

**CITY OF MELISSA, TEXAS**

**Financial Statements  
(With Auditor's Report Thereon)**

**September 30, 2008**

**CITY OF MELISSA**  
 Annual Financial Report  
 For the Year Ended September 30, 2008

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
and Members of the City Council  
**City of Melissa**  
Melissa, Texas 75454

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the individual fund statements of the City of Melissa, Texas as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Melissa. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, at September 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the Water and Sewer Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor  
and Members of the City Council  
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Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Melissa, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*/s/ Pingleton, Howard & Company, P.C.*

December 19, 2008

## Management's Discussion and Analysis

As management of the City of Melissa, we offer readers of the City of Melissa's financial statements this narrative overview and analysis of the financial activities of the City of Melissa for the fiscal year ended September 30, 2008. All amounts, unless otherwise indicated, are expressed in actual dollars.

### Financial Highlights

- The assets of the City of Melissa exceeded its liabilities at the close of the most recent fiscal year by \$11,040,137 (net assets). Of this amount, \$2,999,358, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$963,307.
- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of \$6,174,785, an increase of \$3,842,202 in comparison with the prior year. Most of the increase is due to bond proceeds. Of the fund balance, \$1,796,671 is available for spending at the government's discretion (*unreserved fund balance*), and \$4,362,351 is reserved for construction.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,796,671 or 29 percent of total general fund expenditures.
- The City of Melissa's long-term debt increased by \$8,596,708 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Melissa's basic financial statements. The City of Melissa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the City of Melissa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Melissa is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement 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 of Melissa 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 of Melissa include general government, public safety, transportation, and recreation. The business-type activities of the City of Melissa include the water and sewer system.

The government-wide financial statements include not only the City of Melissa itself (known as the primary government), but also legally separate economic and community development corporations. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-15 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 of Melissa, 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 of Melissa can be divided into two categories: governmental funds and proprietary funds.

**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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating 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 of Melissa maintains one governmental fund. 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, which is considered to be a major fund.

The City of Melissa adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

**Proprietary funds.** The City of Melissa maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Melissa uses an enterprise fund to account for its Water and Sewer operations.

Proprietary funds 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 operations, which is considered to be a major fund of the City of Melissa.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to 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 27-50 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Melissa, assets exceed liabilities by \$11,040,137 at the close of the most recent fiscal year.

A portion of the City of Melissa’s net assets (33 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Melissa uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Melissa’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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the city of Melissa’s net assets (40 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,999,358 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Melissa is able to report positive balances in all three categories of net assets for the government as a whole.

**CITY OF MELISSA - Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 8,119,068	4,090,357	6,144,352	3,419,438	14,263,420	7,509,795
Capital assets	11,912,749	9,971,940	10,273,517	7,954,489	22,186,266	17,926,429
Total assets	20,031,817	14,062,297	16,417,869	11,373,927	36,449,686	25,436,224
Long-term liabilities	10,654,209	5,396,753	11,158,260	7,819,008	21,812,469	13,215,761
Other liabilities	1,972,786	1,743,824	1,624,294	399,809	3,597,080	2,143,633
Total liabilities	12,626,995	7,140,577	12,782,554	8,218,817	25,409,549	15,359,394
Net assets:						
Invested in capital assets, net of						
related debt	1,304,128	4,614,420	2,374,300	1,887,740	3,678,428	6,502,160
Restricted	4,362,351	750,879			4,362,351	750,879
Unrestricted	1,738,343	1,556,421	1,261,015	1,267,370	2,999,358	2,823,791
Total net assets	\$ 7,404,822	6,921,720	3,635,315	3,155,110	11,040,137	10,076,830

## CITY OF MELISSA - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 758,296	869,770	2,277,999	1,988,453	3,036,295	2,858,223
Operating grants and contributions	419,780	422,021			419,780	422,021
Capital grants and contributions	304,102	263,564			304,102	263,564
General revenues:						
Property taxes	1,616,643	1,271,967			1,616,643	1,271,967
Other taxes	805,242	693,662			805,242	693,662
Other	276,515	864,700	149,714	242,420	426,229	1,107,120
Total revenues	4,180,578	4,385,684	2,427,713	2,230,873	6,608,291	6,616,557
Expenses:						
General government	1,736,327	1,596,039			1,736,327	1,596,039
Public Safety	919,398	858,750			919,398	858,750
Streets	520,431	182,051			520,431	182,051
Sanitation			133,250	103,188	133,250	103,188
Culture and recreation	381,155	280,291			381,155	280,291
Interest on long-term debt	335,368	256,022			335,368	256,022
Water & Sewer			1,619,055	1,332,166	1,619,055	1,332,166
Total expenses	3,892,679	3,173,153	1,752,305	1,435,354	5,644,984	4,608,507
Increase(decrease) in net assets						
before transfers	287,899	1,212,531	675,408	795,519	963,307	2,008,050
Transfers	195,203	169,527	(195,203)	(169,527)		
Increase(decrease) in net assets	483,102	1,382,058	480,205	625,992	963,307	2,008,050
Net assets - beginning	6,921,720	5,539,662	3,155,110	2,529,118	10,076,830	8,068,780
Net assets - ending	\$ 7,404,822	6,921,720	3,635,315	3,155,110	11,040,137	10,076,830

The following key elements influenced the changes in net assets from the prior year:

### Governmental Activities:

- Property tax increased by \$344,676 (27 percent) during the year.
- Sales tax increased by \$108,032 (19 percent) during the year.
- Streets increased \$338,380 (186 percent).



## Business-type Activities

Business-type activities increased the City of Melissa's net assets by \$480,205.

- Water sales increased by \$281,329. Sanitation revenue increased by \$32,445.
- Operating expenses increased by \$261,772 over the previous year, with the largest increase being in other services.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Melissa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As the end of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balance of \$6,174,785, an increase of \$3,842,202 from the prior year. Most of the increase is due to bond proceeds. Of the current combined ending fund balance, \$1,796,671 is unreserved and not designated and \$4,362,351 is reserved for construction.

The general fund is the operating fund of the City of Melissa. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,796,671. Total unreserved fund balance represents 29% of total general fund expenditures.

**Proprietary funds.** The City of Melissa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Enterprise Funds at the end of the year amounted to \$3,635,315. The total increase in net assets of the Enterprise Funds was \$480,205. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Melissa's business type activities.

## **General Fund Budgetary Highlights**

During the year, revenues exceeded budgetary estimates and expenditures exceeded budgetary estimates. The budget had called for a \$3,874,562 increase in unreserved general fund balance. The increase in unreserved general fund balance was actually \$3,842,202, a decrease of \$(32,360) from budget projections.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Melissa's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$22,186,266 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Various road construction projects in the governmental activities totaled \$1,558,169.
- Various equipment and construction on water and sewer lines were the major additions to the business-type activities.

Additional information on the City of Melissa's capital assets can be found in note 3.C. on pages 35-36 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of \$20,993,750. All of this amount comprises debt backed by the full faith and credit of the City.

The City of Melissa's long-term debt increased by \$8,596,708 during the current fiscal year.

The City of Melissa has a bond rating of "A" from Standard & Poors and Baa1 from Moody's Investors Service.

Additional information on the City of Melissa's long-term debt can be found in note 3.G. on pages 37-48 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The budget document for fiscal year 2008 was submitted to the GFOA Distinguished Budget Award committee this past year. Even though the City missed getting the award by a few points, the reviewers suggestions and directions have allowed the City to expand the information presented in our fiscal year 2009 budget and thus expanding the document further to meet the goal of the budget serving as a policy guide, operations guide, financial plan and communication document. The City has resubmitted the fiscal year 2009 budget document in the hopes to have the honor of the GFOA Distinguished Budget Award.

The fiscal year 2009 budget expanded the funds to 7 separate fund budgets to more fully disclose and accurately account for all revenues and expenditures with the following budgets: General Fund, Water Fund, Tax Increment Financing No. 1, General Debt Service Fund, Utility Debt Service Fund, Transportation Construction Fund, and Utility Construction Fund.

The property tax revenue within the FY09 budget is based on an ad valorem tax rate of \$.61. This is the first increase to the tax rate in three years and is the direct result of debt issued for the first phase of the voter approved Transportation Program. In November 2007, 65% of Melissa votes approved a \$19.1 million issuance for transportation projects throughout the Melissa community. Many of these projects were also selected by Collin County for funding. The bond election allowed the City to leverage funds from the County and other sources with local dollars to significantly improve the City of Melissa transportation system. Only debt for the first phase of the program was sold, with debt sales scheduled over the next ten years to be reviewed each fiscal year and/or when the projects make sense from both the financial side and economic development side. In addition, a conservative collection rate of 97% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2008 taxable assessed property value of the City of Melissa is over \$340 million, an overall increase of \$32 million from the preceding year. Assessed property values have risen \$224 million since 2002. The top ten taxpayers for 2008 make up only 7.25% of the \$340 million taxable appraised value compared to 9.51% in 2007 and 15.15% in 2005.

Sales Tax is the second largest source of revenue to the City's General Fund, making up \$650,000 or 19% of total revenues. Sales tax has increased and held strong throughout the 2008 fiscal year and surpassed the original budget goal. Sales tax revenue is anticipated to remain strong and steady in 2009 as home sales and building, while slower than past years, is still active in Collin County. In addition, the sources from which the City of Melissa receives sales taxes are not the typical consumer related services. Instead, the City made the conscious decision more than ten years ago to focus its economic development recruitment strategies on attracting the building construction trade companies to come to Melissa. Even though sales taxes are the most volatile to anticipate, these types of businesses should remain strong and be a stable source of sales tax due to the future anticipation of building and development within and around Collin County.

The Melissa Town Center was officially approved in 2008 and is currently under construction. This 90 acre commercial site is scheduled to accommodate many uses, including a City Hall facility. This development is within the Melissa Tax Increment Financing District #1 and is anticipated to act as a stimulus for the development of area along the DART rail line and areas in and around the historical downtown area.

Due to the investment in the water and wastewater systems and the future needs of the community, the City Council committed to conduct an annual water rate study in ensure the rate structure would pay for the debt and maintenance and operation of the water and wastewater systems. The City currently has two different systems: the general City system and the Country Ridge Water System (CRWS). The CRWS was purchased in 2006 and at the time of the sale, the City committed to freeze the rates for two years. The City made an emergency connection to the CRWS in the event the CRWS ever ran low of water or had to be taken offline to be repaired. Due to the high volume of usage in the summer of 2008, half of the CRWS users were able to be served using the City system, with no interruption of service. Because of the need for the CRWS to be supported by the City system and in an attempt to have the CRWS rates fund the operations and maintenance of that system, the CRWS rates were increased by 4% beginning October 1, 2008. As far as the City system rates, no rate changes were made for 2008. As more users of the water system begin using the system, the rates of the two systems will come into line and the City will have one water rate.

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

All these factors were considered in preparing the City of Melissa's budget for the 2009 fiscal year.

Continuing its conservative budget practice of keeping revenue forecast at least as low as the prior year and then spending any increases the next fiscal year, the City of Melissa is committed to increasing the unreserved general fund balance. The designated unreserved fund balance ended at \$1,796,671 at September 30, 2008. This exceeds our goal of 90 days of operating expenses for the City's General Fund. The 2009 fiscal year budget provides for \$225,000 increase in the unreserved General Fund balance.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Melissa's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, P. O. Box 409, Melissa, Texas 75454.

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF MELISSA**  
Statement of Net Assets  
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,884,486	4,851,446	12,735,932
Receivables (net of allowance for uncollectibles):			
Utility bills		208,202	208,202
Property taxes	24,396		24,396
Sales tax	57,412		57,412
Other	21,884		21,884
Deposits	155		155
Due from other funds		2,435	2,435
Due from primary government			
Due from component unit	130,735		130,735
Restricted cash and cash equivalents		852,733	852,733
Bond issuance costs		229,536	229,536
Capital assets (net of accumulated depreciation):			
Land	415,873	224,988	640,861
Buildings and systems	4,064,790	7,546,730	11,611,520
Equipment	882,330	242,761	1,125,091
Street infrastructure	4,991,587		4,991,587
Construction in progress	<u>1,558,169</u>	<u>2,259,038</u>	<u>3,817,207</u>
Total assets	<u>20,031,817</u>	<u>16,417,869</u>	<u>36,449,686</u>
<b>LIABILITIES</b>			
Accounts payable	407,393	429,061	836,454
Accrued interest payable	83,805	372,318	456,123
Deposits payable		172,915	172,915
Due to other funds	2,435		2,435
Due to primary government			
Due to component unit	266		266
Unearned revenue	1,478,887	650,000	2,128,887
Noncurrent liabilities:			
Due within one year	537,446	328,588	866,034
Due in more than one year	<u>10,116,763</u>	<u>10,829,672</u>	<u>20,946,435</u>
Total liabilities	<u>12,626,995</u>	<u>12,782,554</u>	<u>25,409,549</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,304,128	2,374,300	3,678,428
Restricted for:			
Construction	4,362,351		4,362,351
Unrestricted	<u>1,738,343</u>	<u>1,261,015</u>	<u>2,999,358</u>
Total net assets	<u>\$ 7,404,822</u>	<u>3,635,315</u>	<u>11,040,137</u>

The notes to the financial statements are an integral part of this statement.

<u>Component Units</u>	
<u>Economic Development</u>	<u>Community Development</u>
209,989	373,067
28,706	28,706
266	
<u>238,961</u>	<u>401,773</u>
447	323
	130,735
<u>447</u>	<u>131,058</u>
<u>238,514</u>	<u>270,715</u>
<u>238,514</u>	<u>270,715</u>

**CITY OF MELISSA**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2008

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,736,327	294,210	309,336	196,102
Public safety	919,398	463,266	32,091	108,000
Streets	520,431			
Culture and recreation	381,155	820	78,353	
Interest and fiscal charges	<u>335,368</u>			
Total governmental activities	<u>3,892,679</u>	<u>758,296</u>	<u>419,780</u>	<u>304,102</u>
Business-type activities:				
Water and sewer	1,619,055	2,101,623		
Sanitation	<u>133,250</u>	<u>176,376</u>		
Total business-type activities	<u>1,752,305</u>	<u>2,277,999</u>		
Total primary government	<u>\$ 5,644,984</u>	<u>3,036,295</u>	<u>419,780</u>	<u>304,102</u>
<b>Component units:</b>				
Economic development	\$ 273,244			
Community development	<u>530,031</u>			
Total component units	<u>\$ 803,275</u>			

**General revenues:**

- Property taxes
- Sales taxes
- Franchise taxes
- Mixed drink taxes
- Investment earnings
- Miscellaneous revenue
- Gain on sale of capital assets
- Transfers
- Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government			Economic Development	Community Development
Governmental Activities	Business-type Activities	Total		
(936,679)		(936,679)		
(316,041)		(316,041)		
(520,431)		(520,431)		
(301,982)		(301,982)		
<u>(335,368)</u>		<u>(335,368)</u>		
<u>(2,410,501)</u>		<u>(2,410,501)</u>		
	482,568	482,568		
	<u>43,126</u>	<u>43,126</u>		
	<u>525,694</u>	<u>525,694</u>		
<u>(2,410,501)</u>	<u>525,694</u>	<u>(1,884,807)</u>		
			(273,244)	
			<u>(273,244)</u>	<u>(530,031)</u>
				<u>(530,031)</u>
1,616,643		1,616,643		
671,859		671,859	335,930	335,930
131,981		131,981		
1,402		1,402		
134,010	126,239	260,249	6,499	16,716
141,295	2,315	143,610		
1,210	21,160	22,370		
<u>195,203</u>	<u>(195,203)</u>			
<u>2,893,603</u>	<u>(45,489)</u>	<u>2,848,114</u>	<u>342,429</u>	<u>352,646</u>
483,102	480,205	963,307	69,185	(177,385)
<u>6,921,720</u>	<u>3,155,110</u>	<u>10,076,830</u>	<u>169,329</u>	<u>448,100</u>
<u>7,404,822</u>	<u>3,635,315</u>	<u>11,040,137</u>	<u>238,514</u>	<u>270,715</u>

**CITY OF MELISSA**  
 Balance Sheet  
 Governmental Funds  
 September 30, 2008

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,884,486	7,884,486
Receivables (net of allowance for uncollectibles):		
Property taxes	24,396	24,396
Sales tax	57,412	57,412
Other	21,884	21,884
Deposits	155	155
Due from component unit	<u>130,735</u>	<u>130,735</u>
Total assets	<u>\$ 8,119,068</u>	<u>8,119,068</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 407,393	407,393
Accrued interest payable	30,906	30,906
Due to other funds	2,435	2,435
Due to component unit	266	266
Deferred revenue	<u>1,503,283</u>	<u>1,503,283</u>
Total liabilities	<u>1,944,283</u>	<u>1,944,283</u>
Fund balances:		
Reserved for:		
Construction	4,362,351	4,362,351
Court	15,763	15,763
Unreserved and undesignated:		
Reported in the general fund	<u>1,796,671</u>	<u>1,796,671</u>
Total fund balances	<u>6,174,785</u>	<u>6,174,785</u>
Total liabilities and fund balances	<u>\$ 8,119,068</u>	<u>8,119,068</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
September 30, 2008

**Total Fund Balances - Governmental Funds** \$ 6,174,785

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,801,212 and the accumulated depreciation was \$(829,272). In addition, long-term liabilities, including bonds payable of \$(5,035,000), note payable of \$(102,966), and capital leases of \$(219,554) are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 4,614,420

Current year capital outlays of \$2,206,408 and long-term debt principal payments of \$309,627 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 2,516,035

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (52,899)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (263,809)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$24,396 of deferred revenue as revenue, reclassifying the proceeds of bonds payable as an increase in bonds payable \$(5,230,000), reclassifying capital leases of \$(330,728) as an increase in capital leases payable, recognizing the liability associated with compensated absences of \$(45,588), and removing the net book value of capital assets that were sold \$(1,790). The net effect of these reclassifications is to decrease net assets. (5,583,710)

**Net Assets of Governmental Activities** \$ 7,404,822

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2008

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Taxes:		
Property	\$ 1,634,616	1,634,616
Sales	671,859	671,859
Franchise	131,981	131,981
Mixed drink	1,402	1,402
License and permits	294,210	294,210
Charges for services	1,452	1,452
Intergovernmental	505,438	505,438
Grants and donations	218,444	218,444
Fines, warrants and seizures	462,634	462,634
Investment income	134,010	134,010
Miscellaneous	<u>124,365</u>	<u>124,365</u>
Total revenues	<u>4,180,411</u>	<u>4,180,411</u>
 <b>EXPENDITURES</b>		
Current:		
General government	1,631,404	1,631,404
Public safety	804,188	804,188
Street	257,537	257,537
Culture and recreation	289,740	289,740
Capital outlay	2,510,686	2,510,686
Debt service:		
Principal	309,627	309,627
Interest and fiscal charges	<u>310,888</u>	<u>310,888</u>
Total expenditures	<u>6,114,070</u>	<u>6,114,070</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(1,933,659)</u>	 <u>(1,933,659)</u>
 <b>OTHER FINANCIAL SOURCES (USES)</b>		
Capital leases	330,728	330,728
Bond issuance	5,230,000	5,230,000
Insurance recoveries	16,930	16,930
Sale of capital assets	3,000	3,000
Transfers in	<u>195,203</u>	<u>195,203</u>
Total other financing sources (uses)	<u>5,775,861</u>	<u>5,775,861</u>
 Net change in fund balances	 3,842,202	 3,842,202
Fund balances - beginning	<u>2,332,583</u>	<u>2,332,583</u>
Fund balances - ending	<u>\$ 6,174,785</u>	<u>6,174,785</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
September 30, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 3,842,202
Current year capital outlays of \$2,206,408 and long-term debt principal payments of \$309,627 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.	2,516,035
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets.	(24,480)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets.	(263,809)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$(17,973) as revenue, reclassifying the proceeds of bonds payable as an increase in bonds payable \$(5,230,000), reclassifying capital leases of \$(330,728) as an increase in capital leases payable, recognizing the increase in compensated absences payable of \$(6,355), and removing the net book value of capital assets that were sold \$(1,790). The net effect of these reclassifications is to decrease net assets.	<u>(5,586,846)</u>
<b>Change in Net Assets of Governmental Activities</b>	\$ <u><u>483,102</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,530,730	1,634,430	1,634,616	186
Sales	575,000	670,000	671,859	1,859
Franchise	110,000	131,900	131,981	81
Mixed drink		1,400	1,402	2
License and permits:				
Building permits	302,800	212,800	223,721	10,921
Platting & development	211,050	71,050	70,489	(561)
Charges for services:				
Police reports			632	632
Park fees			820	820
Grants and donations:				
Intergovernmental	262,720	262,720	505,438	242,718
Library	17,693	21,193	21,173	(20)
Park	40,000	57,180	57,180	
Fire	20,000	138,000	138,617	617
Police			1,474	1,474
Fines, warrants and seizures	400,000	456,700	462,634	5,934
Investment income	120,000	130,000	134,010	4,010
Miscellaneous	<u>42,000</u>	<u>121,329</u>	<u>124,365</u>	<u>3,036</u>
Total revenues	<u>3,631,993</u>	<u>3,908,702</u>	<u>4,180,411</u>	<u>271,709</u>
<b>EXPENDITURES:</b>				
City administration:				
Personnel services	309,114	306,859	313,407	(6,548)
Materials and supplies	18,400	31,250	36,929	(5,679)
Other services	<u>535,986</u>	<u>484,181</u>	<u>534,340</u>	<u>(50,159)</u>
Total city administration	<u>863,500</u>	<u>822,290</u>	<u>884,676</u>	<u>(62,386)</u>
Development & neighborhood services:				
Personnel services	139,788	137,973	139,651	(1,678)
Materials and supplies	6,350	6,350	5,572	778
Other services	<u>387,300</u>	<u>223,000</u>	<u>223,724</u>	<u>(724)</u>
Total development & neighborhood services	<u>533,438</u>	<u>367,323</u>	<u>368,947</u>	<u>(1,624)</u>
Building maintenance:				
Personnel services	38,540	38,540	40,884	(2,344)
Materials and supplies	5,350	5,350	5,281	69
Other services	<u>10,175</u>	<u>10,175</u>	<u>5,455</u>	<u>4,720</u>
Total building maintenance	<u>\$ 54,065</u>	<u>54,065</u>	<u>51,620</u>	<u>2,445</u>

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2008  
-continued-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>EXPENDITURES</b> (continued):				
Code enforcement:				
Materials and supplies	\$		<u>2,036</u>	<u>(2,036)</u>
Total code enforcement			<u>2,036</u>	<u>(2,036)</u>
Parks and grounds:				
Personnel services	39,929	39,256	52,800	(13,544)
Materials and supplies	7,500	8,000	7,694	306
Other services	<u>115,284</u>	<u>130,285</u>	<u>124,103</u>	<u>6,182</u>
Total parks and grounds	<u>162,713</u>	<u>177,541</u>	<u>184,597</u>	<u>(7,056)</u>
Municipal court:				
Personnel services	133,976	132,767	133,202	(435)
Materials and supplies	2,600	2,600	3,713	(1,113)
Other services	<u>162,555</u>	<u>184,555</u>	<u>187,210</u>	<u>(2,655)</u>
Total municipal court	<u>299,131</u>	<u>319,922</u>	<u>324,125</u>	<u>(4,203)</u>
Police department:				
Personnel services	503,710	480,687	483,330	(2,643)
Materials and supplies	37,875	51,375	47,980	3,395
Other services	<u>67,792</u>	<u>79,242</u>	<u>80,378</u>	<u>(1,136)</u>
Total police department	<u>609,377</u>	<u>611,304</u>	<u>611,688</u>	<u>(384)</u>
Street department:				
Personnel services	41,782	41,782	42,181	(399)
Materials and supplies	5,850	6,850	5,092	1,758
Other services	<u>150,275</u>	<u>206,075</u>	<u>210,264</u>	<u>(4,189)</u>
Total street department	<u>197,907</u>	<u>254,707</u>	<u>257,537</u>	<u>(2,830)</u>
Fire department				
Personnel services	50,820	50,690	50,428	262
Materials and supplies	11,900	17,550	18,620	(1,070)
Other services	<u>131,118</u>	<u>119,118</u>	<u>123,452</u>	<u>(4,334)</u>
Total fire department	<u>193,838</u>	<u>187,358</u>	<u>192,500</u>	<u>(5,142)</u>
Library				
Personnel services	97,199	88,304	87,492	812
Materials and supplies	9,643	12,143	9,043	3,100
Other services	<u>12,450</u>	<u>9,450</u>	<u>8,608</u>	<u>842</u>
Total library	<u>119,292</u>	<u>109,897</u>	<u>105,143</u>	<u>4,754</u>
Capital outlay	\$	<u>23,800</u>	<u>2,202,328</u>	<u>2,510,686</u>
				<u>(308,358)</u>

**CITY OF MELISSA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2008  
-continued-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance With Final Budget Positive (Negative)
<b>EXPENDITURES (continued):</b>				
Debt service:				
Principal retirement	\$ 295,571	295,571	309,627	(14,056)
Interest	<u>238,362</u>	<u>278,362</u>	<u>310,888</u>	<u>(32,526)</u>
Total debt service	<u>533,933</u>	<u>573,933</u>	<u>620,515</u>	<u>(46,582)</u>
 Total expenditures	 <u>3,590,994</u>	 <u>5,680,668</u>	 <u>6,114,070</u>	 <u>(433,402)</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>40,999</u>	 <u>(1,771,966)</u>	 <u>(1,933,659)</u>	 <u>(161,693)</u>
 <b>OTHER FINANCING SOURCES (USES):</b>				
Capital leases		207,528	330,728	123,200
Bond issuance		5,230,000	5,230,000	
Insurance recoveries	15,000	17,000	16,930	(70)
Sale of capital assets		3,000	3,000	
Transfers in	<u>189,000</u>	<u>189,000</u>	<u>195,203</u>	<u>6,203</u>
Total other financing sources (uses)	<u>204,000</u>	<u>5,646,528</u>	<u>5,775,861</u>	<u>129,333</u>
 Net change in fund balances	 244,999	 3,874,562	 3,842,202	 (32,360)
 Fund balances - beginning	 <u>2,332,583</u>	 <u>2,332,583</u>	 <u>2,332,583</u>	 _____
 Fund balances - ending	 \$ <u>2,577,582</u>	 <u>6,207,145</u>	 <u>6,174,785</u>	 <u>(32,360)</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF MELISSA**  
Statement of Net Assets  
Proprietary Fund  
September 30, 2008

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 4,851,446
Receivables (net of allowance of uncollectibles):	
Utility bills	208,202
Restricted cash and cash equivalents	852,733
Due from other funds	<u>2,435</u>
Total current assets	<u>5,914,816</u>

Noncurrent assets:

Bond issuance costs (net of accumulated amortization)	<u>229,536</u>
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Capital Assets:

Land	224,988
Buildings and systems	8,742,053
Equipment	412,027
Construction in progress	2,259,038
Less: accumulated depreciation	<u>(1,364,589)</u>
Total capital assets (net of depreciation)	<u>10,273,517</u>
Total noncurrent assets	<u>10,503,053</u>

Total assets	<u>16,417,869</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	429,061
Accrued interest payable	372,318
Deposits	172,915
Deferred revenue	650,000
Compensated absences payable	3,123
Current portion of lease payable	17,965
Current portion on bonds payable	<u>307,500</u>
Total current liabilities	<u>1,952,882</u>

Noncurrent liabilities:

Lease payable	163,422
Bonds payable	<u>10,666,250</u>
Total noncurrent liabilities	<u>10,829,672</u>

Total liabilities	<u>12,782,554</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	2,374,300
Unrestricted	<u>1,261,015</u>
Total net assets	<u>\$ 3,635,315</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008

**OPERATING REVENUES**

Water sales	\$ 1,242,974
Sewer charges	363,491
Sanitation	176,376
Tap fees	248,875
Reconnect fees	50,727
Meter installation fee	3,650
Intergovernmental	191,906
Miscellaneous	<u>2,315</u>
Total operating revenues	<u>2,280,314</u>

**OPERATING EXPENSES**

Personnel services	302,281
Materials and supplies	262,618
Other services	781,235
Amortization	5,555
Depreciation	<u>152,451</u>
Total operating expenses	<u>1,504,140</u>

Operating income (loss)	<u>776,174</u>
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**NONOPERATING REVENUES (EXPENSES)**

Gain on sale of capital asset	21,160
Interest income	126,239
Interest expense	<u>(248,165)</u>
Total nonoperating revenues (expenses)	<u>(100,766)</u>

Net income (loss) before transfers	675,408
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**TRANSFERS**

Transfers out	<u>(195,203)</u>
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Change in net assets	480,205
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Net assets - beginning	<u>3,155,110</u>
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Net assets - ending	<u>\$ 3,635,315</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 2,889,068
Cash payments to suppliers	(802,719)
Cash payments to employees	<u>(305,666)</u>
Net cash provided by operating activities	<u>1,780,683</u>
Cash flows from noncapital financing activities:	
Transfer to other funds	(195,203)
Repayment of advances to other funds	<u>456</u>
Net cash used for noncapital financing activities	<u>(194,747)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,986,569)
Bonds proceeds received	3,355,000
Bond issuance costs	(112,211)
Principal paid on bonds	(193,750)
Interest paid on debt	(216,187)
Proceeds from sale of capital assets	<u>24,305</u>
Net cash provided for capital and related financing activities	<u>870,588</u>
Cash flows from investing activities:	
Interest on deposits and investments	<u>126,239</u>
Net cash provided by investing activities	<u>126,239</u>
Net increase in cash and cash equivalents	2,582,763
Cash and cash equivalents - beginning	<u>3,121,416</u>
Cash and cash equivalents - ending	<u>\$ 5,704,179</u>

**CITY OF MELISSA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008  
-continued-

Reconciliation of Net Income to Net Cash Provided  
by Operating Activities

Operating income	\$ <u>776,174</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	152,451
Amortization expense	5,555
(Increase)/decrease in accounts receivable	(35,951)
Increase/(decrease) in accounts payable	241,134
Increase/(decrease) in deferred revenue	650,000
Increase/(decrease) in compensated absences	(3,385)
Increase/(decrease) in meter deposits	<u>(5,295)</u>
Total adjustments	<u>1,004,509</u>
Net cash provided by operating activities	\$ <u><u>1,780,683</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2008

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Melissa, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

**Discretely Presented Component Units**

The Melissa Economic Development Corporation (MEDC) serves all citizens of the City. 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 MEDC is presented as a governmental fund type.

The Melissa Community Development Corporation (MCDC) serves all citizens of the City. The scope of public service of the MCDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City. The MCDC is presented as a governmental fund type.

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

**B. Government-wide and Fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2008  
-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Government-wide and Fund financial statements** (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

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 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.

Property 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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.

**CITY OF MELISSA**  
Notes to the Financial Statements  
September 30, 2008  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement focus, basis of accounting, and financial statement presentation**  
(continued)

The government reports the following major proprietary 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 has 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 and sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 and other charges between the government's water and sewer function 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise fund are charges to customers for sales and services. The enterprise 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 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity** (continued)

**2. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**3. Restricted Assets**

Certain resources are classified as restricted assets on the balance sheet because their use is limited.

**4. 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 (amount not rounded) 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 estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
System infrastructure	40
Equipment	5-10
Vehicles	5

**5. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity** (continued)

**5. Compensated Absences** (continued)

wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. Comparative data/reclassifications**

Comparative total data for the prior year have not been presented in the fund financial statements.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**A. Budgetary Information** (continued)

1. Prior to September 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation in the approved budget. This amount is reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

**B. Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Budget and Actual - Water and Sewer Fund to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds:

	<u>Water and Sewer Fund</u>
Net assets (budget)	\$ 3,793,321
Depreciation	(152,451)
Amortization	<u>(5,555)</u>
Net assets (GAAP)	<u>\$ 3,635,315</u>

**C. Excess of Expenditures/Expenses Over Appropriations**

For the year ended September 30, 2008, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$433,402. These over expenditures were funded by available fund balance.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, 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 (Article 842a-2 Vernon's Civil Statutes).

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

The MEDC and MCDC may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, 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 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2008, the City's carrying amount of deposits was \$2,203,270 and the bank balance was \$2,473,951. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,373,951 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the MEDC, a discretely presented component unit, was \$209,989 and the bank balance was \$210,055. The bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the MCDC, a discretely presented component unit, was \$373,067 and the bank balance was \$374,067. The bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **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. The City's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **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 investments are with TexStar Investment Pool ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

At year end, the government's investment balances were as follows:

	<u>Fair Value</u>
TexStar investment pool (TexStar)	\$ <u>11,384,495</u>
Total investments	\$ <u><u>11,384,495</u></u>

**B. Receivables**

Receivables at September 30, 2008 consisted of the following:

	<u>Component Units</u>			
	<u>Primary Government</u>		<u>Economic</u>	<u>Community</u>
	<u>General</u>	<u>Enterprise</u>	<u>Development</u>	<u>Development</u>
	<u>Fund</u>	<u>Fund</u>	<u>Corporation</u>	<u>Corporation</u>
Receivables:				
Property tax	\$ 24,396			
Sales tax	57,412		28,706	28,706
Other	21,884			
Utility bills		<u>208,202</u>		
Net receivables	<u>\$ 103,692</u>	<u>208,202</u>	<u>28,706</u>	<u>28,706</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**B. Receivables** (continued)

Property taxes are based on the appraised values provided by the Collin County Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. 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. The City's current policy is to write-off uncollectible personal property taxes after four years.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2007, upon which the 2007/2008 levy was based, was approximately \$308,302,800. The tax rate for fiscal year 2007/2008 was \$0.52 per \$100 of assessed valuation.

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 219,771	196,102		415,873
Building	4,480,878			4,480,878
Equipment	968,858	452,137	(13,013)	1,407,982
Street infrastructure	5,131,705			5,131,705
Construction in progress		<u>1,558,169</u>		<u>1,558,169</u>
Totals at historical cost	10,801,212	2,206,408	(13,013)	12,994,607
Less accumulated depreciation	<u>(829,272)</u>	<u>(263,809)</u>	<u>11,223</u>	<u>(1,081,858)</u>
Governmental activities capital assets, net	<u>\$ 9,971,940</u>	<u>1,942,599</u>	<u>(1,790)</u>	<u>11,912,749</u>
Business-type activities:				
Land	\$ 228,133		(3,145)	224,988
Building and system	4,488,617	4,253,436		8,742,053
Equipment	262,638	181,387	(31,998)	412,027
Construction in progress	<u>4,219,237</u>	<u>2,293,237</u>	<u>(4,253,436)</u>	<u>2,259,038</u>
Totals at historical cost	9,198,625	6,728,060	(4,288,579)	11,638,106
Less accumulated depreciation	<u>(1,244,136)</u>	<u>(152,451)</u>	<u>31,998</u>	<u>(1,364,589)</u>
Business-type activities capital assets, net	<u>\$ 7,954,489</u>	<u>6,575,609</u>	<u>(4,256,581)</u>	<u>10,273,517</u>

Interest expense of \$331,021 has been capitalized in construction in progress.

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets** (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	\$ 30,207
Public safety	114,015
Street	31,688
Culture and recreation	<u>87,899</u>
Total depreciation expense - government activities	<u>\$ 263,809</u>
Business-type activities:	
Water and sewer	\$ <u>152,451</u>
Total depreciation expense - business-type activities	\$ <u>152,451</u>

**D. Interfund Receivables and Payables**

Interfund balances at September 30, 2008 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	General	<u>\$ 2,435</u>

**E. Capital Leases**

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2008, the equipment and vehicles leased under capital leases had a carrying value of \$623,632 which is included in the governmental activities and \$181,387 which is included in the business-type activities on the Statement of Net Assets. Capital lease expenditures for 2008 were \$74,670, of which \$14,363 represented interest. Effective interest rates range from 3.82% to 6.89%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2009	\$ 98,238	21,803
2010	90,901	21,803
2011	61,813	21,803
2012	56,632	21,803
2013	56,632	21,803
Thereafter	<u>252,669</u>	<u>109,014</u>
Future minimum lease payments	616,885	218,029
Less: amount representing interest	<u>(126,910)</u>	<u>(36,642)</u>
Present value of future minimum lease payments	<u>\$ 489,975</u>	<u>181,387</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Note Payable**

On March 29, 2007, the City borrowed \$105,000 from the depository bank. The funds were used to purchase property, and are to be repaid in monthly installments of \$930, including interest at 6.75%, beginning April 29, 2007. A final payment of approximately \$81,866 will be due on March 29, 2012.

The annual requirements to amortize the note payable as of September 30, 2008, are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,640	6,516	11,156
2010	4,963	6,193	11,156
2011	5,309	5,847	11,156
2012	<u>83,734</u>	<u>2,779</u>	<u>86,513</u>
Total	\$ <u>98,646</u>	<u>21,335</u>	<u>119,981</u>

**G. Long-term Debt**

Long-term liability activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 219,554	330,728	(60,307)	489,975	77,218
Note payable	102,966		(4,320)	98,646	4,640
Bonds payable	5,035,000	5,230,000	(245,000)	10,020,000	410,000
Compensated absences	<u>39,233</u>	<u>45,588</u>	<u>(39,233)</u>	<u>45,588</u>	<u>45,588</u>
Totals	\$ <u>5,396,753</u>	<u>5,606,316</u>	<u>(348,860)</u>	<u>10,654,209</u>	<u>537,446</u>

The capital leases, note payable, and bonds will be repaid by the general fund. Compensated absences will be liquidated by the general fund.

On November 6, 2007, voters authorized \$19.1 million of general obligation bonds. The City issued \$5.23 million of bonds during the year, and has \$13.87 million of authorized but unissued bonds at year end.

Bonds payable at September 30, 2008 are comprised of the following individual issues for the governmental activities:

2001 Certificates of Obligation issued June 1, 2001 due in annual installments through August 15, 2011, bearing interest at rates ranging from 3.5% to 4.9%, payable February 15 and August 15.	\$ 290,000
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**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2004 Certificates of Obligation issued September 29, 2004 due in annual installments through February 15, 2024, bearing interest at rates ranging from 2.2% to 4.69%, payable February 15 and August 15.	\$ 1,300,000
2005 Certificates of Obligation issued June 23, 2005 due in annual installments through February 15, 2025, bearing interest at 4.1%, payable February 15 and August 15.	855,000
2005A Certificates of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest at 4.05%, payable February 15 and August 15.	770,000
2006 Certificates of Obligation issued May 31, 2006, due in annual installments through February 15, 2026, bearing interest at rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	1,575,000
2008 General Obligation bonds issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest at 4.65%, payable February 15 and August 15.	<u>5,230,000</u>
Combined debt	<u>\$ 10,020,000</u>

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2008, are as follows:

2001 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 95,000	13,925	108,925
2010	95,000	9,460	104,460
2011	<u>100,000</u>	<u>4,900</u>	<u>104,900</u>
Total	<u>\$ 290,000</u>	<u>28,285</u>	<u>318,285</u>



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2004 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 55,000	57,059	112,059
2010	55,000	53,951	108,951
2011	60,000	50,703	110,703
2012	65,000	47,171	112,171
2013	65,000	44,149	109,149
2014	70,000	41,685	111,685
2015	75,000	38,908	113,908
2016	75,000	35,908	110,908
2017	80,000	32,768	112,768
2018	85,000	29,385	114,385
2019	90,000	25,708	115,708
2020	95,000	21,730	116,730
2021	100,000	17,438	117,438
2022	105,000	12,825	117,825
2023	110,000	7,905	117,905
2024	<u>115,000</u>	<u>2,674</u>	<u>117,674</u>
Total	<u>\$ 1,300,000</u>	<u>519,967</u>	<u>1,819,967</u>

2005 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 35,000	34,338	69,338
2010	35,000	32,902	67,902
2011	40,000	31,365	71,365
2012	40,000	29,725	69,725
2013	40,000	28,085	68,085
2014	45,000	26,342	71,342
2015	45,000	24,498	69,498
2016	45,000	22,652	67,652
2017	50,000	20,705	70,705
2018	50,000	18,655	68,655
2019	55,000	16,502	71,502
2020	55,000	14,248	69,248
2021	60,000	11,890	71,890
2022	60,000	9,430	69,430
2023	65,000	6,868	71,868
2024	65,000	4,202	69,202
2025	<u>70,000</u>	<u>1,435</u>	<u>71,435</u>
Total	<u>\$ 855,000</u>	<u>333,842</u>	<u>1,188,842</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2005A Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 30,000	30,577	60,577
2010	30,000	29,363	59,363
2011	30,000	28,147	58,147
2012	35,000	26,831	61,831
2013	35,000	25,414	60,414
2014	35,000	23,996	58,996
2015	40,000	22,478	62,478
2016	40,000	20,857	60,857
2017	40,000	19,238	59,238
2018	45,000	17,516	62,516
2019	45,000	15,694	60,694
2020	45,000	13,871	58,871
2021	50,000	11,948	61,948
2022	50,000	9,922	59,922
2023	50,000	7,898	57,898
2024	55,000	5,771	60,771
2025	55,000	3,544	58,544
2026	<u>60,000</u>	<u>1,215</u>	<u>61,215</u>
	<u>\$ 770,000</u>	<u>314,280</u>	<u>1,084,280</u>

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 40,000	75,357	115,357
2010	60,000	72,358	132,358
2011	65,000	68,607	133,607
2012	70,000	64,558	134,558
2013	70,000	60,357	130,357
2014	75,000	56,008	131,008
2015	75,000	52,070	127,070
2016	80,000	48,582	128,582
2017	85,000	44,934	129,934
2018	90,000	41,105	131,105
2019	90,000	37,145	127,145
2020	95,000	33,075	128,075
2021	100,000	28,760	128,760
2022	105,000	24,199	129,199
2023	<u>\$ 110,000</u>	<u>19,360</u>	<u>129,360</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2006 Certificates of Obligation (continued)

Year Ending September 30,	Principal	Interest	Total
2024	\$ 115,000	14,241	129,241
2025	120,000	8,835	128,835
2026	<u>130,000</u>	<u>3,022</u>	<u>133,022</u>
Total	<u>\$ 1,575,000</u>	<u>752,573</u>	<u>2,327,573</u>

2008 General Obligation Bonds

Year Ending September 30,	Principal	Interest	Total
2009	\$ 155,000	216,788	371,788
2010	170,000	230,773	400,773
2011	180,000	222,679	402,679
2012	190,000	214,123	404,123
2013	195,000	205,219	400,219
2014	205,000	195,969	400,969
2015	215,000	186,257	401,257
2016	225,000	176,082	401,082
2017	235,000	165,444	400,444
2018	250,000	154,229	404,229
2019	260,000	142,988	402,988
2020	270,000	131,722	401,722
2021	285,000	119,505	404,505
2022	295,000	106,455	401,455
2023	310,000	92,533	402,533
2024	325,000	77,610	402,610
2025	340,000	61,897	401,897
2026	355,000	45,391	400,391
2027	375,000	27,960	402,960
2028	<u>395,000</u>	<u>9,480</u>	<u>404,480</u>
	<u>\$ 5,230,000</u>	<u>2,783,104</u>	<u>8,013,104</u>

During the year ended September 30, 2008, the following changes occurred in long-term liabilities reported in the Water and Sewer Fund:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Capital leases	\$	181,387		181,387	17,965
Bonds payable	7,812,500	3,355,000	(193,750)	10,973,750	307,500
Compensated absences	<u>6,508</u>	<u>3,123</u>	<u>(6,508)</u>	<u>3,123</u>	<u>3,123</u>
Totals	<u>\$ 7,819,008</u>	<u>3,539,510</u>	<u>(200,258)</u>	<u>11,158,260</u>	<u>328,588</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

The bonds and compensated absences will be paid by the Water and Sewer Fund.

Bonds payable at September 30, 2008 are comprised of the following individual issues for the Water and Sewer Fund:

2000 Certificates of Obligation issued December 19, 2000 due in annual installments through August 15, 2021, bearing interest at rates ranging from 5.5% to 6.5%, payable February 15 and August 15.	\$ 1,325,000
2000 General Obligation Refunding Bonds issued December 19, 2000 due in annual installments through August 15, 2009, bearing interest at rates ranging from 5.25% to 6.2%, payable February 15 and August 15.	35,000
2005 Contract Revenue Bonds issued January 20, 2005 due in annual installments through October 1, 2028, bearing interest at rates ranging from 2.29% to 5.74%, payable April 1 and October 1.	637,500
2006 Contract Revenue Bonds issued July 15, 2006, due in annual installments through February 1, 2040, bearing interest at rates ranging from 5.68% to 5.83%, payable February 1.	2,168,750
2006 Certificates of Obligation issued May 31, 2006, due in annual installments through February 15, 2006, bearing interest at rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	585,000
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest at rates ranging from 2.95% to 3.75%, payable June 1 and December 1.	1,620,000
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest at rates ranging from 2.67% to 5.62%, payable October 1 and April 1.	1,247,500
2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest at rates ranging from 2.95% to 4.10%, payable December 1 and June 1.	\$ 1,105,000

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2008 Certificates of Obligation issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest at 4.56%, payable February 15 and August 15. \$ 2,250,000

Combined Debt \$ 10,973,750

The annual requirements to amortize the bonded debt outstanding for the Water and Sewer Fund as of September 30, 2008, are as follows:

2000 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,000	77,230	137,230
2010	65,000	73,330	138,330
2011	80,000	69,105	149,105
2012	85,000	64,105	149,105
2013	90,000	59,430	149,430
2014	95,000	54,480	149,480
2015	100,000	49,160	149,160
2016	105,000	43,560	148,560
2017	115,000	37,575	152,575
2018	120,000	31,020	151,020
2019	130,000	24,060	154,060
2020	135,000	16,520	151,520
2021	<u>145,000</u>	<u>8,555</u>	<u>153,555</u>
Total	<u>\$ 1,325,000</u>	<u>608,130</u>	<u>1,933,130</u>

2000 General Obligation Refunding Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>35,000</u>	<u>1,872</u>	<u>36,872</u>
Total	<u>\$ 35,000</u>	<u>1,872</u>	<u>36,872</u>

2005 Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 17,500	33,056	50,556
2010	18,750	32,392	51,142
2011	20,000	31,644	51,644
2012	21,250	30,796	52,046
2013	22,500	29,863	52,363
2014	\$ 23,750	28,842	52,592

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2005 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 25,000	27,740	52,740
2016	26,250	26,542	52,792
2017	27,500	25,259	52,759
2018	30,000	23,887	53,887
2019	31,250	22,360	53,610
2020	32,500	20,753	53,253
2021	35,000	19,050	54,050
2022	36,250	17,181	53,431
2023	38,750	15,227	53,977
2024	41,250	13,100	54,350
2025	43,750	10,815	54,565
2026	46,250	8,347	54,597
2027	48,750	5,716	54,466
2028	<u>51,250</u>	<u>2,942</u>	<u>54,192</u>
Total	<u>\$ 637,500</u>	<u>425,512</u>	<u>1,063,012</u>

2006 Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	25,041	25,041
2010		25,041	25,041
2011		37,562	37,562
2012		50,082	50,082
2013		68,863	68,863
2014		87,644	87,644
2015		106,425	106,425
2016		125,207	125,207
2017		125,207	125,207
2018		125,207	125,207
2019		228,947	228,947
2020		228,947	228,947
2021		228,947	228,947
2022		228,947	228,947
2023		228,947	228,947
2024		228,947	228,947
2025		228,947	228,947
2026	95,000	125,206	220,206
2027	100,000	119,809	219,809
2028	106,250	114,080	220,330
2029	112,500	107,991	220,491
2030	<u>\$ 118,750</u>	101,545	220,295

-continued-

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2006 Contract Revenue Bonds (continued)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2031	\$ 125,000	94,741	219,741
2032	133,750	87,578	221,328
2033	140,000	79,915	219,915
2034	148,750	71,823	220,573
2035	156,250	63,225	219,475
2036	166,250	54,193	220,443
2037	176,250	44,584	220,834
2038	185,000	34,397	219,397
2039	197,500	23,611	221,111
2040	<u>207,500</u>	<u>12,097</u>	<u>219,597</u>
Total	<u>\$ 2,168,750</u>	<u>3,513,703</u>	<u>5,682,453</u>

2006 Certificates of Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,000	27,895	47,895
2010	25,000	26,545	51,545
2011	25,000	25,045	50,045
2012	25,000	23,545	48,545
2013	25,000	22,045	47,045
2014	25,000	20,545	45,545
2015	30,000	19,120	49,120
2016	30,000	17,770	47,770
2017	30,000	16,442	46,442
2018	30,000	15,130	45,130
2019	35,000	13,700	48,700
2020	35,000	12,160	47,160
2021	35,000	10,611	45,611
2022	40,000	8,943	48,943
2023	40,000	7,143	47,143
2024	45,000	5,209	50,209
2025	45,000	3,139	48,139
2026	<u>45,000</u>	<u>1,046</u>	<u>46,046</u>
Total	<u>\$ 585,000</u>	<u>276,033</u>	<u>861,033</u>

2006 Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	56,252	121,252
2010	65,000	54,270	119,270
2011	\$ 70,000	52,288	122,288

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2006 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 70,000	50,117	120,117
2013	75,000	47,913	122,913
2014	80,000	45,512	125,512
2015	80,000	42,913	122,913
2016	85,000	40,232	125,232
2017	85,000	37,343	122,343
2018	90,000	34,410	124,410
2019	95,000	31,260	126,260
2020	95,000	27,887	122,887
2021	100,000	24,515	124,515
2022	105,000	20,915	125,915
2023	110,000	17,082	127,082
2024	115,000	13,068	128,068
2025	115,000	8,813	123,813
2026	<u>120,000</u>	<u>4,500</u>	<u>124,500</u>
	<u>\$ 1,620,000</u>	<u>609,290</u>	<u>2,229,290</u>

2007 Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,000	65,133	70,133
2010	18,750	64,962	83,712
2011	32,500	64,274	96,774
2012	41,250	63,016	104,266
2013	45,000	61,317	106,317
2014	47,500	59,395	106,895
2015	50,000	57,296	107,296
2016	52,500	55,036	107,536
2017	55,000	52,584	107,584
2018	11,250	49,961	61,211
2019	12,500	49,413	61,913
2020	13,750	48,792	62,542
2021	13,750	48,101	61,851
2022	15,000	47,397	62,397
2023	16,250	46,614	62,864
2024	16,250	45,758	62,008
2025	26,250	44,885	71,135
2026	27,500	43,462	70,962
2027	28,750	41,945	70,695
2028	31,250	40,343	71,593
2029	70,000	38,603	108,603
2030	\$ 75,000	34,704	109,704

-continued-



**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2007 Contract Revenue Bonds (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2031	\$ 78,750	30,488	109,238
2032	82,500	26,063	108,563
2033	87,500	21,426	108,926
2034	92,500	16,509	109,009
2035	97,500	11,310	108,810
2036	<u>103,750</u>	<u>5,831</u>	<u>109,581</u>
	<u>\$ 1,247,500</u>	<u>1,234,618</u>	<u>2,482,118</u>

2007A Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 35,000	40,410	75,410
2010	40,000	39,378	79,378
2011	40,000	38,197	78,197
2012	40,000	36,998	76,998
2013	45,000	35,777	80,777
2014	45,000	34,338	79,338
2015	45,000	32,875	77,875
2016	50,000	31,367	81,367
2017	50,000	29,668	79,668
2018	55,000	27,917	82,917
2019	55,000	25,938	80,938
2020	55,000	23,902	78,902
2021	60,000	21,840	81,840
2022	60,000	19,530	79,530
2023	65,000	17,220	82,220
2024	65,000	14,685	79,685
2025	70,000	12,118	82,118
2026	75,000	9,317	84,317
2027	75,000	6,318	81,318
2028	<u>80,000</u>	<u>3,280</u>	<u>83,280</u>
Total	<u>\$ 1,105,000</u>	<u>501,073</u>	<u>1,606,073</u>

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Long-term Debt** (continued)

2008 Certificates of Obligation

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 70,000	89,890	159,890
2010	75,000	95,724	170,724
2011	80,000	92,430	172,430
2012	85,000	88,924	173,924
2013	85,000	85,311	170,311
2014	90,000	81,593	171,593
2015	95,000	77,661	172,661
2016	100,000	73,518	173,518
2017	100,000	69,267	169,267
2018	105,000	64,990	169,990
2019	110,000	60,583	170,583
2020	115,000	55,797	170,797
2021	120,000	50,628	170,628
2022	125,000	45,237	170,237
2023	130,000	39,481	169,481
2024	140,000	33,237	173,237
2025	145,000	26,520	171,520
2026	150,000	19,440	169,440
2027	160,000	12,000	172,000
2028	<u>170,000</u>	<u>4,080</u>	<u>174,080</u>
	<u>\$ 2,250,000</u>	<u>1,166,311</u>	<u>3,416,311</u>

**H. Restricted Assets**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 172,915
Accrued interest payable	372,318
Current bonds payable	<u>307,500</u>
Total restricted assets	<u>\$ 852,733</u>

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**A. Risk Management** (continued)

and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

**B. Retirement System**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

**Contributions**

The contribution rate for the employees is 6%, and the government matching ratio is currently 2 to 1, both as adopted by the governing body of the government. Under the state law governing TMRS, the government contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to government matching percent, which are the obligation of the government as of an employee's retirement date, not at the time

**CITY OF MELISSA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

***Contributions*** (continued)

the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the government to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year - closed period - amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January, 2007. The projected unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

**Annual Pension Cost**

For the year ended September 30, 2008, the City's annual pension cost of \$82,418 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.0% inflation rate was used to computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Contributions Made</u>	<u>Net Pension Obligation</u>
09/30/06	\$ 54,810	54,810	0
09/30/07	\$ 72,608	72,608	0
09/30/08	\$ 82,418	82,418	0

Schedule of Funding Progress for TMRS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)(b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>U.A.A.L. as a Percentage of Covered Payroll [(b)-(a)/(c)]</u>
12/31/05	\$ 256,259	324,004	67,745	79.1%	\$ 916,493	7.4%
12/31/06	\$ 321,311	376,176	54,865	85.4%	\$ 1,034,167	5.3%
12/31/07	\$ 461,689	610,368	148,679	75.6%	\$ 1,143,550	13.0%

**INDIVIDUAL FUND STATEMENTS**

**CITY OF MELISSA**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Water and Sewer Fund  
For the Fiscal Year Ended September 30, 2008

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>OPERATING REVENUES:</b>				
Collections:				
Water	\$ 1,524,191	1,224,191	1,242,974	18,783
Sewer	402,508	362,508	363,491	983
Sanitation	173,861	170,141	176,376	6,235
Tap fees	573,500	230,000	248,875	18,875
Reconnect fees	20,000	50,000	50,727	727
Meter installation fee		3,650	3,650	
Intergovernmental	191,906	191,906	191,906	
Miscellaneous		<u>650,000</u>	<u>2,315</u>	<u>(647,685)</u>
Total operating revenues	<u>2,885,966</u>	<u>2,882,396</u>	<u>2,280,314</u>	<u>(602,082)</u>
<b>OPERATING EXPENSES:</b>				
Water department:				
Personnel services	237,599	197,599	172,452	25,147
Materials and supplies	210,300	220,900	218,096	2,804
Other services	<u>402,326</u>	<u>474,326</u>	<u>416,921</u>	<u>57,405</u>
Total water department	<u>850,225</u>	<u>892,825</u>	<u>807,469</u>	<u>85,356</u>
Sewer department:				
Materials and supplies	7,000	9,000	9,262	(262)
Other services	<u>160,575</u>	<u>250,575</u>	<u>226,433</u>	<u>24,142</u>
Total sewer department	<u>167,575</u>	<u>259,575</u>	<u>235,695</u>	<u>23,880</u>
Sanitation department:				
Other services	<u>139,549</u>	<u>129,549</u>	<u>133,250</u>	<u>(3,701)</u>
Total sanitation department	<u>139,549</u>	<u>129,549</u>	<u>133,250</u>	<u>(3,701)</u>
Billing department:				
Personnel services	124,087	124,087	129,829	(5,742)
Materials and supplies	35,179	41,179	35,260	5,919
Other services	<u>6,400</u>	<u>6,400</u>	<u>4,631</u>	<u>1,769</u>
Total billing department	<u>165,666</u>	<u>171,666</u>	<u>169,720</u>	<u>1,946</u>
Total operating expenses	<u>1,323,015</u>	<u>1,453,615</u>	<u>1,346,134</u>	<u>107,481</u>
Operating income (loss)	\$ <u>1,562,951</u>	<u>1,428,781</u>	<u>934,180</u>	<u>(494,601)</u>

**CITY OF MELISSA**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Water and Sewer Fund  
For the Fiscal Year Ended September 30, 2008  
-continued-

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain on sale of capital asset	\$	21,160	21,160	
Interest income	30,000	40,000	126,239	86,239
Interest expense	<u>(961,339)</u>	<u>(571,339)</u>	<u>(248,165)</u>	<u>323,174</u>
Total nonoperating revenues (expenses)	<u>(931,339)</u>	<u>(510,179)</u>	<u>(100,766)</u>	<u>409,413</u>
Net income (loss) before transfers	631,612	918,602	833,414	(85,188)
Transfers out	<u>(189,000)</u>	<u>(189,000)</u>	<u>(195,203)</u>	<u>(6,203)</u>
Change in net assets	442,612	729,602	638,211	(91,391)
Net assets - beginning	<u>3,155,110</u>	<u>3,155,110</u>	<u>3,155,110</u>	_____
Net assets - ending	\$ <u>3,597,722</u>	<u>3,884,712</u>	<u>3,793,321</u>	<u>(91,391)</u>

## **SUPPLEMENTAL SCHEDULES**



**CITY OF MELISSA, TEXAS**  
 General Governmental Expenditures by Function  
 Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Streets</u>	<u>Public Safety</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Services</u>	<u>Grant Expense</u>	<u>Total</u>
2000	\$ 321,568	216,070	261,275	47,355	24,361	374		871,003
2001	513,649	56,316	331,887	71,096	367,721	26,464		1,367,133
2002	713,752	117,605	367,484	52,262	772,383	166,627		2,190,113
2003	950,103	284,439	508,541	54,587	220,583	118,218	129,498	2,265,969
2004	1,212,279	91,027	500,395	176,519	460,791	212,390		2,653,401
2005	1,586,929	144,387	628,122	200,808	968,750	250,039		3,779,035
2006	4,209,665	180,888	690,506	445,168	1,090,095	273,654		6,889,976
2007	1,556,254	150,477	735,132	207,822	2,882,518	566,306		6,098,509
2008	1,631,404	257,537	804,188	289,740	2,510,686	620,515		6,114,070

**CITY OF MELISSA, TEXAS**  
 General Governmental Revenues By Source  
 Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>License and Permits</u>	<u>Platting and Development Fees</u>	<u>Fines and Warrants</u>	<u>Intergovernmental</u>	<u>Library Income</u>	<u>Donations</u>
2000	\$ 510,497	30,610	21,625	108,314	85,278	27,193	10,039
2001	662,340	65,301	14,325	166,077	42,131	6,887	82,759
2002	767,303	185,793	31,772	162,788	497,730	9,028	180,167
2003	1,045,111	160,387	119,263	220,439	178,901	16,792	40,122
2004	1,245,176	479,782	38,105	290,484			40,172
2005	1,431,978	311,492	196,105	338,625			91,537
2006	1,789,525	573,653	97,825	393,953			3,583,684
2007	1,966,042	392,053		476,083	300,237		385,348
2008	\$ 2,439,858	223,721	70,489	462,634	505,438		218,444

<u>Rental</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
2,401	10,432	29,173	835,562
2,200	9,700	829	1,052,549
2,400	11,701	50,337	1,899,019
2,400	9,909	57,183	1,850,507
2,400	5,295	14,817	2,116,231
2,400	57,966	141,385	2,571,488
21,450	176,085	191,617	6,827,792
42,000	205,032	2,657	3,769,452
42,000	134,010	83,817	4,180,411

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**CITY OF MELISSA, TEXAS**  
 General Governmental Tax Revenues By Source  
 Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Mixed Drink Tax</u>	<u>Total</u>
2000	\$ 190,858	267,664	50,798	1,177	510,497
2001	329,239	264,871	64,420	3,810	662,340
2002	406,014	282,622	74,807	3,860	767,303
2003	509,210	453,154	78,857	3,890	1,045,111
2004	605,578	551,159	84,568	3,871	1,245,176
2005	734,803	601,679	91,631	3,865	1,431,978
2006	1,021,051	650,173	115,533	2,768	1,789,525
2007	1,272,380	563,827	128,022	1,813	1,966,042
2008	\$ 1,634,616	671,859	131,981	1,402	2,439,858

**CITY OF MELISSA, TEXAS**  
**Property Tax Levies and Collections**  
**Last Nine Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
2000	\$ 194,274	189,290	97.43%	\$ 1,568	190,858	98.24%	\$ 9,515
2001	327,804	318,911	97.29	3,566	322,477	98.38	12,089
2002	405,439	396,174	97.71	3,778	399,952	98.65	16,161
2003	499,508	493,940	98.88	7,659	501,599	100.41	17,277
2004	595,570	589,238	98.94	9,616	598,854	100.5	15,765
2005	738,048	723,108	97.98	6,081	729,189	98.80	22,110
2006	1,027,282	1,005,165	97.85	10,133	1,015,298	98.83	42,782
2007	1,230,154	1,222,950	99.41	30,825	1,253,775	101.92	42,369
2008	\$ 1,603,175	1,585,293	98.88%	\$ 32,904	1,618,197	100.94%	\$ 24,396

Ratio of Delinquent Taxes to <u>Tax Levy</u>	<u>Tax Rates</u>	
	<u>Maintenance &amp; Operations</u>	<u>Interest and Sinking</u>
4.90%	.324400	.000000
3.69	.420000	.000000
3.99	.420000	.000000
3.45	.430000	.000000
2.65	.437969	.000000
3.00	.447532	.042683
4.16	.452110	.067890
3.44	.439795	.080205
1.52%	.459435	.060565

**CITY OF MELISSA, TEXAS**  
Certificate of Obligation and Bond Coverage  
Enterprise Fund  
Last Nine Fiscal Years

<u>Fiscal Year</u>	(1) <u>Gross Revenues</u>	(2) <u>Operating Expenses</u>	Net Revenue Available For Debt <u>Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2000	\$ 417,492	254,646	162,846	50,000	30,781	80,781	2.01
2001	433,938	318,481	115,457	50,000	27,500	77,500	1.49
2002	432,768	378,259	54,509	50,000	17,278	67,278	0.82
2003	621,946	476,671	145,275	40,000	101,158	141,158	1.03
2004	1,211,791	765,225	446,566	45,000	98,678	143,678	3.11
2005	1,662,863	1,195,398	467,465	63,750	120,210	183,960	2.54
2006	2,338,862	938,807	1,400,055	80,000	125,894	205,894	6.80
2007	2,230,873	1,112,893	1,117,980	162,500	192,986	355,486	3.14
2008	\$ 2,406,553	1,346,134	1,060,419	193,750	248,165	441,915	2.40

(1) Includes interest income and excludes contributed capital.

(2) Not including depreciation and amortization expenses.