

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2021*

Contract Revenue Bonds

2005 Contract Revenue Bonds issued September 20, 2005 due in annual installments through October 1, 2028, bearing interest rates ranging from 2.29% to 5.74%, payable April 1 & October 1.	\$ 306,250
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	2,168,750
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 & December 1.	565,000
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest rates from 2.67% to 5.62%, payable October 1 & April 1.	848,750
2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest rates ranging from 2.95% to 4.10%, payable December 1 & June 1.	490,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 1.55% to 5.4%, payable June 1 & December 1.	600,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 0.66% to 4.45%, payable June 1 & December 1.	\$ 745,000
	Total Contract Revenue Bonds \$ 5,723,750
Less deferred amounts:	
Premiums	\$ 1,958,391
	Total Long-term Debt \$ 34,757,141

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued *September 30, 2021*

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

	Governmental Activities			Business-type Activities		
	Principal	Interest		Principal	Interest	
2022	\$ 1,965,000	\$ 2,004,844		\$ 1,025,000	\$ 850,822	
2023	1,925,000	2,046,435		1,035,000	847,534	
2024	2,010,000	1,964,184		1,075,000	811,890	
2025	2,085,000	1,879,781		1,115,000	774,534	
2026	2,165,000	1,805,556		1,145,000	736,681	
2027	2,175,000	1,736,719		1,195,000	697,073	
2028	2,255,000	1,660,544		1,240,000	654,029	
2029	2,345,000	1,574,694		1,290,000	609,233	
2030	2,435,000	1,479,544		1,325,000	562,884	
2031	2,550,000	1,381,609		1,385,000	513,563	
2032	2,645,000	1,466,700		1,435,000	461,369	
2033	2,755,000	1,188,522		1,165,000	413,269	
2034	2,855,000	1,089,400		1,215,000	369,025	
2035	2,970,000	985,544		1,100,000	325,566	
2036	3,075,000	876,944		1,145,000	283,138	
2037	2,825,000	771,019		800,000	246,756	
2038	2,525,000	681,409		835,000	218,184	
2039	2,610,000	600,053		860,000	189,994	
2040	2,695,000	517,934		890,000	160,813	
2041	2,240,000	440,356		810,000	132,475	
2042	2,320,000	360,881		840,000	103,016	
2043	2,420,000	270,156		870,000	70,225	
2044	1,915,000	186,575		425,000	44,900	
2045	1,990,000	110,950		445,000	27,500	
2046	1,810,000	36,200		465,000	9,300	
Total	\$ 59,560,000	\$ 27,116,553		\$ 25,130,000	\$ 10,113,771	

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

General Obligation Bonds

	Governmental Activities			Business-type Activities		
	Principal	Interest		Principal	Interest	
2022	\$ 1,415,000	\$ 697,262		\$ 220,000	\$ 66,786	
2023	1,470,000	652,265		230,000	62,750	
2024	1,515,000	603,284		235,000	55,100	
2025	1,440,000	546,203		245,000	45,500	
2026	1,430,000	491,153		245,000	35,700	
2027	1,360,000	437,428		215,000	26,500	
2028	1,430,000	384,428		230,000	17,600	
2029	1,100,000	338,203		75,000	11,500	
2030	1,140,000	298,703		80,000	8,400	
2031	1,190,000	257,578		85,000	5,100	
2032	1,240,000	214,462		85,000	1,700	
2033	1,200,000	170,812		-	-	
2034	1,250,000	126,623		-	-	
2035	640,000	93,813		-	-	
2036	495,000	75,396		-	-	
2037	470,000	59,133		-	-	
2038	215,000	47,344		-	-	
2039	225,000	39,644		-	-	
2040	230,000	31,538		-	-	
2041	240,000	23,019		-	-	
2042	255,000	14,047		-	-	
2043	260,000	4,713		-	-	
Total	\$ 20,210,000	\$ 5,607,043		\$ 1,945,000	\$ 336,636	

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Contract Revenue Bonds

Business-type Activities			
	Principal	Interest	
2022	\$ 355,000	\$ 394,602	
2023	380,000	380,402	
2024	392,500	381,697	
2025	420,000	368,443	
2026	533,750	250,648	
2027	432,500	229,873	
2028	458,750	178,589	
2029	377,500	190,465	
2030	193,750	134,141	
2031	203,750	123,017	
2032	216,250	111,323	
2033	227,500	98,882	
2034	241,250	85,732	
2035	253,750	71,795	
2036	270,000	57,109	
2037	176,250	44,584	
2038	185,000	34,397	
2039	197,500	23,612	
2040	208,750	12,097	
Total	<u>\$ 5,723,750</u>	<u>\$ 3,171,407</u>	

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

The annual requirements to amortize capital leases outstanding at year ending were as follows:

Capital Leases Payable

Year ending September 30,	Governmental Activities			Total
	Principal	Interest		
2022	\$ 173,939	\$ 37,062		\$ 211,001
2023	178,402	31,745		210,147
2024	131,995	26,290		158,285
2025	117,103	22,679		139,782
2026	120,212	19,570		139,782
2027	123,407	16,375		139,782
2028	126,692	13,090		139,782
2029	57,195	9,713		66,908
2030	58,327	8,580		66,908
2031	59,482	7,426		66,908
2032	60,660	6,248		66,908
2033	61,861	5,047		66,908
2034	63,086	3,822		66,908
2035	64,335	2,573		66,908
2036	65,609	1,299		66,909
Total	\$ 1,462,304	\$ 211,518		\$ 1,606,914

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and utility funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 178,276	\$ 29,539	\$ (8,547)	\$ 199,268	\$ 179,341
Total Governmental Activities	<u>\$ 178,276</u>	<u>\$ 29,539</u>	<u>\$ (8,547)</u>	<u>\$ 199,268</u>	<u>\$ 179,341</u>
Other Long-term Liabilities Due in More than One Year					
				<u>\$ 19,927</u>	
Business-Type Activities:					
Compensated Absences	\$ 14,295	\$ 16,110	\$ (2,678)	\$ 27,727	\$ 24,954
Total Business-Type Activities	<u>\$ 14,295</u>	<u>\$ 16,110</u>	<u>\$ (2,678)</u>	<u>\$ 27,727</u>	<u>\$ 24,954</u>
Other Long-term Liabilities Due in More than One Year					
				<u>\$ 2,773</u>	

F. Current Refunding

On September 23, 2021, the City issued \$1,070,000 worth of GO Refunding Bonds, Series 2021 with an interest rate of 4%. The proceeds of \$1,206,000 (net of premium and issuance costs) were used to refund \$885,000 and \$315,000 worth Series 2012 Certificates of Obligation and Series 2012 General Obligation Refunding Bonds, respectively. The new debt has a maturity date of February 15, 2032.

The reacquisition price exceeded the net carrying amount of the old debt by \$6,000. This amount was expensed as part of the transaction due to its immaterial nature. The government refunded the 2012 certificates of obligation and 2012 general obligation bonds to reduce its total debt service payments over 11 years by \$167,918 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$153,290.

G. Deferred Charge on Refunding

Deferred charges resulting from the issuance of series 2016 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental and business-type activities totaled \$372,024 and \$53,475, respectively. Current year amortization expense for governmental and business-type activities totaled \$74,405 and \$10,695, respectively.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2021

H. Interfund Transactions

Transfers between the primary government funds during the 2021 year were as follows:

Transfer out:	Transfer In:			
	Facilities			
	General	Construction	Debt Service	Total
General	\$ -	13,000,000	552,919	\$ 13,552,919
Nonmajor governmental	-	-	809,331	809,331
Utility	3,835,928	-	-	3,835,928
Total	\$ 3,835,928	\$ 13,000,000	\$ 1,362,250	\$ 18,198,178

Transfers between funds were primarily to support construction projects, debt payments and operation of funds.

The compositions of interfund balances as of the year ended September 30, 2021 were as follows:

Due from (receivable fund):	Due to (payable fund):			
	Facilities			
	General	Construction	Utility	Total
General	\$ -	\$ 51,958	\$ 351,609	\$ 403,567
Debt service	1,095	-	-	1,095
Total	\$ 1,095	\$ 51,958	\$ 351,609	\$ 404,662

Interfund receivables and payables are used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year. During the year the CDC and EDC transferred \$614,552 and \$136,400, respectively, to the debt service fund for capital debt payments. In addition, the EDC transferred \$224,225 to the utility fund for capital expenditures.

I. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

The following is a list of restricted net position and assigned fund balances by the City:

	Restricted	Assigned
Municipal court	\$ 85,262 *	9,972
Capital projects	18,745,039	-
PEG Fees	29,402 *	-
Coronavirus relief	1,501,261 *	-
Debt service	2,764,507	-
Information technology	-	79,387
City Hall	-	223,063
Designated capital projects	-	3,595,135
Special projects	-	1,945,365
Economic development	-	120,000
Body cameras	-	477
Roadway impact fees	-	898,190
Road repairs	-	313,072
Ticket writer program	-	6,014
Sale of land	-	5,034,970
	<hr/> <u>\$ 23,125,471</u>	<hr/> <u>\$ 12,225,645</u>

J. CONTRACTUAL OBLIGATIONS

Greater Texoma Utility Authority

Under the terms of the long-term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the City recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds.

The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a reserve fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds. Under terms of the contracts the City's obligation to make payments to GTUA, as well as GTUA's ownership interest in the facilities terminates, when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

Collin Grayson Municipal Alliance Transmission Water Pipeline

In 2004, the City, along with the City of Van Alstyne, Howe, and Anna, formed a group called the Collin Grayson Municipal Alliance ("COMA"). COMA entered into a long-term

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

contractual obligation with GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to COMA cities. The cost of the pipeline is being funded in four phases.

Each CMGA city was required to make payments to GTUA in an amount equivalent to 25% of the total obligation to cover their portion of the cost of the obligation until the pipeline project was completed. As water continues to flow to each COMA city, the City shall be charged its percentage or fraction share of debt service on the obligation based upon the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all COMA cities. The sum of the four (4) fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation,

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Construction Commitments

Project	Contract Amount	Spent-to-Date	Remaining Commitment
Governmental Activities:			
Melissa Road East	10,887,734	6,258,267	4,629,467
Melissa Road West	2,000,000	246,200	1,753,800
Sports Park Phase e II / Zadow Park	2,200,000	2,154,094	45,906
Signalization	750,000	222,210	527,790
Downtown Overlay District Roadways	1,000,000	598,582	401,418
Cardinal/Highland Rds	5,500,000	67,800	5,432,200
High School Collector Roads	7,300,000	576,786	6,723,214
Zplex Phase 4	6,200,000	266,714	5,933,286
Public Safety Complex Facility	13,000,000	51,958	12,948,043
Business-Type Activities:			
Future Water Take Point	808,321	808,321	-
SH5 Utility Relocation w/Gravity Sewer	3,600,000	65,715	3,534,285
North Elevated Storage Tank Water Tower	11,971,107	7,433,799	4,537,308
Total	\$ 65,217,162	\$ 18,750,445	\$ 46,466,717

D. Defined Benefit Pension Plans

1. Plan Description

The City of Melissa, Texas participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating Transfers	100%, Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	49
Active employees	55
Total	<u>126</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Melissa, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Melissa, Texas were 12.84% and 12.63% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$598,452, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/19	\$ 6,416,041	\$ 4,985,703	\$ 1,430,338
Changes for the year:			
Service cost	626,629	-	626,629
Interest	445,845	-	445,845
Change in benefit terms	-	-	-
Difference between expected and actual experience	53,607	-	53,607
Changes of assumptions	-	-	-
Contributions – employer	-	520,148	(520,148)
Contributions – employee	-	268,118	(268,118)
Net investment income	-	379,762	(379,762)
Benefit payments, including refunds of emp. contributions	(248,488)	(248,488)	-
Administrative expense	-	(2,449)	2,449
Other changes	-	(96)	96
Net changes	877,593	916,995	(39,402)
Balance at 12/31/20	\$ 7,293,634	\$ 5,902,698	\$ 1,390,936

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease	Current Single Rate	1% Increase
5.75%	Assumption 6.75%	7.75%
\$ 2,584,797	\$ 1,390,936	\$ 423,337

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$447,408.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between projected and investment earnings	\$ -	\$ (143,682)
Changes in actuarial assumptions	36,153	-
Difference between expected and actual economic experience	5,637	-
Contributions subsequent to the measurement date	<u>452,558</u>	-
Total	<u>\$ 494,348</u>	<u>\$ (143,682)</u>

The City reported \$452,558 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2021	\$ (34,595)	
2022	2,338	
2023	(66,401)	
2024	(3,234)	
2025	-	
Thereafter	-	
	<u>\$ (101,892)</u>	

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2019	Plan Year 2018
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	4
Active employees	55
Total	77

The City's contributions to the TMRS SDBF for the years ended 2021, 2020 and 2019 were \$2,213, \$849 and \$897, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates (*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.03%	0.03%	100.0%
2020	0.02%	0.02%	100.0%
2021	0.06%	0.06%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued* September 30, 2021

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 168,990	\$ 134,652	\$ 109,138

City of Melissa, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

Changes in the Total OPEB Liability:

Total OPEB Liability	
Balance at 12/31/19	\$ 92,780
Changes for the year:	
Service Cost	10,725
Interest	2,688
Difference between expected and actual experience	9,449
Changes of assumptions	19,776
Benefit payments	(766)
Net changes	41,872
Balance at 12/31/20	\$ 134,652

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$16,357.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 28,545	-
Difference between expected and actual experience	-	(7,545)
Contributions subsequent to measurement date	1,998	-
Total	\$ 30,543	\$ (7,545)

The City reported \$1,998 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Melissa, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Year ended December 31:

2021	\$ 2,944
2022	2,944
2023	2,944
2024	2,653
2025	2,930
Thereafter	<u>6,585</u>
	<u><u>\$ 21,000</u></u>

E. Tax Abatements

The City of Melissa negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with two entities as of September 30, 2021.

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year Property Tax	Amount of Taxes Abated during the Fiscal Year Sales Tax
Building Materials - Sales tax directly paid to City	80%	\$ -	\$ 67,569
Retail sales - Sales tax directly paid to City	100%	\$ -	\$ 373,621
Total		<u><u>\$ -</u></u>	<u><u>\$ 441,190</u></u>

Each agreement was negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 380, Texas Local Gov't Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Gov' t Code. Taxes were abated through a rebate of taxes received. Recipients of the sales tax abatements agree to operate within the City limits through the term of their agreement.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

F. Subsequent Events

There were no material subsequent events through February 18, 2022, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Melissa, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Page 1 of 2) For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget	
				Positive	
				(Negative)	
Revenues					
Property tax	\$ 5,075,154	\$ 5,465,154	\$ 5,477,273	\$ 12,119	
Sales tax	1,272,000	2,072,000	2,322,384	250,384	
Franchise and local taxes	600,000	600,000	605,730	5,730	
Road impact fees	-	-	2,521,026	2,521,026	
Park development fees	-	-	2,260,000	2,260,000	
License and permits	922,500	3,432,500	3,605,921	173,421	
Charges for services	56,600	166,000	124,293	(41,707)	
Fines and forfeitures	366,000	466,000	485,031	19,031	
Platting and development	320,000	860,000	1,028,280	168,280	
Intergovernmental	113,000	370,605	1,628,780	1,258,175	
Lease revenue	99,060	99,060	100,049	989	
Investment income	100,000	85,000	84,899	(101)	
Other revenues	-	24,000	89,492	65,492	
Total Revenues	8,924,314	13,640,319	20,333,158	6,692,839	
Expenditures					
Current:					
Administration	2,444,821	2,616,521	2,728,736	(112,215)	
Planning and development	1,036,371	2,291,371	1,851,734	439,637	
Code enforcement	78,433	85,933	85,051	882	
Public library	319,996	322,996	322,769	227	
Public safety	3,850,800	4,157,876	4,042,196	115,680	
Streets	287,695	327,695	365,785	(38,090)	
Municipal court	267,974	289,174	323,160	(33,986)	
Building maintenance	119,293	169,293	155,851	13,442	
Parks and recreation	718,931	981,931	1,011,564	(29,633)	
Capital outlay	-	-	3,784,244	(3,784,244)	
Debt service					
Principal	-	-	151,537	(151,537)	
Interest	-	-	25,684	(25,684)	
Bond issuance costs	-	-	98,136	(98,136)	
Total Expenditures	9,124,314	11,242,790	14,946,447	(3,703,657)	*
Revenues Over (Under)					
Expenditures	(200,000)	2,397,529	5,386,711	2,989,182	

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
				Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	\$ 200,000	\$ 339,455	\$ 3,835,928	\$ 3,496,473
Transfers (out)	-	-	(13,552,919)	(13,552,919)
Sale of capital assets	-	-	5,287,922	5,287,922
Lease issuance	-	-	861,000	861,000
Bond issuance	-	-	8,460,000	8,460,000
Bond premium	-	-	1,456,654	1,456,654
Payment to refunding escrow agent	-	-	(315,000)	(315,000)
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>339,455</u>	<u>6,033,585</u>	<u>5,694,130</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 2,736,984</u>	<u>11,420,296</u>	<u>\$ 8,683,312</u>
Beginning fund balance			15,212,147	
Ending Fund Balance			<u>\$ 26,632,443</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Melissa, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability			
Service cost	\$ 626,629	\$ 550,485	\$ 495,439
Interest	445,845	394,623	342,747
Changes in benefit terms	-	-	-
Differences between expected and actual experience	53,607	(67,127)	32,826
Changes of assumptions	-	57,155	-
Benefit payments, including refunds of participant contributions	(248,488)	(180,249)	(79,754)
Net change in total pension liability	<u>877,593</u>	<u>754,887</u>	<u>791,258</u>
Total pension liability - beginning	<u>6,416,041</u>	<u>5,661,154</u>	<u>4,869,896</u>
Total pension liability - ending (a)	<u>7,293,634</u>	<u>6,416,041</u>	<u>5,661,154</u>
Plan fiduciary net position			
Contributions - employer	\$ 520,148	\$ 456,607	\$ 413,069
Contributions - members	268,118	235,538	212,765
Net investment income	379,762	601,023	(103,060)
Benefit payments, including refunds of participant contributions	(248,488)	(180,249)	(79,754)
Administrative expenses	(2,449)	(3,386)	(1,989)
Other	(96)	(101)	(102)
Net change in plan fiduciary net position	<u>916,995</u>	<u>1,109,432</u>	<u>440,929</u>
Plan fiduciary net position - beginning	<u>4,985,703</u>	<u>3,876,271</u>	<u>3,435,342</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,902,698</u>	<u>\$ 4,985,703</u>	<u>\$ 3,876,271</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 1,390,936</u>	<u>\$ 1,430,338</u>	<u>\$ 1,784,883</u>
Plan fiduciary net position as a percentage of the total pension liability	80.93%	77.71%	68.47%
Covered payroll	\$ 3,830,253	\$ 3,364,825	\$ 3,039,506
Fund's net pension liability as a percentage of covered payroll	36.31%	42.51%	58.72%

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	¹
\$	368,325	\$ 325,842	\$ 273,760	\$ 214,284	
	302,767	198,997	171,825	144,926	
	1,037,592	-	-	-	
	(53,040)	33,857	(14,746)	38,722	
	-	-	89,627	-	
	(98,867)	(61,534)	(44,530)	(42,295)	
	<u>1,556,777</u>	<u>497,162</u>	<u>475,936</u>	<u>355,637</u>	
	<u>3,313,119</u>	<u>2,815,957</u>	<u>2,340,021</u>	<u>1,984,384</u>	
	<u>4,869,896</u>	<u>3,313,119</u>	<u>2,815,957</u>	<u>2,340,021</u>	
\$	192,773	\$ 146,688	\$ 114,584	\$ 81,796	
	187,784	165,883	144,519	130,197	
	384,328	159,684	3,169	107,092	
	(98,867)	(61,534)	(44,530)	(42,295)	
	(1,991)	(1,803)	(1,930)	(1,118)	
	(102)	(96)	(95)	(92)	
	<u>663,925</u>	<u>408,822</u>	<u>215,717</u>	<u>275,580</u>	
	<u>2,771,417</u>	<u>2,362,595</u>	<u>2,146,878</u>	<u>1,871,298</u>	
\$	<u>3,435,342</u>	<u>\$ 2,771,417</u>	<u>\$ 2,362,595</u>	<u>\$ 2,146,878</u>	
\$	<u>1,434,554</u>	<u>\$ 541,702</u>	<u>\$ 453,362</u>	<u>\$ 193,143</u>	
	70.54%	83.65%	83.90%	91.75%	
\$	2,682,628	\$ 2,369,763	\$ 2,064,559	\$ 1,859,951	
	53.48%	22.86%	21.96%	10.38%	

City of Melissa, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Actuarially determined employer contributions	\$ 598,429	\$ 509,363	\$ 447,945
Contributions in relation to the actuarially determined contribution	\$ 598,429	\$ 509,363	\$ 447,945
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	<u>\$ 4,403,452</u>	<u>\$ 3,748,072</u>	<u>\$ 3,380,237</u>
Employer contributions as a percentage of covered payroll	13.59%	13.59%	13.25%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 343,590	\$ 180,435	\$ 141,014	\$ 105,230
<u>\$ 343,590</u>	<u>\$ 180,435</u>	<u>\$ 141,014</u>	<u>\$ 105,230</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,894,355</u>	<u>\$ 2,607,147</u>	<u>\$ 2,826,657</u>	<u>\$ 1,942,041</u>

11.87% 6.92% 4.99% 5.42%

City of Melissa, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	1
Total OPEB liability					
Service cost	\$ 10,725	\$ 8,076	\$ 8,207	\$ 6,170	
Interest	2,688	2,966	2,973	2,785	
Changes in benefit terms	-	-	-	-	
Differences between expected and actual experience	9,449	(9,204)	(14,588)	6,749	
Changes of assumptions	19,776	15,541	(5,594)	-	
Benefit payments, including refunds of participant contributions	(766)	(1,009)	(608)	(537)	
Net change in total OPEB liability	41,872	16,370	(9,610)	15,167	
Total OPEB liability - beginning	\$ 92,780	\$ 76,410	\$ 86,020	\$ 70,853	
Total OPEB liability - ending	\$ 134,652	\$ 92,780	\$ 76,410	\$ 86,020	2
 Covered payroll	 \$ 3,830,253	 \$ 3,364,825	 \$ 3,039,506	 \$ 2,682,628	
 City's total OPEB liability as a percentage of covered payroll	 3.52%	 2.76%	 2.51%	 3.21%	

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits

OTHER SUPPLEMENTARY INFORMATION

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2021

				Variance with Final Budget
	Original & Final Budget	Actual		Positive (Negative)
Revenues				
Property taxes	\$ 2,128,089	\$ 2,245,652	\$ 117,563	
Intergovernmental	-	745,343	745,343	
Investment income	-	5,595	5,595	
Total Revenues	2,128,089	2,996,590	868,501	
Expenditures				
Debt service:				
Principal retirement	2,435,000	2,435,000	-	
Interest and fiscal charges	1,800,793	1,807,322	(6,529)	
Total Expenditures	4,235,793	4,242,322	(6,529)	*
Excess of Revenues Over (Under) Expenditures	(2,107,704)	(1,245,732)	861,972	
Other Financing Sources (Uses)				
Transfers in	2,107,704	1,362,250	(745,454)	
Total Other Financing Sources (Uses)	2,107,704	1,362,250	(745,454)	
Net Change in Fund Balance	\$ -	116,518	\$ 116,518	
Beginning fund balance		1,414,265		
Ending Fund Balance	\$ 1,530,783			

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles

* Expenditures exceeded appropriations at the legal level of control.

City of Melissa, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TIF FUND
For the Year Ended September 30, 2021

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
			Positive (Negative)
Revenues			
Property taxes	\$ 1,381,680	\$ 1,389,880	\$ 8,200
Investment income	-	4,293	4,293
Total Revenues	1,381,680	1,394,173	12,493
Expenditures			
Debt service:			
Principal retirement	470,000	470,000	-
Interest and fiscal charges	339,331	339,331	-
Total Expenditures	809,331	809,331	-
Excess of Revenues			
Over (Under) Expenditures	572,349	584,842	12,493
Net Change in Fund Balance	\$ 572,349	584,842	\$ 12,493
Beginning fund balance		648,882	
Ending Fund Balance	\$ 1,233,724		

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles

City of Melissa, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2021

	Community Development	Economic Development	Total
Assets			
Cash and cash equivalents	\$ 837,009	\$ 2,213,066	\$ 3,050,075
Receivables, net	235,403	235,403	470,806
Total Assets	1,072,412	2,448,469	3,520,881
Fund Balances			
Restricted for:			
Community development	1,072,412	-	1,072,412
Economic development	-	2,448,469	2,448,469
Total Fund Balances	1,072,412	2,448,469	3,520,881
Total Liabilities and Fund Balances	\$ 1,072,412	\$ 2,448,469	\$ 3,520,881

City of Melissa, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2021

Fund Balances	\$ 3,520,881
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Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	145,242
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Net Position of the Discretely Presented Component Units	\$ 3,666,123
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City of Melissa, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNITS For the Year Ended September 30, 2021

	Community Development	Economic Development	Total
<u>Revenues</u>			
Sales taxes	\$ 1,160,304	\$ 1,160,304	\$ 2,320,608
Investment income	1,900	7,224	9,124
Total Revenues	1,162,204	1,167,528	2,329,732
<u>Expenditures</u>			
Park maintenance	32,245	-	32,245
Contractual services	-	48,467	48,467
Capital outlay	24,154	-	24,154
Total Expenditures	56,399	48,467	104,866
Excess of Revenues Over (Under) Expenditures	1,105,805	1,119,061	2,224,866
<u>Other Financing Sources (Uses)</u>			
Transfers (out)	(611,343)	(360,412)	(971,755)
Total Other Financing Sources (Uses)	(611,343)	(360,412)	(971,755)
Net Change in Fund Balances	494,462	758,649	1,253,111
Beginning fund balances	577,950	1,689,820	2,267,770
Ending Fund Balances	\$ 1,072,412	\$ 2,448,469	\$ 3,520,881

City of Melissa, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances	\$ 1,253,111
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	24,154
Capital assets transferred to governmental activities	(261,129)
Change in Net Position of the Discretely Presented Component Units	\$ 1,016,136

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	100
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	110
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	118
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	125
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	130
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

City of Melissa, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

(amounts expressed in thousands)

	2021	2020	2019	2018
Governmental activities				
Net investment in capital assets	\$ 24,984	\$ 24,161	\$ 22,148	\$ 21,081
Restricted	13,535	10,861	8,660	7,221
Unrestricted	<u>14,500</u>	<u>6,139</u>	<u>3,984</u>	<u>3,533</u>
Total governmental activities net position	<u>\$ 53,019</u>	<u>\$ 41,161</u>	<u>\$ 34,792</u>	<u>\$ 31,835</u>
 Business-type activities				
Net investment in capital assets	\$ 3,886	\$ 6,975	\$ 5,589	\$ 4,655
Restricted	9,590	5,706	3,797	2,947
Unrestricted	<u>4,652</u>	<u>4,764</u>	<u>4,656</u>	<u>4,807</u>
Total business-type activities net position	<u>\$ 18,128</u>	<u>\$ 17,445</u>	<u>\$ 14,042</u>	<u>\$ 12,409</u>
 Primary government				
Net investment in capital assets	\$ 28,870	\$ 31,136	\$ 27,737	\$ 25,736
Restricted	23,125	16,567	12,457	10,168
Unrestricted	<u>19,152</u>	<u>10,903</u>	<u>8,640</u>	<u>8,340</u>
Total primary government net position	<u>\$ 71,147</u>	<u>\$ 58,606</u>	<u>\$ 48,834</u>	<u>\$ 44,244</u>

Source: City of Melissa, Texas Audited Financial Statements

2017	2016	2015	2014	2013	2012
\$ 15,186	\$ 2,148	\$ 8,834	\$ 8,381	\$ 8,397	\$ 7,054
4,285	503	440	1,126	1,118	1,328
<u>3,004</u>	<u>12,304</u>	<u>1,484</u>	<u>1,381</u>	<u>713</u>	<u>1,338</u>
<u>\$ 22,475</u>	<u>\$ 14,955</u>	<u>\$ 10,758</u>	<u>\$ 10,888</u>	<u>\$ 10,228</u>	<u>\$ 9,720</u>
\$ 4,017	\$ 3,460	\$ 1,350	\$ 2,032	\$ 3,042	\$ 1,562
1,743	925	-	-	-	-
<u>1,054</u>	<u>2,837</u>	<u>4,625</u>	<u>3,195</u>	<u>1,385</u>	<u>2,513</u>
<u>\$ 6,814</u>	<u>\$ 7,222</u>	<u>\$ 5,975</u>	<u>\$ 5,227</u>	<u>\$ 4,427</u>	<u>\$ 4,075</u>
\$ 19,203	\$ 5,608	\$ 10,184	\$ 10,413	\$ 11,439	\$ 8,616
6,028	503	440	1,126	1,118	1,328
<u>4,058</u>	<u>15,141</u>	<u>6,109</u>	<u>4,576</u>	<u>2,098</u>	<u>3,864</u>
<u>\$ 29,289</u>	<u>\$ 21,252</u>	<u>\$ 16,733</u>	<u>\$ 16,115</u>	<u>\$ 14,655</u>	<u>\$ 13,808</u>

City of Melissa, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

(amounts expressed in thousands)

	2021	2020	2019	2018
Expenses				
Governmental activities:				
General government	\$ 7,351	\$ 4,820	\$ 3,672	\$ 3,751
Public safety	4,428	4,055	3,346	3,414
Streets	2,586	2,696	2,505	1,500
Culture and recreation	2,171	1,683	1,523	1,002
Interest on long-term debt	2,025	1,812	1,743	1,399
Total governmental activities	expenses	18,561	15,066	12,789
				11,066
Business-type activities:				
Water & Sewer	9,080	7,886	7,559	6,736
Sanitation	808	567	480	418
Total business-type activities	expenses	9,888	8,453	8,039
				7,154
Total primary government expenses	\$ 28,449	\$ 23,519	\$ 20,828	\$ 18,220
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,759	\$ 3,279	\$ 1,795	\$ 2,136
Public safety	485	384	435	424
Culture and recreation	2,260	1,538	712	-
Operating grants and contributions	2,374	1,616	1,221	1,141
Capital grants and contributions	4,326	3,043	2,203	7,524
Total governmental activities	program revenues	14,204	9,860	6,366
				11,225
Business-type activities:				
Charges for services:				
Water & Sewer	10,660	9,653	7,903	7,452
Sanitation	888	660	571	509
Grants and contributions	2,514	2,175	1,062	4,068
Total business-type activities	program revenues	14,062	12,488	9,536
Total primary government program revenues	\$ 28,266	\$ 22,348	\$ 15,902	\$ 23,254

2017		2016		2015		2014		2013		2012	
\$	2,818	\$	2,849	\$	2,917	\$	2,253	\$	2,300	\$	2,054
	2,608		2,135		1,726		1,483		1,377		1,238
	1,368		1,010		909		843		772		789
	758		593		689		487		469		441
	1,364		1,120		867		771		815		762
	<u>8,916</u>		<u>7,707</u>		<u>7,108</u>		<u>5,837</u>		<u>5,733</u>		<u>5,284</u>
	5,629		5,779		4,178		3,047		3,154		3,011
	381		338		233		211		194		169
	<u>6,010</u>		<u>6,117</u>		<u>4,411</u>		<u>3,258</u>		<u>3,348</u>		<u>3,180</u>
	<u>\$ 14,926</u>		<u>\$ 13,824</u>		<u>\$ 11,519</u>		<u>\$ 9,095</u>		<u>\$ 9,081</u>		<u>\$ 8,464</u>
	1,861		1,192		958		735		549		417
	466		546		560		552		467		573
	-		-		-		5		9		5
	230		203		158		309		282		100
	4,908		157		422		830		1,223		1,008
	<u>7,465</u>		<u>2,098</u>		<u>2,098</u>		<u>2,431</u>		<u>2,530</u>		<u>2,103</u>
	6,057		5,133		4,478		3,908		3,932		3,196
	463		314		314		281		260		234
	229		612		228		-		-		-
	<u>6,749</u>		<u>6,059</u>		<u>5,020</u>		<u>4,189</u>		<u>4,192</u>		<u>3,430</u>
	<u>\$ 14,214</u>		<u>\$ 8,157</u>		<u>\$ 7,118</u>		<u>\$ 6,620</u>		<u>\$ 6,722</u>		<u>\$ 5,533</u>

City of Melissa, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	2021	2020	2019	2018
Net (Expenses) Revenue				
Governmental activities	\$ (4,357)	\$ (5,206)	\$ (6,423)	\$ 159
Business-type activities	4,174	4,035	1,497	4,875
Total primary government net expense	\$ (183)	\$ (1,171)	\$ (4,926)	\$ 5,034
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 9,116	\$ 7,590	\$ 6,559	\$ 5,679
Sales taxes	2,322	1,701	1,393	1,324
Franchise and other taxes	606	582	568	479
Investment earnings	147	466	428	146
Miscellaneous	188	155	256	1,277
Gain (loss) on Sale of Capital Asset	-	-	-	-
Transfers	3,836	1,081	176	296
Total governmental activities	16,215	11,575	9,380	9,201
Business-type activities:				
Investment earnings	55	232	163	35
Miscellaneous	290	216	149	980
Transfers	(3,836)	(1,081)	(176)	(296)
Total business-type activities	(3,491)	(633)	136	719
Total primary government	\$ 12,724	\$ 10,942	\$ 9,516	\$ 9,920
Change in Net Position				
Governmental activities	\$ 11,858	\$ 6,369	\$ 2,957	\$ 9,360
Business-type activities	683	3,402	1,633	5,594
Total primary government	\$ 12,541	\$ 9,771	\$ 4,590	\$ 14,954

Source: City of Melissa, Texas Audited Financial Statements

2017	2016	2015	2014	2013	2012
\$ (1,451) 739	\$ (5,609) (58)	\$ (5,010) 609	\$ (3,406) 931	\$ (3,203) 844	\$ (3,181) 250
<u>\$ (712)</u>	<u>\$ (5,667)</u>	<u>\$ (4,401)</u>	<u>\$ (2,475)</u>	<u>\$ (2,359)</u>	<u>\$ (2,931)</u>
\$ 4,489	\$ 3,699	\$ 3,059	\$ 2,561	\$ 2,275	\$ 2,217
1,164	1,129	822	830	704	641
382	339	306	282	255	247
45	40	139	11	20	33
1,050	271	161	112	177	82
-	-	-	2	44	(12)
1,842	1,001	441	268	236	219
<u>8,972</u>	<u>6,479</u>	<u>4,928</u>	<u>4,066</u>	<u>3,711</u>	<u>3,427</u>
24	17	27	22	22	35
673	34	167	6	145	353
(1,842)	(194)	(441)	(268)	(236)	(219)
(1,145)	(143)	(247)	(240)	(69)	169
<u>\$ 7,827</u>	<u>\$ 6,336</u>	<u>\$ 4,681</u>	<u>\$ 3,826</u>	<u>\$ 3,642</u>	<u>\$ 3,596</u>
\$ 7,521	\$ 870	\$ (82)	\$ 660	\$ 508	\$ 246
(406)	(201)	362	691	775	419
<u>\$ 7,115</u>	<u>\$ 669</u>	<u>\$ 280</u>	<u>\$ 1,351</u>	<u>\$ 1,283</u>	<u>\$ 665</u>

City of Melissa, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2021	2020	2019	2018
General Fund				
Nonspendable	\$ 34	\$ 5	\$ 1	\$ 1
Restricted	10,766	7,478	6,318	6,247
Assigned	12,226	3,695	2,910	2,848
Unassigned	3,606	4,034	2,535	2,116
Total general fund	<u>\$ 26,632</u>	<u>\$ 15,212</u>	<u>\$ 11,764</u>	<u>\$ 11,212</u>
 All Other Governmental Funds				
Restricted	47,760	15,908	11,367	22,551
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 47,760</u>	<u>\$ 15,908</u>	<u>\$ 11,367</u>	<u>\$ 22,551</u>

Notes: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

2017	2016	2015	2014	2013	2012
\$ 52	\$ 55	\$ 38	\$ 9	\$ 2	\$ 17
3,691	76	100	85	73	64
1,665	420	414	129	64	57
1,802	2,022	1,404	1,370	1,355	1,319
\$ 7,210	\$ 2,573	\$ 1,956	\$ 1,593	\$ 1,494	\$ 1,457
10,317	6,887	14,148	1,041	1,045	1,264
(35)	-	-	-	-	-
\$ 10,282	\$ 6,887	\$ 14,148	\$ 1,041	\$ 1,045	\$ 1,264

City of Melissa, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2021	2020	2019	2018
Revenues				
Taxes	\$ 14,562	\$ 12,567	\$ 9,987	\$ 10,091
Licenses & Permits	3,606	2,465	1,385	1,581
Intergovernmental	3,883	1,614	1,220	6,066
Charges for Services	3,413	814	410	556
Fines	485	384	435	424
Investment earnings	147	466	428	146
Contributions	-	-	-	-
Miscellaneous	223	2,361	1,326	1,274
Total Revenues	26,319	20,671	15,191	20,138
Expenditures				
General government	4,821	4,312	3,798	3,156
Public safety	4,365	4,015	3,288	2,994
Streets	1,149	1,448	670	360
Culture & recreation	1,335	1,064	986	709
Capital outlay	11,745	3,315	13,734	7,618
Debt Service:				
Principal	2,587	2,411	2,419	1,885
Interest and fiscal charges	2,162	1,840	1,779	1,529
Total Expenditures	28,164	18,405	26,674	18,251
Excess of Revenues Over (Under)				
Expenditures	(1,845)	2,266	(11,483)	1,887
Other financing sources (uses)				
Transfers in	18,202	4,728	2,034	15,799
Transfers (out)	(14,366)	(3,647)	(1,858)	(15,503)
Bonds and premiums issued	35,447	4,572	-	13,987
Insurance Recoveries	-	-	-	-
Capital Leases	861	-	635	45
Sale of Capital Assets	5,288	70	41	57
Payment to refunded escrow agent	(315)	-	-	-
Total Other Financing Sources (Uses)	45,117	5,723	852	14,385
Net Change in Fund Balances	\$ 43,272	\$ 7,989	\$ (10,631)	\$ 16,272
Debt service as percentage of				
noncapital expenditures	28.9%	28.2%	32.4%	32.1%

2017	2016	2015	2014	2013	2012
\$ 5,991	\$ 5,159	\$ 4,182	\$ 3,646	\$ 3,275	\$ 3,068
2,854	1,342	976	1,201	549	417
4,140	-	400	511	546	236
5	8	4	6	10	6
466	546	560	551	466	573
45	40	140	11	20	33
-	203	157	163	959	1,107
1,050	247	161	112	177	82
<u>14,551</u>	<u>7,545</u>	<u>6,580</u>	<u>6,201</u>	<u>6,002</u>	<u>5,522</u>
2,475	2,515	2,489	1,864	1,974	1,740
2,303	1,901	1,572	1,342	1,256	1,121
275	281	257	248	230	279
526	511	600	405	376	353
19,620	4,901	909	982	1,874	1,640
1,555	994	971	900	803	568
1,359	1,242	681	743	828	813
<u>28,113</u>	<u>12,345</u>	<u>7,479</u>	<u>6,484</u>	<u>7,341</u>	<u>6,514</u>
(13,562)	(4,800)	(899)	(283)	(1,339)	(992)
19,264	2,264	1,368	1,710	1,898	844
(17,422)	(1,262)	(927)	(1,443)	(1,662)	(625)
29,006	-	10,490	-	2,430	500
-	24	-	-	-	-
-	341	229	108	38	109
-	-	-	2	48	27
<u>(12,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,595)</u>	<u>-</u>
<u>17,964</u>	<u>1,367</u>	<u>11,160</u>	<u>377</u>	<u>1,157</u>	<u>855</u>
<u>\$ 4,402</u>	<u>\$ (3,433)</u>	<u>\$ 10,261</u>	<u>\$ 94</u>	<u>\$ (182)</u>	<u>\$ (137)</u>
32.9%	30.0%	25.1%	29.9%	29.8%	28.3%

City of Melissa, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years (Unaudited)

(amounts expressed in thousands)

Fiscal Year Ended Sept 30	Real Property		Less Exemptions Real Property	Total Assessed Value	Tax Rate
	Residential	Commercial			
	Assessed Value	Assessed Value			
2012	\$ 299,967	\$ 84,719	\$ 32,018	\$ 352,668	\$ 0.61000
2013	310,017	88,489	35,219	363,287	0.61000
2014	420,978	101,533	41,884	480,627	0.61000
2015	428,704	128,724	125,900	431,528	0.61000
2016	663,465	105,965	74,304	695,126	0.61000
2017	670,504	118,120	79,280	709,344	0.61000
2018	813,674	147,038	95,478	865,234	0.61000
2019	935,156	235,911	134,504	1,036,562	0.60954
2020	1,100,103	260,308	139,442	1,220,969	0.60954
2021	1,348,054	248,871	172,228	1,424,697	0.60924

Notes: The appraisal of property within the City is the responsibility of the Collin County Central Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a three member Appraisal Review Board.

Source: Collin County Central Appraisal District

Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 352,668	100.0%
363,287	100.0%
480,627	100.0%
431,528	100.0%
695,126	100.0%
709,344	100.0%
865,234	100.0%
1,036,562	100.0%
1,220,969	100.0%
1,424,697	100.0%

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City of Melissa, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years (Unaudited)

Fiscal Year	CITY OF MELISSA			Melissa Independent		Collin County		Total Rate
	General	Debt Service	Total Rate	School District	Collin County	College District		
2012	\$ 0.431322	0.17868	0.610000	1.54000	\$ 0.24000	0.08630	2.476300	
2013	0.437740	0.17226	0.610000	1.54000	0.24000	0.08630	2.476300	
2014	0.441731	0.16827	0.610000	1.54000	0.23750	0.08364	2.471143	
2015	0.463642	0.14636	0.610000	1.54000	0.23500	0.08196	2.466960	
2016	0.478910	0.13109	0.610000	1.67000	0.22500	0.08196	2.586960	
2017	0.462173	0.14783	0.610000	1.67000	0.20840	0.08122	2.569617	
2018	0.457305	0.15270	0.610000	1.67000	0.19225	0.07981	2.552056	
2019	0.441232	0.16831	0.609541	1.56835	0.17495	0.08122	2.434061	
2020	0.460931	0.14861	0.609541	1.46300	0.17253	0.08122	2.326292	
2021	0.456352	0.15289	0.609238	1.46300	0.17253	0.08122	2.325989	

Source: Collin County Central Appraisal District

City of Melissa, Texas
PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)

Taxpayer	2021			Percentage of Total City Assessed Valuation
	Assessed Valuation	Rank	2021	
Buc-ees LTD	\$ 18,037,681	1		0.00%
Bloomfield Homes LP	10,353,127	2		1.27%
Melissa Village LLC	9,021,772	3		0.73%
Pacesetter Homes LLC	7,077,242	4		0.63%
Ashton Dallas Residential LLC	5,230,084	5		0.50%
Provision At Melissa, LP	4,939,056	6		0.37%
Oncor Electric Delivery Company	4,688,250	7		0.35%
Meritage Homes of Texas LLC	4,329,215	8		0.33%
NexMetro Spring LP	4,273,482	9		0.30%
Hines Milrany Ranch LLC	3,938,775	10		0.30%
Lattimore Materials Co LP	-	-		-
Hillwood RLD LP	-	-		-
Phillips Properties LTD	-	-		-
First National Bank of Trenton	-	-		-
CMC Steel Fabricators, Inc.	-	-		-
McKinney Lumber Company LLC	-	-		-
HFG VOM LP	-	-		-
Alpha Industries Inc.	-	-		-
D R Horton - Texas Ltd	\$ 71,888,684			4.77%

Source: Collin County Central Appraisal District

2012

Assessed Valuation	Rank	Percentage of Total City
		Assessed Valuation
\$ -	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,753,300	7	0.50%
-	-	-
-	-	-
-	-	-
2,535,288	1	0.72%
2,413,288	2	0.68%
2,243,937	3	0.64%
2,104,819	4	0.60%
1,960,585	5	0.56%
1,919,496	6	0.54%
1,655,680	8	0.47%
1,578,372	9	0.45%
1,574,944	10	0.45%
\$ 19,739,709		5.60%

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City of Melissa, Texas
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2012	\$ 2,135,747	\$ 2,122,966	99.4%	\$ 11,641	\$ 2,134,607	99.9%
2013	2,222,902	2,206,941	99.3%	14,828	2,221,769	99.9%
2014	2,473,949	2,463,639	99.6%	8,836	2,472,475	99.9%
2015	2,953,734	2,932,886	99.3%	19,247	2,952,133	99.9%
2016	3,585,389	3,570,609	99.6%	13,244	3,583,853	100.0%
2017	4,334,553	4,310,559	99.4%	31,615	4,342,174	100.2%
2018	5,278,488	5,253,887	99.5%	13,485	5,267,372	99.8%
2019	6,324,248	6,295,381	99.5%	24,023	6,319,404	99.9%
2020	7,416,549	7,392,134	99.7%	16,316	7,408,450	99.9%
2021	8,678,463	8,654,622	99.7%	-	8,654,622	99.7%

Notes: (1) Includes general and debt service funds.

Source: Collin County Tax Assessor Collector.

City of Melissa, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed In Thousands, Except per Capita Amount)

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Certificates of Obligation	Premiums	Capital Leases		
2012	\$ 18,630	\$ -	\$ -	\$ 348		
2013	18,740	-	-	308		
2014	17,930	-	-	326		
2015	27,575	-	-	429		
2016	26,695	-	-	656		
2017	20,770	19,485	1,732	498		
2018	24,210	28,135	1,697	433		
2019	22,915	27,180	1,535	899		
2020	21,600	30,685	1,490	753		
2021	20,210	59,560	6,536	1,462		

Notes: Details regarding the City's outstanding debt can be found in the notes to financial statements.

Business-type Activities

Revenue Bonds	General					Total Primary Government	Percentage of Personal Income	Per Capita
	Obligation Bonds	Certificates of Obligation	Premiums	Capital Leases				
\$ 12,374	\$ 1,060	\$ -	\$ -	\$ 115	\$ 32,527	13.71%	5,421	
16,636	955	-	-	98	36,737	14.25%	5,652	
18,130	850	-	-	79	37,315	13.34%	5,330	
19,085	740	-	-	81	47,910	12.80%	5,323	
18,306	630	-	-	57	46,344	11.32%	5,323	
7,019	2,145	13,775	617	23	66,064	14.96%	6,292	
6,713	1,995	20,865	637	5	84,690	16.32%	7,058	
6,394	1,725	20,030	593	-	81,271	15.05%	5,805	
6,068	1,445	19,205	549	-	81,795	12.62%	4,811	
5,723	1,945	25,130	1,958	-	122,524	17.27%	5,834	

City of Melissa, Texas
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts			Total	Percentage of	
		Available in Debt	Service Fund			Actual Taxable Value ¹ of Property	Per Capita ²
2012	\$ 19,690	\$ 116	\$ 19,574		5.32%	3,124	
2013	19,695	197	19,498		4.65%	2,853	
2014	18,780	243	18,537		3.68%	2,527	
2015	28,315	304	28,011		4.74%	3,030	
2016	27,325	379	26,946		4.74%	3,030	
2017	22,915	608	22,307		3.14%	2,124	
2018	26,205	840	25,365		2.93%	2,114	
2019	24,640	1,161	23,479		2.27%	1,677	
2020	23,045	1,410	21,635		1.77%	1,273	
2021	22,155	1,531	20,624		1.45%	982	

¹See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics.

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Melissa, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2021 (Unaudited)

(Amounts Expressed in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Melissa I.S.D.	\$ 273,345,000	* 80.52%	\$ 220,097,394
Collin County	526,975,000	* 0.58%	3,056,455
Collin County College District	514,470,000	** 0.58%	<u>2,983,926</u>
Total, overlapping debt			<u>226,137,775</u>
City of Melissa Direct Debt	87,768,000	100%	<u>87,768,000</u>
Total direct and overlapping debt			<u><u>\$ 313,905,775</u></u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability governments that is borne to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply the every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the governmental's boundaries and dividing it by the governmental unit's total taxable assessed value.

Source: Various entity financial statements as of the most recently issued financial statements.

City of Melissa, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands)

	2021	2020	2019	2018
Debt limit	\$ 159,693	\$ 136,041	\$ 117,107	\$ 96,071
Total net debt applicable to limit	<u>20,624</u>	<u>23,674</u>	<u>20,624</u>	<u>27,699</u>
Legal debt margin	<u><u>\$ 139,069</u></u>	<u><u>\$ 112,367</u></u>	<u><u>\$ 96,483</u></u>	<u><u>\$ 68,372</u></u>
Total net debt applicable to limit as a percentage of debt limit	12.91%	17.40%	17.61%	28.83%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed value	\$ 1,424,697
Add back: exempt real property	172,228
Total assessed value	<u><u>1,596,925</u></u>

Debt limit (10% of total assessed value)	159,693
Debt applicable to limit:	
General obligation	22,155
Less: Amount set aside for repayment of	
general obligation debt	(1,531)
Total net debt applicable to limit	<u><u>20,624</u></u>
Legal debt margin	<u><u>\$ 139,069</u></u>

Note: There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), that limits the maximum tax rate, for all city purposes, to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

Source: City of Melissa, Texas

2017	2016	2015	2014	2013	2012
\$ 88,783	\$ 76,943	\$ 54,166	\$ 52,251	\$ 39,851	\$ 35,267
<u>24,656</u>	<u>26,316</u>	<u>27,271</u>	<u>17,687</u>	<u>27,271</u>	<u>18,514</u>
<u>\$ 64,127</u>	<u>\$ 50,627</u>	<u>\$ 26,895</u>	<u>\$ 34,564</u>	<u>\$ 12,580</u>	<u>\$ 16,753</u>
27.77%	34.20%	50.35%	33.85%	68.43%	52.50%

City of Melissa, Texas
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed in Thousands)

Fiscal Year	Water & Sewer Revenue Bonds									
	Charges and Other	Less:		Net		Debt Service			Coverage	
		Operating Expenses	Available Revenue	Principal	Interest					
2012	\$ 4,066	\$ 2,225	\$ 1,841	\$ 473	\$ 530				184%	
2013	3,950	2,822	1,128	548	525				105%	
2014	4,217	2,564	1,653	761	695				114%	
2015	5,214	3,228	1,986	850	739				125%	
2016	6,110	3,932	2,178	889	1,550				89%	
2017	6,520	4,911	1,609	862	765				99%	
2018	7,961	5,547	2,414	1,019	849				129%	
2019	8,474	6,144	2,330	1,429	1,063				93%	
2020	10,312	6,589	3,723	1,431	1,013				152%	
2021	11,548	7,968	3,580	1,479	962				147%	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

Source: City of Melissa, Texas

City of Melissa, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Fiscal Year	(1) Population	Expressed in Thousands)	Personal Income (Amounts)	(2) Per Capita	(1)/(5) Average Age	(4) School Enrollment	(2) Unemployment Rate
			Personal Income	(1)/(5) Average Age			
2012	6,000	\$ 237,264	\$ 39,544	32.9	1,707	6.1%	
2013	6,500	257,745	39,653	32.9	1,895	5.5%	
2014	7,000	279,671	39,953	32.4	1,921	4.4%	
2015	9,000	374,364	41,596	31.0	2,159	4.4%	
2016	10,000	409,230	40,923	31.1	2,399	4.4%	
2017	10,500	441,630	42,060	32.7	2,624	3.6%	
2018	12,000	518,976	43,248	36.5	3,216	3.1%	
2019	14,000	540,106	38,579	36.5	3,400	2.9%	
2020	17,000	648,278	38,134	33.7	3,982	3.2%	
2021	21,000	709,548	33,788	33.4	4,633	2.2%	

Data Sources:

- (1) North Central Texas Council of Governments (NCTCOG) & staff estimates
- (2) Texas Workforce Commission (data for Collin County)
- (3) US Bureau of Labor & Real Estate Center at Texas A&M University (data for Collin County)
- (4) Melissa I.S.D.
- (5) U.S. Census Bureau
- (6) www.deptofnumbers.com

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City of Melissa, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2021			2012		
	No. Employees ¹	Rank	Percentage of Total City Employment	No. Employees ¹	Rank	Percentage of Total City Employment
Melissa ISD	525	1	16.8%	186	1	9.4%
Buc-ee's	185	3	5.9%	-	-	0.0%
Kirk Concrete Construction, Inc.	200	2	6.4%	75	3	3.8%
Calhar Utility Contractors	105	4	3.4%	76	2	3.9%
City of Melissa	76	6	2.4%	32	5	1.6%
NTMWD Regional Disposal Activities	100	5	3.2%	-	-	0.0%
Sonic Drive-In	26	8	0.8%	25	7	1.3%
CMC Rebar	32	7	1.0%	-	-	0.0%
Mudpies & Lullabies	23	10	0.7%	26	6	1.3%
CMC Construction Services	-	-	-	21	8	1.1%
Alpha Industries Fabricated Structural Steel	-	-	-	57	4	2.9%
McKinney Lumber	-	-	-	20	9	1.0%
Bee Builder Supply	25	9	-	19	10	1.0%
Total	1,297		40.7%	537		27.2%

¹ Source: City of Melissa

City of Melissa, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

Function / Program	2021	2020	2019	2018	2017
General Government	10.0	10.0	9.5	9.5	8.5
Public Safety:					
Police	17.5	16.5	13.0	13.0	12.0
Municipal Court	1.5	1.5	2.0	2.0	2.0
Fire	15.5	13.5	10.5	9.0	10.0
Code Enforcement	1.0	1.0	1.0	1.0	1.0
Streets	0.5	0.5	0.5	0.5	0.5
Culture & Recreation:					
Parks and recreation	3.0	3.0	3.0	3.0	2.0
Libraries	4.5	4.5	4.5	4.0	4.5
Water, Wastewater	8.5	8.5	4.5	4.5	4.5
Utility Adminstration	4.5	3.5	2.5	2.5	2.5
Total all governmental funds	66.5	62.5	51.0	49.0	47.5

Source: City of Melissa, Texas

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
7.5	7.5	7.0	6.5	6.5
11.0	11.0	10.0	9.0	9.0
1.5	1.5	1.5	2.5	2.5
9.0	9.0	3.5	3.0	2.0
-	-	-	-	1.0
0.5	0.5	1.0	1.0	1.0
2.0	2.0	1.0	1.0	1.0
4.0	4.0	3.0	2.5	2.0
4.5	4.5	4.0	4.0	4.0
3.5	3.5	3.5	3.0	3.0
<u>43.5</u>	<u>43.5</u>	<u>34.5</u>	<u>32.5</u>	<u>32.0</u>

City of Melissa, Texas
OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Nine Fiscal Years

Function/Program	2021	2020	2019	2018
General government				
Building permits issued				
Commercial:				
Number Issued	36	29	5	4
Total Dollar Value of Permits Issued	\$37,935,114	\$49,984,205	\$3,960,162	\$21,024,377
Residential:				
Number Issued	925	745	482	523
Total Dollar Value of Permits Issued *	n/a	\$144,045,940	\$124,537,435	\$132,234,242
Public Safety				
Police:				
Physical arrests	176	243	218	156
Accidents	236	186	217	304
Citations	2,076	3,838	1,934	3,116
Fire:				
Calls for Service- Fire & EMS	1,713	1,610	1,376	1,395
Number of Fire Safety Programs	12	9	26	24
Number of Calls Answered	1,713	1,610	1,376	1,395
Inspections	186	146	425	150
Fires Extinguished	48	9	71	97
Municipal Court				
Number of Cases Filed	2,505	1,883	2,402	2,966
Number of cases closed	2,093	1,696	2,450	2,616
Culture & Recreation:				
Parks & Recreation				
Athletic Field Reservations Issued	1,397	1,095	689	55
Park Facilities Reservations Issued	43	14	34	26
Weekend Tournaments (Ave 3 days)	32	19	26	28
Public Works:				
Water & Sewer:				
New water connections	876	768	586	485
Average daily consumption of water (thousands of gallons)	1,732,367	1,312,334	1,484,737	1,695,406
Average daily treatment of wastewater (thousands of gallons)	604,494	476,651	553,804	469,471
Streets:				
Potholes Repaired (tons of material)	221	242	319	726
Concrete Streets repaired (yards)	62	64	59	109

Source: City of Melissa, Texas

Note: Only nine years available at this time.

* In 2019, State law changed and fees are charged based on square feet not total value.

2017	2016	2015	2014	2013
20	23	4	6	3
\$33,274,421	\$3,641,774	\$3,425,350	\$12,125,016	\$909,760
317	238	334	267	158
\$83,028,982	\$60,904,323	\$72,037,803	\$51,138,518	\$29,256,927
104	162	128	151	119
211	259	234	302	272
2,905	2,799	3,461	3,277	2,578
1,210	1,120	920	825	750
5	30	30	30	25
1,210	1,120	950	850	925
200	400	450	375	105
85	95	150	65	130
2,639	3,382	3,461	3,609	2,534
2,603	2,933	3,077	3,205	4,106
15	22	60	21	52
24	26	15	28	32
-	-	-	-	-
336	284	295	258	154
1,755,863	835,180	915,316	611,156	696,847
734,400	1,395,918	1,557,289	793,123	718,830
360	310	195	227	49
6,857	13,028	-	-	-

City of Melissa, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	2021	2020	2019	2018	2017
Public Safety					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Streets and Drainage:					
Streets (miles)	130.76	121.12	73.02	75.20	71.00
Storm Sewers (miles)	39.87	32.61	28.28	31.11	27.89
Culture and Recreation					
Parks Acreage	61	61	58	58	33
Melissa Sports Facility- Acreage	100	100	100	100	100
Water					
Water mains (miles)	117.15	104.44	90.17	76.68	70.97
Fire hydrants	1,080	890	789	655	618
Storage capacity (millions of gallons)	1,500	1,500	1,500	1,750	1,750
Sewer					
Sanitary sewer (miles)	92.82	85.33	77.34	69.54	65.11

Source: City of Melissa, Texas

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
1	1	1	1	1
1	1	1	1	1
62.94	61.46	58.16	54.42	53.00
22.32	21.30	19.57	18.54	16.95
31	31	31	31	31
100	-	-	-	-
61.54	57.50	54.31	50.31	47.25
515	478	439	400	370
1,750	1,750	1,375	1,375	1,375
52.78	50.60	47.24	44.75	42.94