FSC Continuing Disclosure Services
A Division of Hilltop Securities

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated October 4, 2016

Ratings:
Moody's: "A1"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

THE BONDS WILL **NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$15,230,000*
CITY OF MELISSA, TEXAS
(Collin County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016

Dated Date: October 1, 2016
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the $15,230,000* City of Melissa, Texas General Obligation Refunding and Improvement Bonds, Series 2016 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2017, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U. S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Vernon's Texas Code Annotated ("V.T.C.A."), Texas Government Code, Chapters 1207 and 1331, as amended, and are direct obligations of the City of Melissa, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance") (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings, (ii) to construct street and road improvements, (iii) to pay fiscal, legal and engineering fees in connection with such projects, and (iv) to pay the costs of issuance associated with the sale of the Bonds (see "Plan of Financing").

BOND INSURANCE . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, the City may elect to purchase, at its sole expense, municipal bond insurance to insure the Bonds. (See "Bond Insurance" and "Bond Insurance - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Melissa, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016" (the "Certificates"), under a common Preliminary Official Statement, and such Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations". The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters of the Bonds and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on November 15, 2016.

BAIRD

COASTAL SECURITIES, INC. **SAMCO CAPITAL MARKETS, INC.**

* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix [(1)]: 585483**

Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]	Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [(1)]
$ 350,000	2017				$ 1,035,000	2027			
275,000	2018				1,075,000	2028			
1,005,000	2019				565,000	2029			
1,025,000	2020				585,000	2030			
1,045,000	2021				610,000	2031			
1,070,000	2022				635,000	2032			
1,090,000	2023				660,000	2033			
1,115,000	2024				685,000	2034			
1,145,000	2025				45,000	2035			
1,170,000	2026				45,000	2036			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

* Preliminary, subject to change.

FSC Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated October 4, 2016

Ratings:
Moody's: "A1"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations.

<u>THE CERTIFICATES WILL **NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.</u>

$10,690,000*
CITY OF MELISSA, TEXAS
(Collin County)
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2016

Dated Date: October 1, 2016
Interest Accrues from Delivery Date

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the $10,690,000* City of Melissa, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2017, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U. S. Bank National Association, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council (the "Certificate Ordinance") and constitute direct obligations of the City of Melissa, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a pledge of the surplus net revenues of the City's waterworks and sewer system as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see '"The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) constructing, installing, acquiring and equipping municipal park and recreational improvements and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land necessary therefor; (iv) acquiring approximately 45 acres of land to be used for a water tower site, public works facility, fire station, parks and open space; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects.

BOND INSURANCE . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the City may elect to purchase, at its sole expense, municipal bond insurance to insure the Bonds. (See "Bond Insurance" and "Bond Insurance - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Melissa, Texas, General Obligation Refunding and Improvement Bonds, Series 2016" (the "Bonds"), and such Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations". The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations , and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on November 15, 2016.

BAIRD

COASTAL SECURITIES, INC. **SAMCO CAPITAL MARKETS, INC.**

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* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix [1]: 585483**

Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]	Amount	Maturity	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 185,000	2017				$ 535,000	2027			
440,000	2018				550,000	2028			
445,000	2019				560,000	2029			
450,000	2020				595,000	2030			
460,000	2021				610,000	2031			
465,000	2022				625,000	2032			
485,000	2023				655,000	2033			
500,000	2024				670,000	2034			
505,000	2025				710,000	2035			
515,000	2026				730,000	2036			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Obligations that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover pages and the Schedule and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise or guarantee of the Financial Advisor or the Underwriters.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE OBLIGATIONS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE OBLIGATIONS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

TABLE OF CONTENTS

The cover pages hereof, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY.................................... The City of Melissa, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter adopted November 8, 2011, and is located in Collin County, Texas. The City covers approximately 12 square miles (see "Introduction - Description of the City").

THE BONDS.................................. The $15,230,000* General Obligation Refunding and Improvement Bonds, Series 2016 are to mature on February 15 in the years 2017 through 2036 (see "The Obligations - Description of The Obligations").

THE CERTIFICATES .... The $10,690,000* Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 are to mature on February 15 in the years 2017 through 2036 (see "The Obligations - Description of the Obligations").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the Delivery Date, and is payable February 15, 2017, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations" and "The Obligations - Optional Redemption").

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the general laws of the State, including particularly V.T.C.A., Texas Government Code, Chapters 1207 and 1331, and the Bond Ordinance passed by the City Council of the City (see "The Obligations - Authority for Issuance").

The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, V.T.C.A. Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Certificate Ordinance") passed by the City Council of the City (see "The Obligations - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance (see "The Obligations - Security and Source of Payment").

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's waterworks and sewer system as provided in the Certificate Ordinance (see "The Obligations - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

TAX EXEMPTION............................ In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law subject to the matters described under "Tax Matters" herein including the alternative minimum tax on corporations.

* Preliminary, subject to change.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings, (ii) to construct street and road improvements, (iii) to pay fiscal, legal and engineering fees in connection with such projects, and (iv) to pay the costs of issuance associated with the sale of the Bonds (see "Plan of Financing").

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) constructing, installing, acquiring and equipping municipal park and recreational improvements and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land necessary therefor; (iv) acquiring approximately 45 acres of land to be used for a water tower site, public works facility, fire station, parks and open space; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects.

RATINGS .... The Obligations and presently outstanding tax supported debt of the City are rated "A1" by Moody's Investors Service, Inc. ("Moody's") (see "Other Information - Ratings"). The City also has outstanding tax supported debt rated by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

BOOK-ENTRY-ONLY SYSTEM...... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/**Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating** members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population [1]	Taxable Assessed Valuation [3]	Per Capita Taxable Assessed Valuation	Total Tax Supported Debt [4]	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2013	5,710	$ 363,294,140	$63,624	$ 28,060,000	$ 4,914	7.72%	99.76%
2014	6,190	406,202,223	65,622	26,785,000	4,327	6.59%	99.85%
2015	6,890	480,626,902	69,757	39,730,000	5,766	8.27%	102.52%
2016	7,920	588,594,580	74,317	38,280,000	4,833	6.50%	101.67% [6]
2017	10,000 [2]	709,343,602	70,934	48,065,000 [5]	4,807	6.78%	NA

(1) Information provided by North Central Texas Council of Governments and City Officials.
(2) Estimated provided by City staff.
(3) Values include the incremental value allocated within the Tax Increment Financing Reinvestment Zone #1 (see "Tax Information – Tax Increment Financing Zone").
(4) Includes self-supporting debt.
(5) Projected; includes the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.
(6) Collections for part year only, through September 1, 2016.

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Occupation
Reed Greer Mayor	May, 2019	Property Manager
Stacy Jackson Councilmember, Place 1	May, 2018	Real Estate
Chad Taylor Councilmember, Place 2	May, 2019	Police Sergeant
Nicco Warren Mayor Pro Tem, Place 3	May, 2018	AT&T
Jay Northcut Councilmember, Place 4	May, 2019	Insurance Agent
Tom Stevens Councilmember, Place 5	May, 2018	Project Executive
Anthony Fiqueroa Councilmember, Place 6	May, 2018	School Administrator

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Jason Little	City Manager	10 Years
Gail Dansby	Finance Director	13 Years
Linda Bannister	City Secretary	13 Years

CONSULTANTS AND ADVISORS

Auditors .... Evans, Pingleton, Howard & Co, PLLC
Frisco, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisors .... FirstSouthwest
a Division of Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Jason Little City Manager City of Melissa 3411 Barker Avenue Melissa, Texas 75454 (972) 838-4535	or	David K. Medanich Nick Bulaich FirstSouthwest, a Division of Hilltop Securities Inc. 777 Main Street, Suite 1200 Fort Worth, Texas 76102 (817) 332-9710

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$15,230,000*	**$10,690,000***
CITY OF MELISSA, TEXAS	**CITY OF MELISSA, TEXAS**
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016	**COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2016**

INTRODUCTION

This Preliminary Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $15,230,000* City of Melissa, Texas, General Obligation Refunding and Improvement Bonds, Series 2016, (the "Bonds") and $10,690,000* City of Melissa, Texas, Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (the "Certificates"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below under "The Obligations – Authority for Issuance", and collectively the "Ordinances"), adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follow in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, FirstSouthwest, a division of Hilltop Securities Inc. ("FirstSouthwest"), Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter adopted November 8, 2011. The City Council operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The 2010 Census population for the City was 4,695, while the estimated 2017 population is 10,000. The City covers approximately 12 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the City's outstanding obligations described on Schedule I attached hereto (the "Refunded Obligations") to achieve debt service savings, (ii) to construct street and road improvements, (iii) to pay fiscal, legal and engineering fees in connection with such projects, and (iv) to pay the costs of issuance associated with the sale of the Bonds.

Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) constructing, installing, acquiring and equipping municipal park and recreational improvements and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land necessary therefor; (iv) acquiring approximately 45 acres of land to be used for a water tower site, public works facility, fire station, parks and open space; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects.

REFUNDED OBLIGATIONS . . . Proceeds from the sale of the Bonds will be used in part to refund the Refunded Obligations. The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and redemption dates of such Refunded Obligations as shown in Schedule I, from funds to be deposited pursuant to an escrow agreement with respect to the Bonds (the "Escrow Agreement") between the City and U. S. Bank National Association (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other funds of the City, if necessary, the City will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct noncallable obligations of the United States of America or noncallable obligations of an agency or instrumentality of the United States of America that are that are guaranteed or insured the United States of America, or a combination thereof (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

* Preliminary, subject to change

Grant Thornton LLP, certified public accountants, a nationally recognized accounting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Obligations (see "Other Information – Verification of Arithmetical and Mathematical Computations").

By deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with State law and in reliance upon the Report. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes or other revenues received by the City, as the case may be, or for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Obligations will be applied as follows:

Sources of Funds	The Bonds	The Certificates
Par Amount		
Reoffering Premium		
Total Sources of Funds	$ -	$ -
Uses of Funds		
Deposit to Construction Fund		
Deposit to Escrow Fund		
Cost of Issuance (1)		
Total Uses of Funds	$ -	$ -

(1) Including Underwriters' Discount.

THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated October 1, 2016 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing February 15, 2017, and until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "Book-Entry-Only System" herein.

Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. If the date for any payment on the Obligations shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly V.T.C.A., Texas Government Code, Chapters 1207 and 1331, and the Bond Ordinance passed by the City Council of the City (see "The Obligations - Authority for Issuance").

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Bonds . . . The principal of and interest on the Bonds is payable from a direct and continuing ad valorem tax levied by the City within the limits prescribed by law upon all taxable property in the City as provided in the Bond Ordinance.

The Certificates . . . The principal of and interest on the Certificates is payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a pledge of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Obligations are to be redeemed, the City may select the maturities of Obligations to be redeemed. If less than all the Obligations of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Obligations are in Book-Entry-Only form) shall determine by lot the Obligations, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Obligations, unless certain prerequisites to such redemption required by the applicable Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Obligations to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Obligations, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Obligations have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. If an Obligation (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Obligation (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

DEFEASANCE . . . The Ordinances provide for the defeasance of the Obligations when the payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Obligations being defeased, and thereafter, the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Obligations, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinances provide that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Obligations. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Obligations, to call for redemption at an earlier date, which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Obligations. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriters consider the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate for each maturity will be issued for the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants". DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com .

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisors or the Underwriters of the Obligations.

Effect of Termination of Book-Entry-Only System. In the event the Book-Entry-Only System with respect to the Obligations is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Obligations is discontinued by the City, printed securities certificates will be issued to the holders of the affected Obligations, and the applicable Obligations will be subject to transfer, exchange, and registration provisions as set forth in the Ordinances, summarized under "The Obligations - Transfer, Exchange, and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Obligations are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations. Upon any change in the

Paying Agent/Registrar for the Obligations, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Obligations affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Obligations shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Obligations will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Obligations shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Obligations on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Obligation to be paid on the Special Payment Date that appears on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REMEDIES . . . The Ordinances establish specific events of default with respect to the Obligations. If the City defaults in the payment of the principal of or interest on any of the Obligations when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Obligations, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each of the Ordinances provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Obligations or the applicable Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but it may not be arbitrarily refused. There is no acceleration of maturity of any of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the respective Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, __ S.W. 3d __ (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W. 3d 325 (2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Obligations may not be able to bring such a suit against the City for breach of the covenants in the Obligations or in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Obligations.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, including holders of the Obligations, of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Obligations will be Cede & Co., the nominee of DTC. See "The Obligations - Book-Entry-Only System" above for a description of the duties of DTC with regard to ownership of the Obligations.

BOND INSURANCE

GENERAL . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Obligations insured by a municipal bond insurance policy. In the event the Obligations are qualified for municipal bond insurance, and the City desires to purchase such insurance, the cost will be paid by the City. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the City to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Obligations. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Obligations (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS . . . In the event of default of the scheduled payment of principal of or interest on the Obligations when all or a portion thereof becomes due, any owner of the Obligations shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Obligations by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Obligations is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations are payable solely from the sources of funds pledged to the payment of the Obligations (see "The Obligations – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Obligations, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Obligations.

If a Policy is acquired, the long-term ratings on the Obligations will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Obligations, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Obligations.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Underwriter has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Obligations. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Obligations and the claims paying ability of any such bond insurer, particularly over the life of the Obligations.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the V.T.C.A., Property Tax Code, (the "Property Tax Code") for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in- transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, a taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee up to 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $10,000; the disabled are also granted an exemption of $10,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

The City has not established a tax freeze for residents 65 years of age or older or the disabled, as may be done on a local option basis.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Collin County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property, and the City does tax goods in transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a formal tax abatement policy.

Chapter 380 Agreements . . . The City has a policy in place relating to Chapter 380 economic development incentive programs, and has entered into three such agreements that have minimal impact on the City's finances.

Tax Increment Financing Zone . . . Reinvestment Zone Number One, City of Melissa (the "Zone") was created in September 2005, by the City with the consent of other taxing units overlapping the Zone. The 644-acre zone encompasses undeveloped agricultural land, existing residential, Villages of Melissa residential development, and Melissa Town Center currently under construction. Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the Zone) within the Zone from a base value established on January 1, 2005, are used to contribute to development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates December 31, 2036, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that all project costs, tax increment bonds, notes, or other obligations of the Zone, and the interest thereon, have been paid in full. The base assessed value of real property within the Zone was $15,845,914; the 2016/2017 assessed value is $94,499,868, representing $78,653,954 of incremental value. The City participates at 100% and Collin County participates at 50% of their respective tax increments within the Zone.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2016/17 Market Valuation Established by Collin Central Appraisal District (excluding totally exempt property)		$ 818,973,671
Less Exemptions/Reductions at 100% Market Value:		
Over 65 and Disabled Homestead Exemption	$ 3,476,253	
Disabled Veterans Exemption	6,830,010	
Agricultural Land Use Reductions	88,781,125	
Pollution Control Exemption	106,892	
Freeport Exemption	9,072	
Homestead Cap Adjustment	10,426,717	109,630,069
2016/17 Taxable Assessed Valuation (including the value of Real Property within the Zone)		$ 709,343,602
2016/17 Incremental Taxable Assessed Value of Real Property within the Zone		78,653,954
2016/17 Taxable Assessed Valuation (excluding the value of Real Property within the Zone)		$ 630,689,648
Debt Payable from Ad Valorem Taxes (as of 9/1/16)		
Outstanding General Obligation Debt	$ 24,835,000 (1)	
The Bonds	15,230,000 (2)	
The Certificates	10,690,000 (2)	
Debt Payable from Ad Valorem Taxes as of 9/1/16		$ 50,755,000
Less Self-Supporting Debt: (3)		
Melissa Economic Development Corporation (4A) Supported Obligations		$ 765,000 (4)
Melissa Community Development Corporation (4B) Supported Obligations		535,000
Water System Supported Obligations		17,690,000 (4)(5)
Zone Supported Obligations		9,665,000 (4)
Net Funded Debt Payable From Ad Valorem Taxes		$ 22,100,000
Interest and Sinking Fund as of 9/1/16		$ 326,499
Ratio Tax-Supported Debt to Taxable Assessed Valuation		8.05%
Ratio Net Tax-Supported Debt to Taxable Assessed Valuation		3.50%

2017 Estimated Population - 10,000
Per Capita Taxable Assessed Valuation - $63,069
Per Capita Funded Debt - $5,076
Per Capita Net Funded Debt - $2,210

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(1) Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Preliminary, subject to change.
(3) Ad valorem tax debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. If future revenues are insufficient to pay debt service, the City will levy an ad valorem tax to pay the debt service.
(4) Includes a portion of the Bonds. Preliminary, subject to change.
(5) Includes a portion of the Certificates. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2017		2016		2015	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 600,965,492	73.38%	$ 501,339,518	72.42%	$ 408,651,388	71.37%
Real, Residential, Multi Family	331,687	0.04%	312,502	0.05%	299,834	0.05%
Real, Vacant Lots/Tracts	8,712,237	1.06%	9,566,979	1.38%	7,885,501	1.38%
Real, Acreage (Land Only)	89,257,078	10.90%	85,908,903	12.41%	76,296,339	13.32%
Real, Farm and Ranch Improvements	21,590,056	2.64%	14,102,180	2.04%	10,231,964	1.79%
Real, Commercial and Industrial	38,116,667	4.65%	32,687,741	4.72%	31,576,670	5.51%
Real and Intangible Personal, Utilities	3,815,410	0.47%	3,376,862	0.49%	3,268,938	0.57%
Tangible Personal, Business	25,120,565	3.07%	26,951,633	3.89%	22,460,329	3.92%
Tangible Personal, Other	74,157	0.01%	41,687	0.01%	40,953	0.01%
Real and Special Inventory	30,990,322	3.78%	17,979,578	2.60%	11,886,701	2.08%
Total Appraised Value Before Exemptions	$ 818,973,671	100.00%	$ 692,267,583	100.00%	$ 572,598,617	100.00%
Less: Total Exemptions/Reductions	(109,630,069)		(103,673,003)		(91,971,715)	
Taxable Assessed Value	$ 709,343,602 (1)		$ 588,594,580 (2)		$ 480,626,902 (3)	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2014		2013	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 333,806,523	68.94%	$ 298,030,916	68.72%
Real, Residential, Multi Family	256,737	0.05%	265,091	0.06%
Real, Vacant Lots/Tracts	7,398,727	1.53%	8,209,391	1.89%
Real, Acreage (Land Only)	72,355,307	14.94%	67,949,761	15.67%
Real, Farm and Ranch Improvements	6,892,518	1.42%	2,619,107	0.60%
Real, Commercial and Industrial	29,531,453	6.10%	26,264,320	6.06%
Real and Intangible Personal, Utilities	2,912,799	0.60%	2,927,240	0.68%
Tangible Personal, Business	17,133,538	3.54%	12,546,727	2.89%
Tangible Personal, Other	33,478	0.01%	1,212,826	0.28%
Real and Special Inventory	13,849,892	2.86%	13,637,219	3.14%
Total Appraised Value Before Exemptions	$ 484,170,972	100.00%	$ 433,662,598	100.00%
Less: Total Exemptions/Reductions	(77,968,749)		(70,368,458)	
Taxable Assessed Value	$ 406,202,223 (4)		$ 363,294,140 (5)	

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(1) Includes the incremental value of $78,653,954 allocated within the Tax Increment Financing Zone.
(2) Includes the incremental value of $39,087,181 allocated within the Tax Increment Financing Zone.
(3) Includes the incremental value of $28,695,852 allocated within the Tax Increment Financing Zone.
(4) Includes the incremental value of $19,434,557 allocated within the Tax Increment Financing Zone.
(5) Includes the incremental value of $17,980,624 allocated within the Tax Increment Financing Zone.

NOTE: Valuations shown are certified taxable assessed values reported by the Collin Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [3]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year [4]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2013	5,710	$ 363,294,140	$ 63,624	$ 28,060,000	7.72%	$ 4,914
2014	6,190	406,202,223	65,622	26,785,000	6.59%	4,327
2015	6,890	480,626,902	69,757	39,730,000	8.27%	5,766
2016	7,920	588,594,580	74,317	38,280,000	6.50%	4,833
2017	10,000 [2]	709,343,602	70,934	48,065,000 [5]	6.78%	4,807

(1) Information provided by North Texas Council of Governments.
(2) Estimated provided by City staff.
(3) Values include the incremental value allocated within the Tax Increment Financing Zone.
(4) Includes self-supporting debt.
(5) Projected, includes the Obligations. Excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2013	$ 0.610000	$ 0.431442	$ 0.178558	$ 2,222,902	99.28%	99.76%
2014	0.610000	0.441731	0.168269	2,473,949	99.58%	99.85%
2015	0.610000	0.463642	0.146358	2,941,989	99.69%	102.52%
2016	0.610000	0.478910	0.131090	3,147,686	101.50% [1]	101.67% [1]
2017	0.610000	0.462173	0.147827	3,765,161	NA	NA

(1) Collections for part year only, though September 1, 2016.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2016/17 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation [1]
DR Horton - Texas LTD	Residential Development	$ 7,539,612	1.06%
Hillwood RLD LP	Residential Development	7,063,030	1.00%
Steel Fab Texas Inc.	Manufacturing	3,544,126	0.50%
Ed Bell Construction	Heavy Construction	2,821,418	0.40%
MC Melissa Tx Landlord LLC	Residential Development	2,700,160	0.38%
Jessh Enterprises Inc	Business Services	2,410,788	0.34%
First National Bank of Trenton	Bank	2,325,611	0.33%
Oncor Electric Delivery Company	Electric Utility	2,291,699	0.32%
Harlan Properties Inc.	Residential Development	2,271,600	0.32%
CMC Steel Fabricators Inc.	Building Materials	2,194,563	0.31%
		$ 35,162,607	4.96%

(1) Calculations are based on the City's taxable valuation that includes the incremental value of $78,653,954 allocated within the Tax Increment Financing Zone.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "The Obligations - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY (1)

2017 Principal and Interest Requirements	$ 1,534,369
$0.2176 Tax Rate at 99% Collection Produces	$ 1,534,614
Average Annual Principal and Interest Requirements, 2017 - 2040	$ 1,264,446
$0.1793 Tax Rate at 99% Collection Produces	$ 1,264,505
Maximum Principal and Interest Requirements, 2024	$ 1,692,385
$0.2400 Tax Rate at 99% Collection Produces	$ 1,692,589

(1) Includes the Obligations and does not include self-supporting debt. Excludes the Refunded Obligations. The City's policy to pay such self-supporting debt from other revenues is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax obligations ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2016/17 Taxable Assessed Value	2016/17 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt As of 9-1-16	Authorized But Unissued Debt As Of 9-1-16
City of Melissa	$ 630,689,648	$ 0.610000	$ 22,100,000 (1)	100.00%	$ 22,100,000 (1)	$ 9,855,000 (2)
Collin County	109,041,422,918	0.225000	395,590,000	0.53%	2,096,627	45,800,000
Collin County Community College District	112,324,010,515	0.081222	16,910,000	0.53%	89,623	-
Melissa Independent School District	822,467,747	1.670000	88,783,319	79.55%	70,627,131	138,260,000
Total Direct and Overlapping Tax Debt					$ 94,913,381	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					15.05%	
Per Capita Direct and Overlapping Tax Debt					$ 9,491.34	

(1) Includes a portion of the Obligations and does not include self-supporting debt. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.
(2) Reflects remaining authorization after the issuance of the Bonds.

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt [1] Principal	Outstanding Debt [1] Interest	The Bonds [2] Principal	The Bonds [2] Interest	The Certificates [3] Principal	The Certificates [3] Interest	Tax-Supported Debt Service Requirements	Less: Self-Supporting Water and Sewer Debt Requirements [4][5]	Less: Self-Supporting (4A) Economic Development Requirements [4]	Less: Self-Supporting (4B) Community Development Requirements	Less: Self-Supporting Tax Increment Financing Zone Requirements [4]	Net Tax-Supported Debt Service Requirements	% of Principal Retired
2017	$ 1,715,000	$ 739,521	$ 350,000	$ 307,996	$ 185,000	$ 232,751	$3,530,267	$1,151,712	$ 79,901	$ 59,238	$ 705,047	$1,534,369	
2018	1,780,000	684,169	275,000	407,387	440,000	306,571	3,893,126	1,367,773	77,478	62,516	701,737	1,683,622	
2019	1,110,000	633,738	1,005,000	397,801	445,000	300,130	3,891,669	1,377,454	76,532	60,694	700,458	1,676,531	
2020	1,140,000	600,971	1,025,000	381,451	450,000	292,924	3,890,346	1,376,240	80,444	58,871	698,170	1,676,621	
2021	1,185,000	565,329	1,045,000	363,124	460,000	284,866	3,903,319	1,373,301	79,205	61,948	700,024	1,688,841	28.41%
2022	1,090,000	527,954	1,070,000	342,437	465,000	275,822	3,771,212	1,243,880	77,836	59,923	705,779	1,683,794	
2023	1,125,000	493,966	1,090,000	319,644	485,000	265,794	3,779,404	1,247,703	81,305	57,898	700,597	1,691,901	
2024	1,165,000	457,815	1,115,000	294,993	500,000	254,781	3,787,589	1,255,163	74,687	60,771	704,584	1,692,385	
2025	1,080,000	421,875	1,145,000	268,146	505,000	242,845	3,662,866	1,260,959	77,963	58,544	702,587	1,562,813	
2026	1,045,000	390,372	1,170,000	239,201	515,000	230,092	3,589,665	1,245,643	81,024	61,215	704,645	1,497,138	50.97%
2027	1,035,000	361,626	1,035,000	206,113	535,000	215,475	3,388,214	1,213,635	-	-	654,350	1,520,229	
2028	1,075,000	331,133	1,075,000	169,188	550,000	198,513	3,398,833	1,209,004	-	-	661,763	1,528,066	
2029	1,115,000	298,187	565,000	140,488	560,000	180,475	2,859,149	1,055,433	-	-	658,475	1,145,241	
2030	1,145,000	263,738	585,000	118,900	595,000	160,963	2,868,601	1,057,809	-	-	658,200	1,152,591	
2031	1,195,000	227,029	610,000	95,000	610,000	139,875	2,876,904	1,057,838	-	-	655,800	1,163,266	73.79%
2032	1,240,000	188,085	635,000	70,100	625,000	118,263	2,876,448	1,056,231	-	-	657,500	1,162,716	
2033	775,000	155,660	660,000	44,200	655,000	95,863	2,385,723	640,350	-	-	658,200	1,087,173	
2034	800,000	130,129	685,000	17,300	670,000	71,000	2,373,429	639,478	-	-	657,900	1,076,051	
2035	670,000	106,633	45,000	2,700	710,000	43,400	1,577,733	489,809	-	-	-	1,087,924	
2036	540,000	87,331	45,000	900	730,000	14,600	1,417,831	487,219	-	-	-	930,613	90.28%
2037	560,000	69,456	-	-	-	-	629,456	106,713	-	-	-	522,744	
2038	585,000	50,850	-	-	-	-	635,850	108,544	-	-	-	527,306	
2039	600,000	31,219	-	-	-	-	631,219	105,231	-	-	-	525,988	
2040	625,000	10,547	-	-	-	-	635,547	106,772	-	-	-	528,775	100.00%
	$ 24,395,000	$ 7,827,332	$ 15,230,000	$ 4,187,066	$ 10,690,000	$ 3,924,999	$ 66,254,397	$ 22,233,893	$ 786,374	$ 601,616	$ 12,285,815	$ 30,346,698	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt. Excludes the Refunded Obligations. Preliminary, subject to change.
(2) Average life of the Bonds is 8.616 Years. Interest on the Bonds has been calculated at the rate of 2.88% for purposes of illustration. Preliminary, subject to change.
(3) Average life of the Certificates is 10.935 Years. Interest on the Certificates has been calculated at the rate of 3.10% for purposes of illustration. Preliminary, subject to change.
(4) Includes a portion of the Bonds. Preliminary, subject to change.
(5) Includes a portion of the Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax-Supported Debt Service Requirements, Fiscal Year Ending 9/30/2017		$ 1,534,369
Budgeted Interest and Sinking Fund Balance as of 9/30/16	$ 263,510	
Transfer In - 4B CDC	488,844	
Transfer In - Road Impact Fee	91,269	
Budgeted Interest and Sinking Fund Tax Levy	942,811	1,786,434
Estimated Balance, 9/30/17		$ 252,065

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System	
Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-15	$ 1,757,343
Less: Revenue Bonds Requirements 2016 Fiscal Year	-
Balance Available for Other Purposes	$ 1,757,343
System Ad Valorem Tax Debt Requirements 2016 Fiscal Year	980,251
Balance	$ 777,092
Percentage of System General Obligation Bonds Self-Supporting	100.00%
Economic Development Corporation	
Revenue Available for Debt Service from Economic Development Corporation, Fiscal Year Ended 9-30-15 [(1)]	$ 679,267
Economic Development Corporation Ad Valorem Tax Debt Requirements, 2016 Fiscal Year	87,275
Balance	$ 591,992
Percentage of Economic Development Corporation General Obligation Bonds, Self-Supporting	100.00%
Community Development Corporation	
Revenue Available for Debt Service from Community Development Corporation Fund, Fiscal Year Ended 9-30-15 [(1)]	$ 640,049
Community Development Corporation Ad Valorem Tax Debt Requirements, 2016 Fiscal Year	60,858
Balance	$ 579,191
Percentage of Community Development Corporation General Obligation Bonds, Self-Supporting	100.00%
Tax Increment Financing Zone	
Fund Balance Available for Debt Service from Tax Increment Financing Zone Fund, Fiscal Year Ended 9-30-15 [(1)]	$ 82,542
Tax Increment Financing Zone Ad Valorem Tax Debt Requirements, 2016 Fiscal Year	740,026
Balance	$ (657,484) [(2)]
Percentage of Tax Increment Financing Zone General Obligation Bonds, Self-Supporting	11.15%

(1) Information provided by City Officials.
(2) Tax collections due to the Tax Increment Financing Zone in FYE 2016 for current year obligations are $740,026. The City annually budgets money from the General Fund, along with other available monies, to help fund the shortfall in the Tax Increment Financing Zone Fund.

NOTE: It is the City's current policy to pay the self-supporting debt listed in the Table above from the respective revenues sources listed above. Such policy, however, is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued	Unissued Balance
Street and Road Improvements	11/6/2007	$ 19,100,000	$8,580,000	$ 665,000	$ 9,855,000

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next six month period.

TABLE 12 – OTHER OBLIGATIONS

The City has entered into certain capital lease agreements. The following is a schedule of future minimum lease payments and unsecured note payments as of September 30, 2015.

Year Ending September 30,	Amount
2016	$ 161,140
2017	84,827
2018	71,924
2019	43,094
2020	34,406
Thereafter	89,648
Future Minimum Lease Payments	$ 485,039
Less Amount Representing Interest	(56,132)
Present Value of Future Minimum Payments	$ 428,907

PENSION FUND . . . The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

	Plan Year 2014	Plan Year 2015
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%, Transfers	0%
Annutiy Increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms . . . At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receving Benefits	9
Inactive Employees Entitled to But Not Yet Receving Benefits	20
Active Employees	43
	72

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Melissa were required to contribute 7% of their annual gross earnings during the fiscal year. The City matching ratio was 2 to 1 for both calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the year ended September 30, 2015, were $81,796, and were equal to the required contributions.

Net Pension Liability . . . The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103% [small cities should also include the additional factor used, which adds an additional layer of conservatism; see the GRS Reporting Package, section C]. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate . . . The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees.

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%., as well as what the City's net pension liability would be if it were calculate using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	$ 560,376	$193,143	$ (108,211)

Other Post-Employment Benefits . . . The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS (the "SDBF"), and the City provides this coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). Retired employees are insured for $7,500.

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

Other than the SDBF, the City provides no other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2015	2014	2013	2012	2011
Program Revenues					
Charges for Services	$ 1,540,883	$ 1,292,262	$ 1,025,336	$ 995,302	$ 773,089
Operating Grants and Contributions	157,296	309,088	281,839	99,786	91,402
Capital Grants and Contributions	399,688	830,132	1,223,345	1,007,595	29,268
General Revenues					
Ad Valorem Tax	3,058,552	2,560,604	2,274,804	2,217,278	2,116,891
Sales Tax	821,597	830,163	703,889	640,758	471,926
Franchise Tax	306,194	282,327	254,621	246,857	216,624
Investment Earnings	139,720	11,267	19,648	33,219	35,832
Gain (Loss) on Sale of Capital Assets	-	1,637	44,610	(11,630)	-
Grants & Contributions (Unrestricted)	-	-	-	236,096	264,716
Miscellaneous	161,236	111,841	176,781	81,946	100,267
Total Revenues	$ 6,585,166	$ 6,229,321	$ 6,004,873	$ 5,547,207	$ 4,100,015
Expenses:					
General Government	$ 2,916,843	$ 2,253,740	$ 2,300,477	$ 2,053,753	$ 1,892,674
Public Safety	1,725,731	1,482,700	1,376,790	1,238,215	1,067,227
Public Works	908,869	843,268	771,883	789,600	487,068
Culture and Recreation	689,354	486,802	468,840	440,640	444,537
Interest on Long-Term Debt	866,824	770,743	815,199	761,886	828,098
Total Expenses	$ 7,107,621	$ 5,837,253	$ 5,733,189	$ 5,284,094	$ 4,719,604
Increase (Decrease) in Net Assets Before Transfers	$ (522,455)	$ 392,068	$ 271,684	$ 263,113	$ (619,589)
Transfers	441,080	267,670	236,474	218,892	119,764
Increase (Decrease) in Net Assets	$ (81,375)	$ 659,738	$ 508,158	$ 482,005	$ (499,825)
Net Assets - October 1	10,839,717	10,228,708	9,720,550	9,238,545	9,738,370
Prior Year Adjustments	-	(48,729)	-	-	-
Net Assets - September 30	$ 10,758,342	$ 10,839,717	$ 10,228,708	$ 9,720,550	$ 9,238,545

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues	2015	2014	2013	2012	2011
Property Taxes	$ 2,055,080	$ 1,630,371	$ 1,546,838	$ 1,428,558	$ 1,412,970
Sales Taxes	821,597	830,163	703,889	640,758	471,926
Franchise Taxes	306,194	282,327	254,621	246,857	216,624
License and Permits	771,681	548,807	406,478	390,024	232,417
Platting & Development	182,809	186,459	142,844	27,035	2,056
Charges for Services	3,946	5,754	9,577	5,531	2,270
Donations and Grants	157,296	162,829	136,312	143,800	90,670
Intergovernmental	286,570	364,425	400,219	86,452	53,156
Fines and Warrants	560,367	551,242	466,437	572,712	524,346
Road Impact Fees	22,080	465,707	-	-	-
Interest	14,808	10,014	18,214	29,486	30,158
Miscellaneous	161,120	106,570	176,781	81,946	100,267
Total Revenues	$ 5,343,548	$ 5,144,668	$ 4,262,210	$ 3,653,159	$ 3,136,860
Expenditures					
General Government	$ 2,484,732	$ 1,856,673	$ 1,961,102	$ 1,716,637	$ 1,536,617
Public Safety	1,572,437	1,342,581	1,120,428	1,120,892	923,705
Street	257,369	247,761	229,885	279,310	219,289
Culture and Recreation	599,932	405,066	376,188	353,296	354,475
Capital Outlay	269,226	439,880	194,452	108,515	62,573
Debt Service:					
Principal	125,719	90,030	77,755	167,934	74,078
Interest	14,902	15,896	17,257	19,746	25,526
Total Expenditures	$ 5,324,317	$ 4,397,887	$ 3,977,067	$ 3,766,330	$ 3,196,263
Excess (Deficiency) of Revenues Over Expenditures	$ 19,231	$ 746,781	$ 285,143	$ (113,171)	$ (59,403)
Other Financing Sources (Uses):					
Bond Proceeds	$ 228,542	$ 108,476	$ -	$ -	$ -
Capital Leases	-	-	37,854	108,515	-
Sale of Capital Assets	-	1,637	47,750	27,397	-
Transfers In	295,910	267,671	236,474	218,892	213,564
Component Unit Transfers	(180,000)	(1,026,046)	(570,219)	(180,000)	(150,000)
Excess (Deficiency) of Revenues and Other Financing Sources	$ 363,683	$ 98,519	$ 37,002	$ 61,633	$ 4,161
Beginning Fund Balance	1,592,818	1,494,299	1,457,297	1,395,664	1,391,503
Prior Year Adjustments	-	-	-	-	-
Ending Fund Balance	$ 1,956,501	$ 1,592,818	$ 1,494,299	$ 1,457,297	$ 1,395,664

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2012	$ 640,758	30.00%	$ 0.1817	$ 123.22
2013	703,889	31.67%	0.1938	123.27
2014	830,163	33.56%	0.2044	134.11
2015	821,597	27.93%	0.1709	119.24
2016	1,033,175 (1)	32.82%	0.1755	130.45

(1) Collections through September 1, 2016.

In May, 1993, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development. In August 1996, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for park and recreational facilities development.

Fiscal Year Ended 9/30	4A Sales Tax Collected	4B Sales Tax Collected
2012	$320,379	$320,379
2013	351,894	351,895
2014	415,022	415,022
2015	410,775	410,775
2016	516,588 (1)	516,588 (1)

(1) Collections through September 1, 2016.

The sales tax breakdown for the City is as follows:

Economic and Community Development	1.00%
City Sales & Use Tax	1.00%
State Sales & Use Tax	6.25%
Total	8.25%

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation which are not accrued and principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgetary Procedures . . . The City follows these procedures in establishing the budgetary data reflected in the financial statements: Prior to July 1, the City Secretary submits to the City Council 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. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through the passage of an ordinance. The City Secretary is authorized to transfer budgeted amounts between departments within any fund; any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgets for the General and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) (the "PFIA"); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the PFIA.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. , methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, , the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of September 1, 2016, the City's investable funds were invested in the following categories:

Description	Percent Market Value	Market Value	Book Value
Collateralized Bank Accounts	100.00%	$21,289,676	$21,289,673

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

TAX EXEMPTION . . .

Opinion . . . On the date of initial delivery of the Obligations, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Obligations for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Obligations will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations. See Appendix C -- Forms of Bond Counsel's Opinions.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and the verification report prepared by Grant Thornton LLP, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Obligations and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Obligations to become includable in gross income retroactively to the date of issuance of the Obligations.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the property financed or refinanced with proceeds of the Obligations. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount . . . The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Obligations"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Obligation in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Obligation equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Obligation was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Obligation is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Obligation for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Obligation.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Obligations which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Obligations should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Obligations and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Obligations.

Collateral Federal Income Tax Consequences . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLIGATIONS.

Interest on the Obligations will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Obligations; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances the City has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The City is required to observe the agreement while it remains obligated to advance funds to pay such Obligations. Under the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2016. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2016. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC'), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 6 and 8 through 15 by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the outstanding tax supported debt of the City are rated "A1" by Moody's. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds (see "Bond Insurance - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers" and "- Bond Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers).

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided adversely against the City, would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of each series of the Obligations, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and the Initial Bond and to the effect that such Obligations are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, including the alternative minimum tax on corporations. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions or subcaptions "Plan of Financing" (exclusive of the subcaption "Sources and Uses of Proceeds"), "The Obligations" (excluding the last sentence of the subcaption "Tax Rate Limitations" and exclusive of the subcaptions "Book-Entry-Only System" and "Remedies"), "Tax Matters", "Continuing Disclosure of Information" (exclusive of the subcaption "Compliance with Prior Undertakings"), "Other Information - Registration and Qualification of Obligations for Sale", "Other Information - Legal Investments and Eligibility to Secure Public Funds in Texas" and "Other Information - Legal Opinions" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Obligations and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Obligations, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel for the Underwriters, whose legal fees are contingent upon the sale and delivery of the Obligations.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. FirstSouthwest, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by First Southwest Company, LLC on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the tax-exemption of interest on the Obligations and with respect to the defeasance of the Refunded Obligations.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $_____________. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of $_____________. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of the information.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The Ordinances authorizing the issuance of the Obligations will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriters.

REED GREER
Mayor
City of Melissa, Texas

ATTEST:

LINDA BANNISTER
City Secretary

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SCHEDULE OF REFUNDED OBLIGATIONS*

Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2006

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
4/15/2006	2/15/2017	4.350%	$ 115,000	$ 115,000
	2/15/2018	4.400%	120,000	120,000
	2/15/2019	4.400%	125,000	125,000
	2/15/2020	4.400%	130,000	130,000
	2/15/2021	4.450% (1)	135,000	135,000
	2/15/2022	4.450% (1)	145,000	145,000
	2/15/2023	4.550% (2)	150,000	150,000
	2/15/2024	4.550% (2)	160,000	160,000
	2/15/2025	4.650% (3)	165,000	165,000
	2/15/2026	4.650% (3)	175,000	175,000
			$ 1,420,000	$ 1,420,000

The 2017 – 2026 maturities will be redeemed prior to original maturity on December 16, 2016 at par.

(1) Represents a Term Bond with a final maturity of February 15, 2022.
(2) Represents a Term Bond with a final maturity of February 15, 2024.
(3) Represents a Term Bond with a final maturity of February 15, 2026.

Combination Tax and Surplus Revenue Certificates of Obligation, Series 2008

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
8/1/2008	2/15/2019	4.200% (1)	$ 110,000	$ 110,000
	2/15/2020	4.300% (2)	115,000	115,000
	2/15/2021	4.500% (2)	120,000	120,000
	2/15/2022	4.500% (2)	125,000	125,000
	2/15/2023	4.700% (3)	130,000	130,000
	2/15/2024	4.700% (3)	140,000	140,000
	2/15/2025	4.750% (4)	145,000	145,000
	2/15/2026	4.750% (4)	150,000	150,000
	2/15/2027	4.800% (4)	160,000	160,000
	2/15/2028	4.800% (4)	170,000	170,000
			$ 1,365,000	$ 1,365,000

The 2019 – 2028 maturities will be redeemed prior to original maturity on February 15, 2018 at par.

(1) Represents a Term Bond with a final maturity of February 15, 2019.
(2) Represents a Term Bond with a final maturity of February 15, 2022.
(3) Represents a Term Bond with a final maturity of February 15, 2024.
(4) Represents a Term Bond with a final maturity of February 15, 2028.

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* Preliminary, subject to change.

General Obligation Bonds, Series 2008

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
8/1/2008	2/15/2019	4.200%	$ 260,000	$ 260,000
	2/15/2020	4.300%	270,000	270,000
	2/15/2021	4.500% (1)	285,000	285,000
	2/15/2022	4.500% (1)	295,000	295,000
	2/15/2023	4.700% (2)	310,000	310,000
	2/15/2024	4.700% (2)	325,000	325,000
	2/15/2025	4.750% (3)	340,000	340,000
	2/15/2026	4.750% (3)	355,000	355,000
	2/15/2027	4.800% (4)	375,000	375,000
	2/15/2028	4.800% (4)	395,000	395,000
			$ 3,210,000	$ 3,210,000

The 2019 – 2028 maturities will be redeemed prior to original maturity on February 15, 2018 at par.

(1) Represents a Term Bond with a final maturity of February 15, 2022.
(2) Represents a Term Bond with a final maturity of February 15, 2024.
(3) Represents a Term Bond with a final maturity of February 15, 2026.
(4) Represents a Term Bond with a final maturity of February 15, 2028.

Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2009

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
2/1/2009	8/15/2019	3.500%	$ 360,000	$ 360,000
	8/15/2020	3.625%	375,000	375,000
	8/15/2021	4.000% (1)	385,000	385,000
	8/15/2022	4.000% (1)	405,000	405,000
	8/15/2023	4.000% (2)	420,000	420,000
	8/15/2024	4.000% (2)	435,000	435,000
	8/15/2025	4.100%	455,000	455,000
	8/15/2026	4.200%	470,000	470,000
	8/15/2027	4.250%	490,000	490,000
	8/15/2028	4.250%	515,000	515,000
	8/15/2029	4.300%	535,000	535,000
	8/15/2030	4.500% (3)	555,000	555,000
	8/15/2031	4.500% (3)	580,000	580,000
	8/15/2032	4.625% (4)	610,000	610,000
	8/15/2033	4.625% (4)	635,000	635,000
	8/15/2034	4.625% (4)	665,000	665,000
			$ 7,890,000	$ 7,890,000

The 2019 – 2034 maturities will be redeemed prior to original maturity on August 15, 2018 at par.

(1) Represents a Term Bond with a final maturity of August 15, 2022.
(2) Represents a Term Bond with a final maturity of August 15, 2024.
(3) Represents a Term Bond with a final maturity of August 15, 2031.
(4) Represents a Term Bond with a final maturity of August 15, 2034.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION . . . The City of Melissa is located in north central Collin County, approximately 45 miles north of downtown Dallas and five minutes north of the City of McKinney. The City of Melissa's boundary encompasses 12 square miles.

The City is located in the Dallas-Fort Worth Consolidated Metropolitan Statistical Area. The City and Collin County are located in the Dallas/Fort Worth Commercial Zone, which also includes Dallas, Denton, Ellis, Grayson, Kaufman, Parker, Rockwall and Tarrant Counties.

ECONOMY . . . Located just north of the City of McKinney, Melissa is experiencing growth, with large tracts of land having been sold for residential development.

EDUCATIONAL FACILITIES . . . The Melissa Independent School District is a pre K-12 District. Student population consists of approximately 2,399 students. Students are housed on four campuses: Harry McKillop Elementary (pre K – 4), Melissa Ridge Elementary (5 – 6), Melissa Intermediate School and High School (7 – 12). The District has a total of 280 staff members including four principals (one on each campus) and two counselors.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT . . . Collin County Community College District was created by a vote of the citizens of Collin County on April 6, 1985. The initial site was a three-story 130,000 square-foot building located on 115 acres of land located in the City of McKinney.

Located north of highway 121 and east of State Highway 289 (Preston Road), the Preston Ridge Campus, in the City is set on a 100+ acre campus that offers a rich and varied environment featuring a grand Library, a National Science Foundation Center, Regional Center for Convergence Technology, and exceptional Culinary and Fine Arts programs.

The entire District includes the original McKinney Campus, Spring Creek Campus in east Plano, Preston Ridge Campus in Frisco and the Courtyard Center in southwest Plano.

OTHER INSTITUTIONS OF HIGHER LEARNING . . . In addition, the following major colleges are located within a 60-mile radius of Melissa.

Austin College	Sherman, Texas
Dallas County Community College System	Dallas County, Texas
East Texas State University	Commerce, Texas
Grayson County Community College	Sherman, Texas
Southern Methodist University	Dallas, Texas
Texas Christian University	Fort Worth, Texas
Texas Woman's University	Denton, Texas
University of Dallas	Dallas, Texas
University of North Texas	Denton, Texas
University of Texas at Arlington	Arlington, Texas
University of Texas at Dallas	Dallas, Texas

RECREATION . . . Nearby lakes such as Lake Lewisville, Grapevine Lake, Lake Ray Roberts (30 minutes away), and Lake Texoma (45 minutes away) provide all types of water sports, fishing, hunting and camping. Eight parks, a swimming pool, two golf courses (1 public, 1 private), recreation center, natatorium, six tennis courts and four lighted baseball fields give the community a well rounded recreational program.

COLLIN COUNTY . . . Collin County, Texas, is located in Northeast Texas immediately north and adjacent to Dallas County, and approximately 15 miles from downtown Dallas. The County is an important component of the Dallas Fort Worth Consolidated Metropolitan Statistical Area. The 836 square miles comprising the County represent a dynamic growth area in the Metroplex, and includes the Cities of Plano, McKinney (County Seat), Allen, Frisco, and Wylie. Significant increases in population and economic growth have occurred during the past two decades. County population at the 1960 census was 41,247 . . . at the 1970 census, 66,920 . . . at the 1980 census, 144,576 . . . at the 1990 census, 264,036 . . . at the 2000 census, 491,675, at the 2010 census, 782,341, and the 2016 estimated population is 885,241. The economic base consists of various manufacturing, computer technology, electronics, oil and gas research, and agriculture. Major industries with headquarters or divisions located within the County include petroleum research, tele-communication, computer technology, electronics, retail, the food industry, and insurance institutions. Some of the major employers in Collin County are as follows:

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APPENDIX B

EXCERPTS FROM THE

CITY OF MELISSA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2015

The information contained in this Appendix consists of excerpts from the City of Melissa, Texas Annual Financial Report for the Year Ended September 30, 2015, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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EVANS, PINGLETON and HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
8950 Gary Burns Drive, Suite D
Frisco, Texas 75034
PH 972-335-9754
FAX 972-335-9758

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 City of Melissa, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Melissa, Texas' basic financial statements. The introductory section, Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Sewer Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
December 21, 2015

Management's Discussion & 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report. 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 $16,733,521 (net position). Of this amount, $6,108,775, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by $280,416. This was due primarily to an increase in charges for services and tax revenue.

- As of the close of the current fiscal year, the City of Melissa's governmental funds reported combined ending fund balances of $12,894,381, an increase of $10,260,348 in comparison with the prior year. Of the fund balance, $1,404,267 is available for spending at the government's discretion (*unassigned fund balance*), $11,037,820 is restricted for construction, court, and debt service, $38,006 is nonspendable, and $414,288 is assigned for information technology, city hall maintenance and capital projects.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,404,267 or 26 percent of total general fund expenditures.

- The City of Melissa's long-term debt increased by $10,594,105 during the current fiscal year.

- The City of Melissa's net capital assets increased $3,998,750 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported 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, as well as sanitation collection and disposal.

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 economic and community development corporations do not issue separate financial statements.

The government-wide financial statements can be found on pages 22-25 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 five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and two capital projects funds, all of which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation.

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 26-35 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, Sewer and Sanitation 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, Sewer and Sanitation 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 36-39 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 40-73 of this report.

Other Information. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. This schedule can be found on pages 76-77 of this report.

Government-Wide Financial Analysis

As noted earlier, net position 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 $16,733,521 at the close of the most recent fiscal year.

A portion of the City of Melissa's net position (61 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 position (3 percent) represents resources that are subject to external restrictions on how it may be used. The board has assigned $414,288 of net position for future cost of informational technology and city hall maintenance. The remaining balance of *unrestricted net position* $5,694,487 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 position for the government as a whole.

City of Melissa – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	$ 16,099,488	4,439,076	7,032,997	9,294,169	23,132,485	13,733,245
Capital Assets	26,269,306	26,637,397	21,394,143	17,027,302	47,663,449	43,664,699
Total Assets	42,368,794	31,076,473	28,427,140	26,321,471	70,795,934	57,397,944
Deferred Outflows of Resources	44,947	36,079	15,500	12,385	60,447	48,464
Total Assets & Deferred Outflows	42,413,741	31,112,552	28,442,640	26,333,856	70,856,381	57,446,408
Long-Term Liabilities	28,090,351	18,348,192	19,920,833	19,071,253	48,011,184	37,419,445
Other Liabilities	2,982,013	1,403,850	2,498,135	1,621,537	5,480,148	3,426,713
Total Liabilities	31,072,364	19,752,042	22,418,968	20,692,790	53,491,332	40,846,158
Deferred Inflows of Resources	583,035	520,793	48,493	27,678	631,528	435,985
Total Liabilities & Deferred Inflows	31,655,399	20,272,835	22,467,461	20,720,468	54,122,860	40,993,303
Net Position						
Investment in Capital Assets, Net of Related Debt	8,834,411	8,381,313	1,349,868	2,032,026	10,184,279	10,413,339
Restricted	440,467	1,126,059	-	-	440,467	1,126,059
Unrestricted	1,483,464	1,332,345	4,625,311	3,581,362	6,108,775	4,913,707
Total Net Position	$ 10,758,342	10,839,717	5,975,179	5,613,388	16,733,521	16,453,105

City of Melissa – Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	$ 1,540,883	1,292,262	4,791,787	4,188,716	6,332,670	5,480,978
Operating Grants & Contributions	157,296	309,088	-	-	157,296	309,088
Capital Grants & Contributions	399,688	830,132	228,446	-	628,134	830,132
General Revenues:						
Property Taxes	3,058,552	2,560,604	-	-	3,058,552	2,560,604
Other Taxes	1,127,791	1,112,490	-	-	1,127,791	1,112,490
Other	300,956	124,745	193,593	28,166	494,549	152,911
Total Revenues	6,585,166	6,229,321	5,213,826	4,216,882	11,798,992	10,446,203
Expenses:						
General Government	2,916,843	2,253,740	-	-	2,916,843	2,253,740
Public Safety	1,725,731	1,482,700	-	-	1,725,731	1,482,700
Streets	908,869	843,268	-	-	908,869	843,268
Sanitation	-	-	233,455	211,437	233,455	211,437
Culture & Recreation	689,354	486,802	-	-	689,354	486,802
Interest on Long-Term Debt	866,824	770,743	-	-	866,824	770,743
Water & Sewer	-	-	4,177,500	3,047,115	4,177,500	3,047,115
Total Expenses	7,107,621	5,837,253	4,410,955	3,258,552	11,518,576	9,095,805
Increase/(Decrease) in Net Position Before Transfers	(522,455)	392,068	802,871	958,330	280,416	1,350,398
Transfers	441,080	267,670	(441,080)	(267,670)	-	-
Increase/(Decrease) in Net Position	(81,375)	659,738	361,791	690,660	280,416	1,350,398
Net Position - Beginning	10,839,717	10,179,979	5,613,388	4,922,722	16,453,105	15,102,701
Net Position - Ending	$ 10,758,342	10,839,717	5,975,179	5,613,382	16,733,521	16,453,099

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

Governmental Activities:

- Charges for Services increased by $248,621 from the previous year.
- Property Taxes increased $497,948 from the previous year.

Business-Type Activities

Business-Type activities increased the City of Melissa's net position by $361,791.

- Revenues decreased by $992,308 (20%).
- Expenses decreased by $1107,953 (43%).

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, *unassigned 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 $12,894,381, a increase of $10,260,348 from the prior year. The increase is primarily due to unspent bond proceeds. Of the current combined ending fund balance, $1,404,267 is unassigned and $11,037,820 is restricted.

The general fund is the operating fund of the City of Melissa. At the end of the current fiscal year, unassigned fund balance of the general fund was $1,404,267. Total unassigned fund balance represents 26% of total general fund expenditures.

The debt service fund has a total fund balance of $303,847, all of which is restricted for payment of debt services. The increase in fund balance of $60,477 is due to assessment and collection of penalties for delinquent property taxes.

The Transportation CPF has a total fund balance of $2,476,813, all of which is restricted for street construction. The increase in fund balance of $1,898,818 represents unspent bond proceeds.

The Park CPF has a total fund balance of $8,074,678, all of which is restricted for capital outlay. The increase in fund balance of $8,074,678 represents unspent bond proceeds.

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 position of the Enterprise Fund at the end of the year amounted to $5,975,179. The total increase in net position of the Enterprise Fund was $361,791. 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 $84,150 increase in unassigned general fund balance. The increase in unassigned general fund balance was actually $363,683, an increase of $279,533 from budget projections.

- In total, actual general fund revenues were $476,820 greater than budget. Of that amount, intergovernmental revenues were $286,570 greater than budget.

- Overall, actual general fund expenditures were $393,739 greater than budget. Of that amount, capital outlays were $77,410 greater than budgeted.

Capital Asset & Debt Administration

Capital Assets. The City of Melissa's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to $47,663,449 (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:

- Street construction in progress of $431,144.
- Fire and Police vehicles purchased $269,227.
- Various construction on water and sewer lines, of $953,725, 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 50-51 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Melissa had bonded debt outstanding of $47,400,000. This entire amount comprises debt backed by the full faith and credit of the City.

During the current fiscal year, the City of Melissa's long-term debt increased by $10,490,000. This increase was due to issuance of $12,185,000 of new bonded debt.

The City of Melissa has a bond rating of "A+" from Standard & Poor's and A1 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 53-68 of this report.

Economic Factors and Next Year's Budgets & Rates

The budget document for Fiscal Year (FY) 2015 was submitted to the Government Finance Officers Association of America (GFOA) Distinguished Budget Award committee and was awarded its seventh Distinguished Budget Award. Comments submitted by the reviewers on items for improvement were addressed and the document has been resubmitted for the FY 2016 award. The goal of such a program is for the budget to serve as a policy guide, operations guide, financial plan and communication document. These components focus the document to provide expanded information to anyone who reads the document, and at the same time, provides for a meaningful feedback tool to the departments and organization on how they are doing in the budget process as well.

The property tax revenue within the FY16 budget is based on an ad valorum tax rate of $.61. The City has maintained the same tax rate for seven consecutive years. In addition, a conservative collection rate of 99% of the tax rate is assumed, although the City historically collects in excess of 100% which includes delinquent taxes from previous years.

The 2015 assessed property value of the City of Melissa is over $578 million, an overall increase of $112 million from the preceding year. Assessed property values have risen $279 million since 2007. The top ten taxpayers for 2015 make up only 5.29% of the $578 million taxable appraised value compared to 15.15% in 2005.

Sales Tax is the second largest source of revenue to the City's General Fund, making up $810,000 or 15% of total revenues.

The City Council remains committed to conduct an annual water rate study to ensure the rate structure would pay for the debt and maintenance and operation of the water and wastewater systems. This planning effort is imperative in a community where investments in water and wastewater systems are critical to sustain the growth it is experiencing. The City currently has two different water systems: the general City system and the Country Ridge Water System (CRWS). The CRWS was purchased in 2006 and obtains its water through ground water wells. In order to maximize the benefit of groundwater use, 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. The City is able to manage our minimum take or pay contracts with NTMWD by the connection between our well water supply and our ground surface water supplies.

The North Texas Municipal Water District (NTMWD) delivers water to the City and treats its wastewater as well. Current wholesale rates were increased by NTMWD, and these increases are typically passed on to the customer to cover these delivery charges. No increase in water and sewer rates are anticipated for the FY16 year. The rates will be reviewed again next year.

Capital Improvement Planning projects and expenditures are now captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. 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 2016 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 contingency or unreserved general fund balance. The designated unreserved fund balance ended at 113 days at 9/30/15. This exceeds the Council adopted financial policy of at least 90 days of operating expenses for the City's General Fund. The 2016 fiscal year budget provides for an approximate increase of $129,000 in the contingency or 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 Manager, 3411 Barker Avenue, Melissa, Texas 75454.

BASIC FINANCIAL STATEMENTS

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CITY OF MELISSA
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & Cash Equivalents	$15,922,247	4,894,393	20,816,640
Receivables (Net of Allowance for Uncollectibles):			
Utility Bills	-	698,902	698,902
Property Taxes	28,211	-	28,211
Sales Tax	75,087	-	75,087
Other	931	12,162	13,093
Prepaids	35,006	51,796	86,802
Due from Other Funds	38,006	2,639	40,645
Restricted Cash & Cash Equivalents	-	1,373,105	1,373,105
Capital Assets Not Being Depreciated:			
Land	415,873	435,015	850,888
Construction in Progress	431,144	4,106,874	4,538,018
Capital Assets (Net of Accumulated Depreciation):			
Building & System	11,563,880	16,751,567	28,315,447
Equipment	1,149,999	100,687	1,250,686
Infrastructure	12,708,410	-	12,708,410
Total Assets	42,368,794	28,427,140	70,795,934
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows	44,947	15,500	60,447
Total Deferred Outflows	44,947	15,500	60,447
Total Assets & Deferred Outflows	42,413,741	28,442,640	70,856,381
LIABILITIES			
Accounts Payable	2,722,336	1,991,410	4,713,746
Accrued Interest Payable	259,677	138,665	398,342
Deposits Payable	-	345,690	345,690
Due from/(to) Other Funds	-	22,370	22,370
Noncurrent Liabilities:			
Due Within One Year	1,103,637	924,381	2,028,018
Due in More Than One Year	26,986,714	18,996,452	45,983,166
Total Liabilities	31,072,364	22,418,968	53,491,332
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows	583,035	48,493	631,528
Total Deferred Inflows	583,035	48,493	631,528
Total Liabilities & Deferred Inflows	31,655,399	22,467,461	54,122,860
NET POSITION			
Net Invested in Capital Assets	8,834,411	1,349,868	10,184,279
Restricted for:			
Court	54,078	-	54,078
Debt Service	386,389	-	386,389
Unrestricted	1,483,464	4,625,311	6,108,775
Total Net Position	$10,758,342	5,975,179	16,733,521

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

Component Units	
Economic Development	Community Development
642,578	602,507
-	-
-	-
37,544	37,544
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
680,122	640,051
-	-
-	-
680,122	640,051
856	-
-	-
-	-
-	-
-	-
-	-
856	-
-	-
-	-
-	-
-	-
-	-
679,266	640,051
679,266	640,051

CITY OF MELISSA
Statement of Activities
For the Fiscal Year Ended September 30, 2015

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 2,916,843	958,436	-	-
Public Safety	1,725,731	560,367	70,768	-
Streets	908,869	22,080	-	399,688
Culture & Recreation	689,354	-	86,528	-
Interest & Fiscal Charges	866,824	-	-	-
Total Governmental Activities	7,107,621	1,540,883	157,296	399,688
Business-Type Activities:				
Water & Sewer	4,177,500	4,477,981	-	228,446
Sanitation	233,455	313,806	-	-
Total Business-Type Activities	4,410,955	4,791,787	-	228,446
Total Primary Government	11,518,576	6,332,670	157,296	628,134
Component Units:				
Economic Development	230,702			
Community Development	233,225			
Total Component Units	$ 463,927			

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Economic Development	Community Development
(1,958,407)	-	(1,958,407)		
(1,094,596)	-	(1,094,596)		
(487,101)	-	(487,101)		
(602,826)	-	(602,826)		
(866,824)	-	(866,824)		
(5,009,754)	-	(5,009,754)		
-	528,927	528,927		
-	80,351	80,351		
-	609,278	609,278		
(5,009,754)	609,278	(4,400,476)		
			(230,702)	-
			-	(233,225)
			(230,702)	(233,225)
3,058,552	-	3,058,552	-	-
821,597	-	821,597	410,775	410,775
306,194	-	306,194	-	-
139,720	26,659	166,379	1,496	1,280
161,236	166,934	328,170	-	-
441,080	(441,080)	-	4,000	-
4,928,379	(247,487)	4,680,892	416,271	412,055
(81,375)	361,791	280,416	185,569	178,830
10,839,717	5,613,388	16,453,105	493,697	461,221
10,758,342	5,975,179	16,733,521	679,266	640,051

CITY OF MELISSA
Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Debt Service Fund
ASSETS		
Cash & Cash Equivalents	$4,982,945	286,972
Receivables (Net of Allowance for Uncollectibles):		
Property Taxes	28,211	-
Sales Tax	75,087	-
Other	155	-
Prepaids	38,006	-
Due from Other Funds	22,896	16,875
Due from Component Unit	-	-
Total Assets	5,147,300	303,847
LIABILITIES		
Accounts Payable	2,703,790	-
Due to Other Funds	19,513	-
Total Liabilities	2,723,303	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	467,496	-
Total Deferred Inflows	467,496	-
FUND BALANCES		
Nonspendable:		
Prepaid Items	38,006	-
Restricted:		
Construction	-	-
Court	99,940	-
Debt Service	-	303,847
Assigned:		
Information Technology	104,288	-
City Hall Maintenance	40,000	-
Capital Projects	270,000	
Unassigned	1,404,267	-
Total Fund Balances	1,956,501	303,847
Total Liabilities & Fund Balances	$5,147,300	303,847

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

Capital Projects Funds		Other	Total
Transportation Construction	Park Construction	Other Governmental Funds	Total Governmental Funds
2,495,110	8,074,678	82,542	15,922,247
-	-	-	28,211
-	-	-	75,087
776	-	-	931
-	-	-	38,006
-	-	-	39,771
-	-	-	-
2,495,886	8,074,678	82,542	16,104,253
18,546	-	-	2,722,336
527	-	-	20,040
19,073	-	-	2,742,376
-	-	-	467,496
-	-	-	467,496
-	-	-	38,006
2,476,813	8,074,678	-	10,551,491
-	-	-	99,940
-	-	82,542	386,389
-	-	-	104,288
-	-	-	40,000
			270,000
-	-	-	1,404,267
2,476,813	8,074,678	82,542	12,894,381
2,495,886	8,074,678	82,542	16,104,253

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CITY OF MELISSA
Reconciliation of Balance Sheet of Governmental Funds
to Statement of Net Position
September 30, 2015

Total Fund Balances - Governmental Funds	$ 12,894,381
Capital assets used in govermental 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 $31,986,656 and the accumulated depreciation was $(5,349,259). In addition, long-term liabilities, including bonds payable of $(17,930,000), and capital leases of $(326,084) 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 position.	8,381,313
Current year capital outlays of $909,360 and long-term debt principal payments of $970,719 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 position.	1,880,159
Current year bond and lease proceeds of $(10,718,542) provide current financial resources in the fund financial statements, but should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is a decrease to net position.	(10,718,542)
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 position.	(259,677)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,277,451)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing $(5,023) of deferred revenue as revenue, recognizing the liability associated with compensated abscences of $(86,444), recognizing deferred outflows of $8,868 and deferred inflows of $(59,242). The net effect of these reclassifications is to decrease net position.	(141,841)
Net Position of Governmental Activities	$ 10,758,342

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2015

	General Fund	Debt Service Fund
REVENUES		
Taxes:		
Property	$2,055,080	725,667
Sales	821,597	-
Franchise	306,194	-
License & Permits	771,681	-
Platting & Development	182,809	-
Charges for Services	3,946	-
Intergovernmental	286,570	113,118
Grants and Donations	157,296	-
Fines, Warrants & Seizures	560,367	-
Road Impact Fees	22,080	-
Investment Income	14,808	577
Miscellaneous	161,120	-
Total Revenues	5,343,548	839,362
EXPENDITURES		
Current:		
General Government	2,484,732	400
Public Safety	1,572,437	-
Street	257,369	-
Culture & Recreation	599,932	-
Capital Outlay	269,226	-
Debt Service:		
Principal	125,719	845,000
Interest & Fiscal Charges	14,902	665,801
Total Expenditures	5,324,317	1,511,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,231	(671,839)
OTHER FINANCIAL SOURCES (USES)		
Issuance of Debt	228,542	-
Transfers In	295,910	732,316
Transfers Out	(180,000)	-
Total Other Financial Sources (Uses)	344,452	732,316
Net Change in Fund Balances	363,683	60,477
Fund Balances - Beginning	1,592,818	243,370
Fund Balances - Ending	$1,956,501	303,847

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

Capital Projects Funds				
Transportation Construction	City Hall Construction	Park Construction	Other Governmental Funds	Total Governmental Funds
-	-	-	272,782	3,053,529
-	-	-	-	821,597
-	-	-	-	306,194
-	-	-	-	771,681
-	-	-	-	182,809
-	-	-	-	3,946
-	-	-	-	399,688
-	-	-	-	157,296
-	-	-	-	560,367
-	-	-	-	22,080
7,807	20	115,706	802	139,720
-	-	116	-	161,236
7,807	20	115,822	273,584	6,580,143
-	3,766	-	-	2,488,898
-	-	-	-	1,572,437
-	-	-	-	257,369
-	-	-	-	599,932
208,989	-	431,144	-	909,359
-	-	-	-	970,719
-	-	-	-	680,703
208,989	3,766	431,144	-	7,479,417
(201,182)	(3,746)	(315,322)	273,584	(899,274)
-	-	-	-	228,542
2,100,000	-	8,390,000	340,000	11,858,226
-	(14,830)	-	(732,316)	(927,146)
2,100,000	(14,830)	8,390,000	(392,316)	11,159,622
1,898,818	(18,576)	8,074,678	(118,732)	10,260,348
577,995	18,576	-	201,274	2,634,033
2,476,813	-	8,074,678	82,542	12,894,381

CITY OF MELISSA
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to Statement of Activities
September 30, 2015

Net Change in Fund Balances - Governmental Funds	$ 10,260,348
Current year capital outlays of 909,360 and long-term debt principal payments of $970,719 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 position.	1,880,079
Current year lease proceeds of $228,542 and bonded debt proceeds of $10,490,000 provide current financial resources in the fund financial statements, but the should be shown as an increase in long-term debt in the government-wide financial statements. The net effect of the new debt is to decrease net position.	(10,718,542)
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 position.	(186,122)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,277,451)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing $5,023 of deferred revenue as revenue, recognizing the liability associated with compensated abscences of $5,664, recognizing deferred outflows of $8,868 and deferred inflows of ($59,242). The net effect of these reclassifications is to decrease net position.	(39,687)
Net Change in Governmental Activities Financial Position	$ (81,375)

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, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Property	$ 2,044,618	2,055,618	2,055,080	(538)
Sales	725,000	815,000	821,597	6,597
Franchise	280,000	306,000	306,194	194
License & Permits	369,000	667,000	771,681	104,681
Platting & Development	186,150	186,150	182,809	(3,341)
Charges for Services:				
Police Reports	-	800	776	(24)
Park Fees	4,000	4,000	3,170	(830)
Grants & Donations:				
Library	21,431	21,431	17,004	(4,427)
Park	67,150	67,150	69,524	2,374
Fire	57,776	70,076	68,439	(1,637)
Police	-	2,300	2,329	29
Intergovernmental	-	-	286,570	286,570
Road Impact Fees	-	22,000	22,080	80
Fines, Warrants & Seizures	506,000	531,000	560,367	29,367
Investment Income	20,000	18,000	14,808	(3,192)
Miscellaneous	86,403	100,203	161,120	60,917
Total Revenues	4,367,528	4,866,728	5,343,548	476,820
EXPENDITURES:				
General Government				
City Administration:				
Personnel	544,136	511,850	539,464	(27,614)
Materials & Supplies	17,962	17,962	47,438	(29,476)
Other Services	650,833	767,933	687,332	80,601
Total City Administration	1,212,931	1,297,745	1,274,234	23,511
Development & Neighborhood Services:				
Personnel Services	125,510	135,510	137,593	(2,083)
Materials & Supplies	4,520	4,520	6,105	(1,585)
Other Services	383,400	531,900	594,770	(62,870)
Total Development & Neighborhood Services	513,430	671,930	738,468	(66,538)
Building Maintenance:				
Materials & Supplies	2,000	2,000	43,480	(41,480)
Other Services	60,990	82,990	94,856	(11,866)
Total Building Maintenance	62,990	84,990	138,336	(53,346)

CITY OF MELISSA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2015

EXPENDITURES	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
General Government				
Municipal Court:				
Personnel Services	118,099	122,299	120,475	1,824
Materials & Supplies	4,900	4,900	6,281	(1,381)
Other Services	193,786	194,286	206,938	(12,652)
Total Municipal Court	316,785	321,485	333,694	(12,209)
Total General Government	2,106,136	2,376,150	2,484,732	(108,582)
Public Safety				
Police Department:				
Personnel Services	753,540	796,540	775,176	21,364
Materials & Supplies	41,192	41,192	33,791	7,401
Other Services	18,433	20,233	157,730	(137,497)
Total Police Department	813,165	857,965	966,697	(108,732)
Fire Department:				
Personnel Services	304,388	317,888	315,717	2,171
Materials & Supplies	20,590	20,590	33,835	(13,245)
Other Services	213,342	209,242	256,188	(46,946)
Total Fire Department	538,320	547,720	605,740	(58,020)
Total Public Safety	1,351,485	1,405,685	1,572,437	(166,752)
Street Department				
Personnel Services	28,661	33,861	24,277	9,584
Materials & Supplies	8,000	8,000	10,396	(2,396)
Other Services	150,200	220,200	222,696	(2,496)
Total Street Department	186,861	262,061	257,369	4,692
Culture & Recreation				
Parks & Grounds:				
Personnel Services	55,446	56,946	82,904	(25,958)
Materials & Supplies	45,550	45,550	44,122	1,428
Other Services	278,200	282,700	308,609	(25,909)
Total Parks & Grounds	379,196	385,196	435,635	(50,439)
Library:				
Personnel Services	119,925	125,011	123,681	1,330
Materials & Supplies	20,332	20,332	21,384	(1,052)
Other Services	21,706	23,706	19,232	4,474
Total Library	161,963	169,049	164,297	4,752
Total Culture & Recreation	541,159	554,245	599,932	(45,687)

CITY OF MELISSA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - General Fund

For the Fiscal Year Ended September 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Capital Outlay	110,816	191,816	269,226	(77,410)
Debt Service:				
Principal Retirement	125,719	125,719	125,719	-
Interest	14,902	14,902	14,902	-
Total Debt Service	140,621	140,621	140,621	-
Total Expenditures	4,437,078	4,930,578	5,324,317	(393,739)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,550)	(63,850)	19,231	83,081
OTHER FINANCING SOURCES/(USES):				
Capital Lease Proceeds	-	-	228,542	228,542
Transfers In	250,000	328,000	295,910	(32,090)
Transfers Out	(180,000)	(180,000)	(180,000)	-
Total Other Financing Sources (Uses)	70,000	148,000	344,452	196,452
Net Change in Fund Balances	450	84,150	363,683	279,533
Fund Balances - Beginning	1,592,818	1,592,818	1,592,818	-
Fund Balances - Ending	$ 1,593,268	1,676,968	1,956,501	279,533

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

CITY OF MELISSA
Statement of Net Position
Proprietary Fund
September 30, 2015

ASSETS	
Current Assets:	
Cash & Cash Equivalents	$ 4,894,393
Receivables (Net of Allowance of Uncollectibles):	
Utility Bills	698,902
Other	12,162
Restricted Cash & Cash Equivalents	1,373,105
Due from Other Funds	2,639
Prepaids	51,796
Total Current Assets	7,032,997
Capital Assets:	
Land	435,015
Buildings & Systems	20,443,527
Equipment	393,718
Construction in Progress	4,106,874
Less: Accumulated Depreciation	(3,984,991)
Total Capital Assets (Net of Depreciation)	21,394,143
Total Noncurrent Assets	21,394,143
Total Assets	28,427,140
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows	15,500
Total Assets & Deferred Outflows of Resources	$ 28,442,640
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,991,410
Accrued Interest Payable	138,665
Due to Other Funds	22,370
Deposits	345,690
Compensated Absences Payable	11,417
Current Portion of Lease Payable	24,214
Current Portion on Bonds Payable	888,750
Total Current Liabilities	3,422,516
Noncurrent Liabilities:	
Compensated Absences	3,806
Lease Payable	56,396
Bonds Payable	18,936,250
Total Noncurrent Liabilities	18,996,452
Total Liabilities	22,418,968
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows	48,493
Total Liabilities & Deferred Inflows of Resources	22,467,461
NET POSITION	
Net Invested in Capital Assets	1,349,868
Unrestricted	4,625,311
Total Net Position	$ 5,975,179

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 Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2015

OPERATING REVENUES	
Water Sales	$ 2,783,224
Sewer Charges	1,312,923
Sanitation	313,806
Tap Fees	282,500
Reconnect Fees	81,036
Meter Installation Fee	18,298
Miscellaneous	166,934
Total Operating Revenues	4,958,721
OPERATING EXPENSES	
Personnel Services	486,799
Materials & Supplies	336,875
Other Services	2,404,363
Depreciation	443,670
Total Operating Expenses	3,671,707
Operating Income (Loss)	1,287,014
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	228,446
Interest Income	26,659
Interest Expense	(739,248)
Total Nonoperating Revenues (Expenses)	(484,143)
Net Income (Loss) Before Transfers	802,871
TRANSFERS	
Transfers (Out)	(441,080)
Change in Net Position	361,791
Net Position - Beginning	5,613,388
Net Position - Ending	$ 5,975,179

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, 2015

Cash Flows from Operating Activities:	
Cash Received from Customers	$ 4,954,371
Cash Payments to Suppliers	(1,696,417)
Cash Payments to Employees	(504,816)
Net Cash Provided/(Used) by Operating Activities	2,753,138
Cash Flows from Noncapital Financing Activities:	
Transfers to Other Funds	(441,080)
Advances from/(to) Other Funds	(28,379)
Subsidy from Other Governments	228,446
Net Cash Provided/(Used) for Noncapital Financing Activities	(241,013)
Cash Flows from Capital & Related Financing Activities:	
Acquisition of Capital Assets	(4,810,511)
Proceeds from Capital Debt	1,720,377
Principal Paid on Bonds & Leases	(874,095)
Interest Paid on Debt	(964,537)
Net Cash Provided/(Used) for Capital & Related Financing Activities	(4,928,766)
Cash Flows from Investing Activities:	
Interest on Deposits & Investments	26,659
Net Cash Provided/(Used) by Investing Activities	26,659
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,389,982)
Cash & Cash Equivalents - Beginning	8,657,480
Cash & Cash Equivalents - Ending	$ 6,267,498

CITY OF MELISSA

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended September 30, 2015

(continued)

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating Income/(Loss)	$ 1,287,014
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities	
Depreciation Expense	443,670
(Increase)/Decrease in Accounts Receivable	(212,335)
(Increase)/Decrease in Other Recievables	136,181
(Increase)/Decrease in Prepaids	(50,017)
(Increase)/Decrease in Deferred Outflows	(3,115)
Increase/(Decrease) in Accounts Payable	1,058,804
Increase/(Decrease) in Compensated Absences	317
Increase/(Decrease) in Utility Deposits	71,810
Increase/(Decrease) in Deferred Inflows	20,809
Total Adjustments	1,466,124
Net Cash Provided/(Used) by Operating Activities	$ 2,753,138

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

(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. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

Discretely Presented Component Units

The Melissa Economic Development Corporation (MEDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MEDC and affect the day-to-day operations of the MEDC by removing appointed board members at will. The scope of public service of the MEDC benefits the City and its citizens by developing economic resources and is operated primarily within the geographic boundaries of the City. The MEDC is presented as a governmental fund type.

The Melissa Community Development Corporation (MCDC) serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can impose its will on the MCDC and affect the day-to-day operations of the MCDC by removing appointed board members at will. 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 & Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

(1) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> *(continued)*

B. Government – Wide & 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 & 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.

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

C. Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

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

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

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, sewer and sanitation 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.

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

D. Assets, Liabilities & Net Assets or Equity

1. Deposits & Investments

Cash and cash equivalents include 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.

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 are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	40
System Infrastructure	40
Equipment	5-10
Vehicles	5

(1) <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> *(continued)*

D. Assets, Liabilities & Net Assets or Equity *(continued)*

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-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

<u>Fund Balance Classification</u>: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- <u>Nonspendable</u>: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- <u>Restricted</u>: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

D. Assets, Liabilities & Net Assets or Equity *(continued)*

7. Fund Equity *(continued)*

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2015.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to whom the City Council delegates this authority.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2015, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	$ 38,006	-	-	-	38,006
Restricted:					
Construction		-	10,551,491	-	10,551,491
Court	99,940	-		-	99,940
Debt Service	-	303,847	-	82,542	386,389
Committed:	-	-	-	-	-
Assigned:					
Information Technology	104,288		-	-	104,288
City Hall Maintenance	40,000				40,000
Capital Projects	270,000				270,000
Unassigned:	1,404,267	-	-	-	1,404,267
Total Fund Balances	$1,956,501	303,847	10,551,491	82,542	12,894,381

(2) STEWARDSHIP, COMPLIANCE & 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.

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. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council.

5. 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.

6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from generally accepted accounting principles by not including depreciation and amortization in the approved budget. These amounts are reported at year end as part of the "actual" column. One supplemental appropriation was made during the fiscal year.

7. The Debt Service and Capital Projects Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental fund is not budgeted.

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

(2) STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY *(continued)*

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:

	Water & Sewer Fund
Net Position (Budget)	$ 6,418,849
Depreciation	(443,670)
Net Position (GAAP)	$ 5,975,179

C. Excess of Expenditures/Expenses Over Appropriations

For the year ended September 30, 2015, expenditures exceeded appropriations in the General Fund by $393,739. These over expenditures were funded by better than expected revenues and proceeds from sale of capital assets and lease proceeds.

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits & 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).

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, 2015, the City's carrying amount of deposits was $22,188,660 and the bank balance was $22,365,715. Of the bank balance, $750,000 was covered by federal depository insurance and $21,615,715 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 $642,578 and the bank balance was $643,830. Of the bank balance, $250,000 was covered by FDIC insurance and the remainder was covered by collateral held by the pledging 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 $602,502 and the bank balance was $602,502. Of the bank balance, $250,000 was covered by federal depository insurance and the remainder of the bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

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

A. Deposits & Investments *(continued)*

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. The reported value of the pool is the same as the fair value of the pool shares. 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.

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. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

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.

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

B. Receivables

Receivables at September 30, 2015 consisted of the following:

	General Fund	Enterprise Fund	Total
Receivables:			
Property Tax	$ 28,211	-	28,211
Sales Tax	75,087	-	75,087
Other	931	12,162	13,093
Utility Bills	-	698,902	698,902
Net Receivables	$ 104,229	711,064	815,293

No allowance for uncollectible accounts has been made.

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, 2014, upon which the 2014/2015 levy was based, was approximately $587,265,033. The tax rate for fiscal year 2014/2015 was $0.61 per $100 of assessed valuation.

At September 30, 2015, the MEDC and MCDC each had sales tax receivable of $37,544. No allowance for uncollectibles has been made.

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 415,873	-	-	415,873
Construction in Progress	1,912,584	431,144	(1,912,584)	431,144
Total Capital Assets Not Being Depreciated	2,328,457	431,144	(1,912,584)	847,017
Capital Assets Being Depreciated:				
Building	14,154,244	-	-	14,154,244
Equipment	2,015,833	269,227	(181,930)	2,103,130
Infrastructure	13,488,122	2,121,573	-	15,609,695
Total Capital Assets Being Depreciated	29,658,199	2,390,800	(181,930)	31,867,069
Less Accumulated Depreciation for:				
Building	(2,214,616)	(375,748)	-	(2,590,364)
Equipment	(960,009)	(175,052)	181,930	(953,131)
Infrastructure	(2,174,634)	(726,651)	-	(2,901,285)
Total Accumulated Depreciation	(5,349,259)	(1,277,451)	181,930	(6,444,780)
Total Capital Assets Being Depreciated, Net	24,308,940	1,113,349	-	25,422,289
Governmental Activities Capital Assets, Net	$ 26,637,397	1,544,493	(1,912,584)	26,269,306

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 435,015	-	-	435,015
Construction in Progress	3,153,149	4,887,714	(3,933,989)	4,106,874
Total Capital Assets Not Being Depreciated	3,588,164	4,887,714	(3,933,989)	4,541,889
Capital Assets Being Depreciated:				
Building & System	16,509,538	3,933,989	-	20,443,527
Equipment	416,256	25,377	(47,915)	393,718
Total Capital Assets Being Depreciated	$ 16,925,794	3,959,366	(47,915)	20,837,245

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

C. Capital Assets *(continued)*

	Beginning Balance	Additions	Retirements	Ending Balance
Less Accumulated Depreciation for:				
Building & System	$ (3,182,880)	(509,079)		(3,691,959)
Equipment	(303,776)	(37,171)	47,915	(293,032)
Total Accumulated Depreciation	(3,486,656)	(546,250)	47,915	(3,984,991)
Total Capital Assets Being Depreciated, Net	13,439,138	3,413,116	-	16,852,254
Business-Type Activities Capital Assets, Net	$ 17,027,302	8,300,830	(3,933,989)	21,394,143

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

Government Activities:	
General Government	$ 383,235
Public Safety	153,294
Street	651,500
Culture & Recreation	89,422
Total Depreciation Expense - Governmental Activities	$ 1,277,451
Business Type Activities:	
Water & Sewer	$ 443,670
Total Depreciation Expense - Business-Type Activities	$ 443,670

D. Construction Commitments

At September 30, 2015 the City had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

Project Name	Schedule Completion Date	Contract Amount	Cost Incurred Through 9/30/2015
Business-Type Activities:			
Water and sewer line improvements, utility relocation and road improvements	9/30/2015	$ 8,421,810	4,106,874
Governmental Activities:			
Park Improvements	9/30/2015	8,281,995	431,144

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

E. Interfund Receivables, Payables & Transfers:

Interfund balances at September 30, 2015 are as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	$ 16,875
General Fund	Proprietary Fund	19,731
Transportation Construction	General Fund	$ 527

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	Transfers In:			
	General Fund	Tax Inc. Fin. Zone	Debt Ser. Fund	Total
Transfers Out:				
General Fund	$ -	180,000	-	180,000
Tax Increment Fin. Zone	-	-	732,316	732,316
Proprietary Fund	281,080	160,000	-	441,080
City Hall Construction	14,830	-	-	14,830
Total	$ 295,910	340,000	732,316	1,368,226

Purpose of Transfers

The transfer from the general fund to the tax increment financing zone was to provide working capital. The transfer from the proprietary fund to the general fund was to pay its share of administrative costs. The transfer from the debt service fund to the transportation construction fund was to correct deposit of bond issue proceeds.

F. Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2015, the equipment and vehicles leased under capital leases had a carrying value of $425,907 which is included in the governmental activities and $80,610 which is included in the business-type activities on the Statement of Net Assets. Capital lease expenditures for 2015 were $209,716, of which $149,814 represented interest. Effective interest rates range from 3.25% to 7.20%.

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

F. Capital Leases *(continued)*

Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2016	161,140	27,305
2017	84,827	27,305
2018	71,924	27,160
2019	43,094	5,502
2020	34,406	-
Thereafter	89,648	-
Future Minimum Lease Payments	485,039	87,272
Less: Amount Representing Interest	(56,132)	(6,662)
Present Value of Future Minimum Lease Payments	$ 428,907	80,610

G. Long-Term Debt

Long-term liability activity, for government activities for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases	$ 326,084	228,542	(125,719)	428,907	143,804
Bonds Payable	17,930,000	10,490,000	(845,000)	27,575,000	895,000
Compensated Absences	92,108	75,593	(81,257)	86,444	64,833
Totals	$ 18,348,192	10,794,135	(1,051,976)	28,090,351	1,103,637

The capital leases, note payable and compensated absences will be repaid by the general fund. Bonds will be liquidated by the debt service fund.

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

G. Long-Term Debt *(continued)*

Bonds Payable at September 30, 2015 are comprised of the following individual issues for the governmental activities:

2005A Certificate of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 and August 15.	$ 535,000
2006 Certificate of Obligation issued May 31, 2006 due in annual installments through February 15, 2026, bearing interest rates ranging from 4.35% to 6.0%, payable February 15 and August 15.	1,120,000
2008 Certificate of Obligation issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.65%, payable February 15 and August 15.	3,920,000
2009 Certificate of Obligation issued February 1, 2009 due in annual installments through September 30, 2034, bearing interest rates ranging from 3.0% to 4.625%, payable February 15 and August 15.	8,910,000
2012 Certificate of Obligation issued January 19,2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 and August 15.	440,000
2013 General Obligation Refunding and Improvement Bonds issued January 1, 2013 due in annual installments through February 15, 2032, bearing interest at rates ranging from 1.0% to 3.0%, payable February 15 and August 15.	2,160,000
2015 Certificates of Obligation issued January 1, 2015 due in annual installments through February 15, 2040, bearing interest at rates ranging from 2.375% to 4%, payable February 15 and August 15.	8,390,000
2015 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2035, bearing interest at rates ranging from 2.3% to 4%, payable February 15 and August 15.	2,100,000
Combined Debt	$ 27,575,000

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

G. Long-Term Debt *(continued)*

The annual requirements to amortize the bonded debt outstanding for the governmental activities as of September 30, 2015 are as follows:

2005A Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
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	60,000	1,215	61,215
Total	$ 535,000	127,474	662,474

2006 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
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	110,000	19,360	129,360
2024	115,000	14,241	129,241
2025	120,000	8,835	128,835
2026	130,000	3,022	133,022
Total	$ 1,120,000	303,258	1,423,258

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

G. Long-Term Debt *(continued)*

2008 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
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	395,000	9,480	404,480
Total	$ 3,920,000	1,311,296	5,231,296

2009 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ 330,000	368,719	698,719
2017	340,000	358,819	698,819
2018	350,000	347,769	697,769
2019	360,000	335,519	695,519
2020	375,000	322,919	697,919
2021	385,000	309,325	694,325
2022	405,000	293,925	698,925
2023	420,000	277,725	697,725
2024	435,000	260,925	695,925
2025	455,000	243,525	698,525
2026	470,000	224,870	694,870
2027	490,000	205,130	695,130
2028	515,000	184,305	699,305
2029	535,000	162,417	697,417
2030	555,000	139,412	694,412
2031	580,000	114,437	694,437
2032	610,000	88,337	698,337
2033	635,000	60,125	695,125
2034	665,000	30,756	695,756
Total	$ 8,910,000	4,328,959	13,238,959

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

G. Long-Term Debt *(continued)*

2012 General Obligation Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 20,000	15,800	35,800
2017	20,000	15,400	35,400
2018	20,000	15,000	35,000
2019	20,000	14,600	34,600
2020	20,000	14,000	34,000
2021	25,000	13,100	38,100
2022	25,000	12,100	37,100
2023	25,000	11,100	36,100
2024	25,000	10,100	35,100
2025	25,000	9,100	34,100
2026	25,000	8,100	33,100
2027	30,000	7,000	37,000
2028	30,000	5,800	35,800
2029	30,000	4,600	34,600
2030	30,000	3,400	33,400
2031	35,000	2,100	37,100
2032	35,000	700	35,700
Total	$ 440,000	162,000	602,000

2013 General Obligation Refunding & Improvement Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 170,000	43,600	213,600
2017	180,000	41,900	221,900
2018	185,000	39,200	224,200
2019	190,000	36,425	226,425
2020	195,000	33,575	228,575
2021	200,000	30,163	230,163
2022	205,000	26,163	231,163
2023	210,000	22,063	232,063
2024	215,000	17,863	232,863
2025	100,000	11,950	111,950
2026	40,000	9,200	49,200
2027	40,000	8,100	48,100
2028	45,000	6,900	51,900
2029	45,000	5,550	50,550
2030	45,000	4,200	49,200
2031	45,000	2,850	47,850
2032	50,000	1,500	51,500
Total	$ 2,160,000	341,202	2,501,202

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

G. Long-Term Debt *(continued)*

2015 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ -	443,451	443,451
2017	220,000	275,731	495,731
2018	230,000	266,011	496,011
2019	235,000	257,431	492,431
2020	245,000	247,831	492,831
2021	255,000	237,831	492,831
2022	265,000	227,431	492,431
2023	275,000	217,031	492,031
2024	285,000	205,431	490,431
2025	295,000	193,831	488,831
2026	305,000	184,309	489,309
2027	320,000	176,688	496,688
2028	335,000	167,663	502,663
2029	345,000	157,463	502,463
2030	355,000	146,963	501,963
2031	370,000	136,088	506,088
2032	385,000	124,763	509,763
2033	405,000	112,660	517,660
2034	415,000	99,847	514,847
2035	430,000	86,644	516,644
2036	450,000	72,613	522,613
2037	465,000	57,744	522,744
2038	485,000	42,307	527,307
2039	500,000	25,987	525,987
2040	520,000	8,775	528,775
Total	$ 8,390,000	4,172,524	12,562,524

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

G. Long-Term Debt *(continued)*

2015 General Obligation Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 15,000	108,243	123,243
2017	70,000	66,904	136,904
2018	75,000	64,354	139,354
2019	80,000	61,654	141,654
2020	80,000	58,854	138,854
2021	85,000	55,554	140,554
2022	90,000	52,054	142,054
2023	95,000	48,354	143,354
2024	100,000	44,454	144,454
2025	100,000	41,304	141,304
2026	105,000	38,579	143,579
2027	110,000	35,354	145,354
2028	115,000	31,979	146,979
2029	125,000	28,379	153,379
2030	130,000	24,554	154,554
2031	135,000	20,579	155,579
2032	140,000	16,366	156,366
2033	145,000	11,913	156,913
2034	150,000	7,304	157,304
2035	155,000	2,480	157,480
Total	$ 2,100,000	819,216	2,919,216

During the year ended September 30, 2015, 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	$ 79,328	25,377	(24,095)	80,610	24,214
Bonds Payable	18,980,000	1,695,000	(850,000)	19,825,000	888,750
Compensated Absences	11,925	9,748	(6,450)	15,223	11,417
Totals	$ 19,071,253	1,730,125	(880,545)	19,920,833	924,381

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

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

G. Long-Term Debt *(continued)*

Bonds payable at September 30, 2015 are comprised of the following individual issues for the Water and Sewer Fund:

2005 Contract Revenue Bonds issued September 20, 2005 due in annual installments through October 1, 2028, bearing interest rates ranging from 2.29% to 5.74%, payable April 1 and October 1.	$	488,750
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.		2,168,750
2006 Certificate of Obligation issued May 31, 2006, due in annual installments through February 15, 2026, bearing interest rates from 4.35% to 6.0%, payable February 15 and August 15.		410,000
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 and December 1.		1,115,000
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest rates from 2.67% to 5.62%, payable October 1 and April 1.		1,007,500
2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest rates ranging from 2.95% to 4.10%, payable December 1 and June 1.		815,000
2008 Certificate of Obligations issued September 17, 2008 due in annual installments through February 15, 2028, bearing interest rates at 4.56%, payable February 15 and August 15.		1,670,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 1.55% to 5.4%, payable June 1 and December 1.		915,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 0.66% to 4.45%, payable June 1 and December 1.	$	1,160,000

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

G. Long-Term Debt *(continued)*

2010 General Obligation Refunding Bonds issued June 29, 2010 due in annual installments through August 15, 2021, bearing interest rates ranging from 2.00% to 3.50%, payable February 15 and August 15.	$	740,000
2012 Certificate of Obligation issued January 19,2012 due in annual installments through February 15, 2032, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 and August 15.		1,230,000
2013 Certificate of Obligation issued February 12, 2013 due in annual installments through February 15, 2032, bearing interest rates from 2.0% to 3.0%, payable February 15 and August 15.		4,320,000
2014 Certificate of Obligation issued June 15, 2014 due in annual installments through February 15, 2034 bearing interest rates ranging from 2.0% to 3.75%, payable February 15 and August 15.		2,090,000
2015 Certificate of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 and August 15.		1,695,000
Combined Debt	$	19,825,000

The annual requirements to amortize the bonded debt outstanding for the proprietary activities as of September 30, 2015 are as follows:

2005 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	51,250	2,942	54,192
Total	$ 488,750	211,179	699,929

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

G. Long-Term Debt *(continued)*

2006 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	118,750	101,545	220,295
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	207,500	12,097	219,597
Total	$ 2,168,750	3,113,045	5,281,795

2006 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
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	45,000	1,046	46,046
Total	$ 410,000	111,293	521,293

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

G. Long-Term Debt *(continued)*

2006 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	120,000	4,500	124,500
Total	$ 1,115,000	260,025	1,375,025

2007 Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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
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	103,750	5,831	109,581
Total	$ 1,007,500	799,225	1,806,725

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

G. Long-Term Debt *(continued)*

2007A Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
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	80,000	3,280	83,280
Total	$ 815,000	243,100	1,058,100

2008 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
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	170,000	4,080	174,080
Total	$ 1,670,000	554,778	2,224,778

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

G. Long-Term Debt *(continued)*

2009A Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ 45,000	41,247	86,247
2017	50,000	39,920	89,920
2018	50,000	38,320	88,320
2019	55,000	36,595	91,595
2020	55,000	34,588	89,588
2021	60,000	32,470	92,470
2022	60,000	29,920	89,920
2023	65,000	27,280	92,280
2024	70,000	24,322	94,322
2025	75,000	21,033	96,033
2026	75,000	17,432	92,432
2027	80,000	13,608	93,608
2028	85,000	9,407	94,407
2029	90,000	4,860	94,860
Total	$ 915,000	371,002	1,286,002

2009B Contract Revenue Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 60,000	40,960	100,960
2017	65,000	39,760	104,760
2018	70,000	38,298	108,298
2019	70,000	36,547	106,547
2020	75,000	34,658	109,658
2021	75,000	32,482	107,482
2022	80,000	30,008	110,008
2023	85,000	27,247	112,247
2024	85,000	24,188	109,188
2025	90,000	21,000	111,000
2026	95,000	17,535	112,535
2027	100,000	13,592	113,592
2028	105,000	9,293	114,293
2029	105,000	4,672	109,672
Total	$ 1,160,000	370,240	1,530,240

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

G. Long-Term Debt *(continued)*

2010 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 110,000	24,450	134,450
2017	120,000	21,150	141,150
2018	120,000	17,550	137,550
2019	125,000	13,650	138,650
2020	130,000	9,275	139,275
2021	135,000	4,725	139,725
Total	$ 740,000	90,800	830,800

2012 General Obligation Refunding Bonds

Year Ending September 30,	Principal	Interest	Total
2016	$ 55,000	44,150	99,150
2017	55,000	43,050	98,050
2018	55,000	41,950	96,950
2019	60,000	40,800	100,800
2020	60,000	39,000	99,000
2021	60,000	36,600	96,600
2022	65,000	34,100	99,100
2023	70,000	31,400	101,400
2024	70,000	28,600	98,600
2025	75,000	25,700	100,700
2026	75,000	22,700	97,700
2027	80,000	19,600	99,600
2028	85,000	16,300	101,300
2029	85,000	12,900	97,900
2030	90,000	9,400	99,400
2031	95,000	5,700	100,700
2032	95,000	1,900	96,900
Total	$ 1,230,000	453,850	1,683,850

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

G. Long-Term Debt *(continued)*

2013 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ 200,000	95,871	295,871
2017	210,000	91,771	301,771
2018	215,000	87,521	302,521
2019	220,000	83,171	303,171
2020	225,000	78,721	303,721
2021	230,000	74,171	304,171
2022	240,000	69,471	309,471
2023	245,000	64,621	309,621
2024	250,000	59,671	309,671
2025	260,000	54,571	314,571
2026	265,000	49,056	314,056
2027	275,000	43,048	318,048
2028	280,000	36,629	316,629
2029	290,000	29,824	319,824
2030	295,000	22,472	317,472
2031	305,000	14,025	319,025
2032	315,000	4,725	319,725
Total	$ 4,320,000	959,339	5,279,339

2014 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ 75,000	64,806	139,806
2017	80,000	63,256	143,256
2018	85,000	61,606	146,606
2019	85,000	59,694	144,694
2020	90,000	57,507	147,507
2021	95,000	55,194	150,194
2022	95,000	52,819	147,819
2023	100,000	50,257	150,257
2024	560,000	39,750	599,750
2025	-	30,618	30,618
2026	-	30,618	30,618
2027	-	30,618	30,618
2028	-	30,618	30,618
2029	125,000	28,353	153,353
2030	130,000	23,732	153,732
2031	135,000	18,844	153,844
2032	140,000	13,687	153,687
2033	145,000	8,344	153,344
2034	150,000	2,813	152,813
Total	$ 2,090,000	723,134	2,813,134

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

G. Long-Term Debt *(continued)*

2015 Certificates of Obligation

Year Ending September 30,	Principal	Interest	Total
2016	$ -	89,686	89,686
2017	45,000	55,744	100,744
2018	45,000	53,944	98,944
2019	50,000	52,044	102,044
2020	50,000	50,044	100,044
2021	50,000	48,044	98,044
2022	55,000	45,944	100,944
2023	55,000	43,744	98,744
2024	60,000	41,444	101,444
2025	60,000	39,044	99,044
2026	60,000	37,131	97,131
2027	65,000	35,606	100,606
2028	65,000	33,819	98,819
2029	70,000	31,794	101,794
2030	70,000	29,694	99,694
2031	75,000	27,519	102,519
2032	80,000	25,194	105,194
2033	80,000	22,744	102,744
2034	85,000	20,166	105,166
2035	85,000	17,509	102,509
2036	90,000	14,719	104,719
2037	95,000	11,713	106,713
2038	100,000	8,544	108,544
2039	100,000	5,231	105,231
2040	105,000	1,772	106,772
Total	$ 1,695,000	842,837	2,537,837

H. Restricted Assets

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

Customer Deposits	$ 345,690
Accured Interest Payable	138,665
Current Bonds Payable	888,750
Total Restricted Assets	$ 1,373,105

(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 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property 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 was 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 of Melissa participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

	Plan Year 2015	Plan Year 2014
Employee Deposit Rate	7%	7%
Matching Ratio (city to employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility		
(expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%, Transfers	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

(4) OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	9
Inactive Employees Entitled to but Not Yet Receiving Benefits	20
Active Employees	43
	72

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Melissa were required to contribute 7% of their annual gross earnings during the fiscal year. The City matching ratio was 2 to 1 for both calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015, were $81,796, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103% [small cities should also include the additional factor used, which adds an additional layer of conservatism; see the GRS Reporting Package, section C]. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

(4) OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Actuarial Assumptions *(continued)*

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Entity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

(4) OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Discount Rate *(continued)*

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 1,984,384	$ 1,871,298	$ 113,086
Changes for the Year:			-
Service Cost	214,284	-	214,284
Interest	144,926	-	144,926
Change of Benefit Terms	-	-	-
Difference Between Expected & Actual Experience	38,722	-	38,722
Changes of Assumptions	-	-	-
Contributions - Employer	-	81,796	(81,796)
Contributions - Employee	-	130,197	(130,197)
Net Investment Income	-	107,092	(107,092)
Benefit Payments, Including Refunds of Employee Contributions	(42,295)	(42,295)	-
Administrative Expenses	-	(1,118)	1,118
Other Changes	-	(92)	92
Net Changes	355,637	275,580	80,057
Balance at 12/31/2014	$ 2,340,021	$ 2,146,878	$ 193,143

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	$ 560,376	$ 193,143	$ (108,211)

Pension Plan Fiduciary Net Position

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

Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the city recognized pension expense of $110,267. At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience	$ 38,722	38,722
Changes in Actuarial Assumptions	-	-
Difference Between Projected & Actual Investment Earnings	23,899	23,899
Contributions Subsequent to the Measurement Date	61,347	-
Total	$ 123,968	62,621

(4) OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Pension Expense, Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions *(continued)*

$40,551 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending 9/30/16. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31		
2016	$	11,035
2017		11,035
2018		11,034
2019		6,255
2020		1,192
Total	$	40,551

(5) EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 21, 2015, the date which the financial statements were available to be issued.

(6) RESTATEMENT OF NET ASSETS

To comply with GASB 68, which became effective during the current fiscal year, the City has calculated a net pension liability for both the Governmental and Business-Type Activities and has reported the liability and related accounts on the Statement of Net Position. The net position, as of September 30, 2014 has been restated to reflect the net pension liability.

Also to correct accrued interest payable, as of September 30, 2014, net position has been increased by $401,326.

	Governmental Activities	Business-Type Activities	Total
Net Position - As Originally Reported	$ 10,888,446	5,227,355	16,115,801
GASB 68 Changes:			
Deferred Outflows	36,079	12,385	48,464
Deferred Inflows	(84,808)	(27,678)	(112,486)
Change in Accrued Interest Payable	-	401,326	401,326
Net Position - Restated	$ 10,839,717	5,613,388	16,453,105

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INDIVIDUAL FUND SCHEDULES

CITY OF MELISSA

Schedule of Revenues, Expenses, and Changes in Fund Net Position

Budget and Actual - Water and Sewer Fund

For the Fiscal Year Ended September 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Collections:				
Water	$ 2,914,640	2,634,640	2,783,224	148,584
Sewer	1,229,039	1,309,039	1,312,923	3,884
Sanitation	260,000	299,000	313,806	14,806
Tap Fees	-	-	282,500	282,500
Reconnect Fees	45,000	85,000	81,036	(3,964)
Meter Installation Fees	-	16,000	18,298	2,298
Miscellaneous	17,000	29,800	166,934	137,134
Total Operating Revenues	4,465,679	4,373,479	4,958,721	585,242
OPERATING EXPENSES:				
Water Department:				
Personnel Services	282,545	282,545	298,154	(15,609)
Materials & Supplies	194,182	214,182	224,660	(10,478)
Other Services	958,522	976,522	939,259	37,263
Total Water Department	1,435,249	1,473,249	1,462,073	11,176
Sewer Department:				
Materials & Supplies	2,000	2,000	6,950	(4,950)
Other Services	563,124	893,124	995,297	(102,173)
Total Sewer Department	565,124	895,124	1,002,247	(107,123)
Sanitation Department:				
Other Services	263,000	302,000	233,455	68,545
Total Sanitation Department	263,000	302,000	233,455	68,545
Billing Department:				
Personnel Services	171,216	171,216	188,645	(17,429)
Materials & Supplies	48,229	48,229	105,265	(57,036)
Other Services	228,214	63,677	236,352	(172,675)
Total Billing Department	447,659	283,122	530,262	(247,140)
Total Operating Expenses	2,711,032	2,953,495	3,228,037	(274,542)
Operating Income/(Loss)	$ 1,754,647	1,419,984	1,730,684	310,700

CITY OF MELISSA
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual - Water and Sewer Fund
For the Fiscal Year Ended September 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	$ 228,446	228,446	228,446	-
Interest Income	5,000	4,000	26,659	22,659
Interest Expense	(698,265)	(698,265)	(739,248)	(40,983)
Total Nonoperating Revenues (Expenses)	(464,819)	(465,819)	(484,143)	(18,324)
Net Income/(Loss) Before Transfers	1,289,828	954,165	1,246,541	292,376
Transfers Out	(190,000)	(190,000)	(441,080)	(251,080)
Change in Net Position	1,099,828	764,165	805,461	41,296
Net Position - Beginning	5,613,388	5,613,388	5,613,388	-
Net Position - Ending	$ 6,713,216	6,377,553	6,418,849	41,296

CITY OF MELISSA

Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended 2014
Total Pension Liability	
Service Cost	$ 214,284
Interest (on the Total Pension Liability)	144,926
Changes of Benefit Terms	-
Difference Between Expected & Actual Experience	38,722
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(42,295)
Net Change in Total Pension Liability	355,637
Total Pension Liability - Beginning	1,984,384
Total Pension Liability - Ending (a)	$ 2,340,021
Plan Fiduciary Net Position	
Contributions - Employer	$ 81,796
Contributions - Employee	130,197
Net Investment Income	107,092
Benefit Payments, Including Refunds of Employee Contributions	(42,295)
Administrative Expense	(1,118)
Other	(92)
Net Change in Plan Fiduciary Net Position	275,580
Plan Fiduciary Net Position - Beginning	1,871,298
Plan Fiduciary Net Position - Ending (b)	$ 2,146,878
Net Pension Liability - Ending (a) - (b)	$ 193,143
Plan Fiduciary Net Position as Percentage of Total Pension Liability	91.75%
Covered Employee Payroll	$ 1,859,951
Net Pension Liability as Percentage of Covered Employee Payroll	10.38%

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the next 10 year period as results are available.

CITY OF MELISSA
Schedule of Pension Contributions

		Plan Year Ended 2014
Actuarially Determined Contribution	$	292,050
Contributions in Relation to the Actuarially Determined Contribution		211,993
Contribution Deficiency/(Excess)		80,057
Covered Employee Payroll	$	1,859,951
Contributions as Percentage of Covered Employee Payroll		11.40%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods & Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes:	There were no benefit changes during the year.
	GASB 68 requires 10 fiscal years of data to be provided in this schedule. The City will build this schedule over the next 10 year period as data is available.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CITY OF MELISSA, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2016
IN THE AGGREGATE PRINCIPAL AMOUNT OF $15,230,000

AS BOND COUNSEL FOR THE CITY OF MELISSA, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding and Improvement Bonds, Series 2016, described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that the Bonds, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the report of Grant Thornton LLP verifying the sufficiency of the amounts deposited to the escrow fund to pay the principal of and interest on the refunded obligations on their respective due dates. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates of Obligation, assuming no material changes in facts or law.

CITY OF MELISSA, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2016
IN THE AGGREGATE PRINCIPAL AMOUNT OF $10,690,000

AS BOND COUNSEL FOR THE CITY OF MELISSA, TEXAS (the "Issuer") in connection with the issuance of the Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates of Obligation, including one of the executed Certificates of Obligation (Certificate of Obligation Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates of Obligation have been duly authorized, issued, and delivered in accordance with law; and that the Certificates of Obligation, except as may be limited by laws applicable to the Issuer relating to govermental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates of Obligation are additionally secured by and payable from surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates of Obligation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates of Obligation, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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