

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

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FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Meadows Place, Texas
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of City of Meadows Place, Texas (the "City"), as of and for the year ended September 30, 2016, 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 City'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 discretely presented component unit and each major fund of the City as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council
City of Meadows Place, Texas

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, and the schedule of City Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 24, 2017

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Management's discussion and analysis of the City of Meadows Place, Texas (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) the government-wide financial statements, (2) the fund financial statements and (3) the notes to the financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows and outflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. water and wastewater systems, streets and sidewalks, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item 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.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including police, public works, municipal courts, parks, public utilities and general administration. Property taxes, sales taxes, franchise fees, water and wastewater fees, fines and forfeitures finance most of these activities.
- **Component Unit** – The City includes one separate legal entity in its report – the Meadows Economic Development Corporation. Although legally separate, this component unit is included because the City is financially accountable for it.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FUND FINANCIAL STATEMENTS

The financial statements also include 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 has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. The focus in the fund financial statements provides a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the City and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The City adopts an annual unappropriated budget for its General Fund. A budgetary comparison schedule is included as RSI for the General Fund. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of City of Contributions are included as RSI.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. In the case of the governmental activities of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$25,758,750 as of September 30, 2016. This compares with assets and deferred outflows of resources exceeding liabilities and deferred inflows by \$24,498,626 as of September 30, 2015.

A portion of the City's net position reflects its net investment in capital assets (e.g. buildings, land, streets, sidewalks, water and wastewater facilities, and infrastructure, less any debt used to acquire those assets that is still outstanding).

The following table provides a comparative analysis of the Statement of Net Position as of September 30, 2016, and September 30, 2015:

	Summary of Changes in the Statement of Net Position - Governmental Activities		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 6,431,939	\$ 6,029,377	\$ 402,562
Capital Assets (Net of Accumulated Depreciation)	<u>22,800,543</u>	<u>22,351,205</u>	<u>449,338</u>
Total Assets	<u>\$ 29,232,482</u>	<u>\$ 28,380,582</u>	<u>\$ 851,900</u>
Deferred Outflow of Resources	<u>\$ 557,333</u>	<u>\$ 199,828</u>	<u>\$ 357,505</u>
Long-Term Liabilities	\$ 1,350,845	\$ 1,725,329	\$ 374,484
Net Pension Liability	1,591,870	1,027,290	(564,580)
Other Liabilities	<u>975,545</u>	<u>1,134,481</u>	<u>158,936</u>
Total Liabilities	<u>\$ 3,918,260</u>	<u>\$ 3,887,100</u>	<u>\$ (31,160)</u>
Deferred Inflow of Resources	<u>\$ 112,805</u>	<u>\$ 194,684</u>	<u>\$ 81,879</u>
Net Position:			
Net Investment in Capital Assets	\$ 21,195,734	\$ 20,354,764	\$ 840,970
Restricted	669,384	572,679	96,705
Unrestricted	<u>3,893,632</u>	<u>3,571,183</u>	<u>322,449</u>
Total Net Position	<u>\$ 25,758,750</u>	<u>\$ 24,498,626</u>	<u>\$ 1,260,124</u>

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the City's operations for the years ended September 30, 2016, and September 30, 2015. The City's net position related to governmental activities increased by \$1,260,124. This compares with an increase of \$1,020,915 in the prior fiscal year.

	Summary of Changes in the Statement of Activities - Governmental Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Charges for Services	\$ 2,521,064	\$ 2,300,800	\$ 220,264
Grant Revenue	43,300	170,679	(127,379)
General Revenues:			
Property Taxes	2,616,462	2,481,846	134,616
Sales Taxes	1,141,627	988,976	152,651
Investment Revenues	18,109	4,524	13,585
Other Revenues	812,812	336,934	475,878
Total Revenues	\$ 7,153,374	\$ 6,283,759	\$ 869,615
Expenses:			
Council	\$ 35,145	\$ 39,797	\$ 4,652
General Government	879,499	766,799	(112,700)
Municipal Court	160,007	110,185	(49,822)
Public Works	811,657	678,537	(133,120)
Police Department	1,692,609	1,381,841	(310,768)
Parks and Recreation	567,602	467,420	(100,182)
Public Utilities	1,681,961	1,738,231	56,270
Interest on Long-Term Debt	64,770	80,034	15,264
Total Expenses	\$ 5,893,250	\$ 5,262,844	\$ (630,406)
Change in Net Position	\$ 1,260,124	\$ 1,020,915	\$ 239,209
Net Position, Beginning of Year	24,498,626	23,477,711	1,020,915
Net Position, End of Year	\$ 25,758,750	\$ 24,498,626	\$ 1,260,124

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's combined fund balances as of September 30, 2016, were \$5,786,289, an increase of \$498,032 from the prior year.

The General Fund fund balance increased by \$500,195, primarily due to revenues being higher than operations costs.

The Debt Service Fund fund balance decreased by \$2,475, primarily due to the structure of the debt service requirements.

The Capital Projects Fund fund balance increased by \$312.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did amend the budget during the current fiscal year increasing expected costs in public works and capital outlay. Actual revenue was \$796,178 more than budgeted revenue and actual expenditures were \$158,141 more than budgeted expenditures.

CAPITAL ASSETS

Capital assets as of September 30, 2016, total \$22,800,543 (net of accumulated depreciation) and include land, buildings, sidewalks, streets, vehicles and equipment as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2016	2015	Change Positive (Negative)
Land	\$ 8,368,166	\$ 8,368,166	\$
Construction in Progress	2,455,990	1,965,314	490,676
Buildings	1,079,475	1,089,643	(10,168)
Furniture and Fixtures	83,343	26,868	56,475
Machinery and Equipment	868,721	897,747	(29,026)
Park Improvements	828,237	779,806	48,431
Vehicles	306,008	251,401	54,607
Water System	1,201,979	1,255,412	(53,433)
Wastewater System	4,791,068	4,881,337	(90,269)
Drainage	651,837	503,968	147,869
Streets and Sidewalks	<u>2,165,719</u>	<u>2,331,543</u>	<u>(165,824)</u>
Total Net Capital Assets	<u>\$ 22,800,543</u>	<u>\$ 22,351,205</u>	<u>\$ 449,338</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the City had total debt payable of \$1,672,638. Of this amount, bond debt payable was \$1,660,000 and note payable was \$12,638. The changes in the debt position of the City during the fiscal year ended September 30, 2016, are summarized as follows:

Bond Debt Payable, October 1, 2015	\$ 2,015,000
Less: Bond Principal Paid	<u>355,000</u>
Bond Debt Payable, September 30, 2016	<u>\$ 1,660,000</u>

The City's outstanding bonds carry an underlying rating issued by Moody's Investor Service of "Aa3" and underlying rating issued by S&P of "AA-".

Note Payable, October 1, 2015	\$ 37,112
Less: Note Principal Paid	<u>24,474</u>
Note Payable, September 30, 2016	<u>\$ 12,638</u>

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Meadows Place, Texas, One Troyan Drive, Meadows Place Texas 77477.

CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
	<u>Governmental Activites</u>	<u>Meadows Economic Development Corporation</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,049,856	\$ 1,149,185
Receivables:		
Property Taxes	55,097	
Penalty and Interest on Delinquent Taxes	25,146	
Service Accounts (Net of Reserve for Doubtful Accounts of \$3,000)	183,543	
Garbage Receivable	34,606	
Road Use Fee Receivable	10,595	
Franchise Fees	27,373	
Liens	12,251	
Other	33,472	
Land	8,368,166	
Construction in Progress	2,455,990	
Capital Assets (Net of Accumulated Depreciation)	11,976,387	
TOTAL ASSETS	<u>\$ 29,232,482</u>	<u>\$ 1,149,185</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - pensions	\$ 557,333	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,789,815</u>	<u>\$ 1,149,185</u>
LIABILITIES		
Accounts Payable	\$ 516,957	\$ 93,722
Accrued Compensated Absences	43,066	
Accrued Interest Payable	4,434	
Security Deposits	48,450	
Long-Term Liabilities:		
Due Within One Year	362,638	
Due After One Year	1,350,845	
Net Pension Liability	1,591,870	
TOTAL LIABILITIES	<u>\$ 3,918,260</u>	<u>\$ 93,722</u>

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

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CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government	Discretely Presented Component Unit
	Governmental Activites	Meadows Economic Development Corporation
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - pensions	\$ 112,805	\$ - 0 -
NET POSITION		
Net Investment in Capital Assets	\$ 21,195,734	\$
Restricted For:		
Debt Service	460,706	
Special Projects	208,678	
Unrestricted	3,893,632	1,055,463
TOTAL NET POSITION	\$ 25,758,750	\$ 1,055,463

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

**CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Revenues		
	Expenses	Charges for Services	Grants
GOVERNMENTAL ACTIVITIES			
Council	\$ 35,145	\$	\$
General Government	879,499	244,049	
Municipal Court	160,007	15,886	
Public Works	811,657		
Police Department	1,692,609	461,644	43,300
Parks and Recreation	567,602	65,945	
Public Utilities	1,681,961	1,733,540	
Interest on Long-Term Debt	64,770		
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,893,250	\$ 2,521,064	\$ 43,300
 COMPONENT UNIT	 \$ 488,773	 \$ - 0 -	 \$ - 0 -
 GENERAL REVENUES:			
Property Taxes			
Sales Taxes			
Franchise Fees			
Investment Income			
Other Revenues			
 TOTAL GENERAL REVENUES			
 CHANGE IN NET POSITION			
 NET POSITION - OCTOBER 1, 2015			
NET POSITION - SEPTEMBER 30, 2016			

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Discretely Presented Component Unit
Governmental Activities	Meadows Economic Development Corporation
\$ (35,145)	\$
(635,450)	
(144,121)	
(811,657)	
(1,187,665)	
(501,657)	
51,579	
(64,770)	
<u>\$ (3,328,886)</u>	<u>\$ - 0 -</u>
<u>\$ - 0 -</u>	<u>\$ (488,773)</u>
\$ 2,616,462	\$
1,141,627	379,085
303,204	
18,109	3,763
<u>509,608</u>	<u></u>
<u>\$ 4,589,010</u>	<u>\$ 382,848</u>
\$ 1,260,124	\$ (105,925)
<u>24,498,626</u>	<u>1,161,388</u>
<u>\$ 25,758,750</u>	<u>\$ 1,055,463</u>

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

**CITY OF MEADOWS PLACE, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 5,486,747	\$ 454,435
Receivables:		
Property Taxes	44,421	10,676
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000)	183,543	
Garbage Receivable	34,606	
Road Use Fee Receivable	10,595	
Franchise Fees	27,373	
Liens	12,251	
Other	33,472	
Due from Other Funds		29
TOTAL ASSETS	<u>\$ 5,833,008</u>	<u>\$ 465,140</u>
LIABILITIES		
Accounts Payable	\$ 516,957	\$
Due to Other Fund	29	
Security Deposits	48,450	
TOTAL LIABILITIES	<u>\$ 565,436</u>	<u>\$ - 0 -</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 44,421	\$ 10,676
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Future Debt Service		454,464
Restricted for Special Projects	208,678	
Committed for Road Repairs	208,365	
Unassigned	4,806,108	
TOTAL FUND BALANCES	<u>\$ 5,223,151</u>	<u>\$ 454,464</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,833,008</u>	<u>\$ 465,140</u>

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

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 108,674	\$ 6,049,856
	55,097
	183,543
	34,606
	10,595
	27,373
	12,251
	33,472
	29
<u>\$ 108,674</u>	<u>\$ 6,406,822</u>
\$	\$ 516,957
	29
	<u>48,450</u>
<u>\$ - 0 -</u>	<u>\$ 565,436</u>
<u>\$ - 0 -</u>	<u>\$ 55,097</u>
\$ 108,674	\$ 108,674
	454,464
	208,678
	208,365
	<u>4,806,108</u>
<u>\$ 108,674</u>	<u>\$ 5,786,289</u>
<u>\$ 108,674</u>	<u>\$ 6,406,822</u>

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

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CITY OF MEADOWS PLACE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds \$ 5,786,289

Amounts reported for governmental activities in the Statement of Net Position are different because:

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 22,800,543

Portions of the change in net pension liability that are not immediately recognized as pension expense are recorded as deferred outflows and inflows of resources. 444,528

Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the City. 80,243

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Compensated Absences	\$	(43,066)	
Accrued Bond Interest Payable		(4,434)	
Bonds Payable Within One Year		(350,000)	
Bonds Payable After One Year		(1,350,845)	
Note Payable Due Within One Year		(12,638)	
Net Pension Liability		<u>(1,591,870)</u>	<u>(3,352,853)</u>

Total Net Position - Governmental Activities \$ 25,758,750

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

CITY OF MEADOWS PLACE, TEXAS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund
REVENUES		
Property Taxes and Penalties	\$ 2,173,367	\$ 431,234
City Sales Taxes	1,141,627	
Public Utilities	1,733,540	
Franchise Fees	303,204	
Fines and Forfeitures	477,530	
Licenses and Permits	197,435	
Investment Revenues	17,070	727
Other	246,818	
TOTAL REVENUES	\$ 6,290,591	\$ 431,961
EXPENDITURES		
Service Operations:		
Council	\$ 35,145	\$
General Government	635,648	5,529
Municipal Court	152,046	
Public Works	794,486	
Police Department	1,521,988	
Parks and Recreation	470,990	
Public Utilities Water/Sewer	1,289,191	
Capital Outlay	864,779	
Debt Service:		
Principal	24,474	355,000
Interest	1,649	73,907
TOTAL EXPENDITURES	\$ 5,790,396	\$ 434,436
NET CHANGE IN FUND BALANCES	\$ 500,195	\$ (2,475)
FUND BALANCES - OCTOBER 1, 2015	4,722,956	456,939
FUND BALANCES - SEPTEMBER 30, 2016	\$ 5,223,151	\$ 454,464

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

<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 2,604,601
	1,141,627
	1,733,540
	303,204
	477,530
	197,435
312	18,109
	246,818
<u>\$ 312</u>	<u>\$ 6,722,864</u>
\$	\$ 35,145
	641,177
	152,046
	794,486
	1,521,988
	470,990
	1,289,191
	864,779
	379,474
	75,556
<u>\$ - 0 -</u>	<u>\$ 6,224,832</u>
\$ 312	\$ 498,032
108,362	5,288,257
<u>\$ 108,674</u>	<u>\$ 5,786,289</u>

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

CITY OF MEADOWS PLACE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net Change in Fund Balances - Governmental Funds	\$ 498,032
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>	11,861
<p>The changes in the net pension liability as well as deferred inflows and outflows of resources are recorded as pension expense in the government-wide financial statements.</p>	(125,196)
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(844,649)
<p>Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>	1,293,987
<p>Governmental funds do not account for the increase in accrued compensated absences. However, in the Statement of Activities, the increase is recorded as part of the current year expense.</p>	35,829
<p>Governmental funds report principal payments on debt as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities.</p>	379,474
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>	<u>10,786</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,260,124</u></u>

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

CITY OF MEADOWS PLACE, TEXAS
COMPONENT UNIT BALANCE SHEET
FOR THE YEAR ENDED SEPTEMBER 30, 2016

ASSETS	
Cash and Cash Equivalents	<u>\$ 1,149,185</u>
LIABILITIES	
Accounts Payable	<u>\$ 93,722</u>
FUND BALANCE	
Assigned for Construction Project	\$ 562,000
Unassigned	<u>493,463</u>
TOTAL FUND BALANCE	<u>\$ 1,055,463</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,149,185</u>

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

CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF REVENUES EXPENDITURES AND CHANGE IN
FUND BALANCE – COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

REVENUES	
City Sales Taxes	\$ 379,085
Investment Revenues	<u>3,763</u>
TOTAL REVENUES	<u>\$ 382,848</u>
EXPENDITURES	
Service Operations:	
General Government	\$ 59,565
Capital Outlay	<u>429,208</u>
TOTAL EXPENDITURES	<u>\$ 488,773</u>
NET CHANGE IN FUND BALANCE	\$ (105,925)
FUND BALANCE - OCTOBER 1, 2015	<u>1,161,388</u>
FUND BALANCE - SEPTEMBER 30, 2016	<u><u>\$ 1,055,463</u></u>

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1. CREATION OF CITY

The City of Meadows Place (the “City”) was incorporated in November of 1983 under the provisions of the State of Texas. The City is governed by an elected five-member council and a mayor. The City provides the following services; public safety, maintenance and improvements to highways and streets, public improvements, and general administration services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America (US GAAP) applicable to state and local governments. US GAAP for local governments include those principles prescribed by GASB, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The City is an independent political subdivision of the State of Texas and is considered a primary government. Based on these considerations, the City’s financial statements include the Meadows Economic Development Corporation. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Discretely Presented Component Units

Meadows Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, all assets of the Corporation shall be conveyed to the City.

During a prior year, with voter approval, the City converted the Corporation from a 4A to a 4B corporation to provide the City greater flexibility in the use of sales tax revenues.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting.

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components-Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets– This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain total revenue and expense of the government-wide Statement of Activities.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The City's fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The City has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The City uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The City considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes considered available by the City and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the City does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Infrastructure assets are capitalized if they have an original cost greater than \$2,500 and a useful life over two years. Any other capital assets with a total cost of \$1,000 or more will also be capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Furniture & Fixtures	3-20
Machinery & Equipment	5-45
Vehicles	5
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Park Improvements	10-25
Streets & Sidewalks	30

Program Revenues

In the Statement of Activities, program revenues include fines and forfeitures, charges for utility services, garbage services, grant proceeds, licenses and permits, and various user fees.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the City Council annually adopts an unappropriated budget for the General Fund, Debt Service Fund and Component Unit. The General Fund and Component Unit budgets were amended during the current fiscal year. The budget for the Debt Service Fund was not amended during the current fiscal year.

Cash, Cash Equivalents and 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 city.

Pensions

For employees of the City, a pension plan has been established. See Note 8.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The City does not have any nonspendable fund balances.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council. See Note 14 for description of committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has not adopted a formal policy regarding the assignment of fund balances. For fiscal year ending September 30, 2016, the Meadows Economic Development Corporation has assigned \$250,000 for roadway improvements to Kirkwood Road; \$50,000 for construction of a Tactical Training Center; and \$262,000 for community development and beautification projects.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The City's General Obligation Bonds are payable from and secured by property taxes in accordance with underlying ordinances and resolutions authorizing their issuance. Also, in accordance with authorizing ordinances and resolutions, separate Debt Service Funds have been established and are being maintained for these debt issues. Any revenues from investments in these funds will be used to pay principal and interest on these debt issues.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. LONG-TERM DEBT (Continued)

Pertinent data related to the General Obligation Bonds is shown below.

	Series 2005	Series 2010 Refunding
Amount Outstanding – September 30, 2016	\$540,000	\$1,120,000
Interest Rates	3.90% - 4.20%	4.00%
Maturity Dates – Serially Beginning/Ending	March 15, 2017/2023	March 15, 2017/2020
Interest Payment Dates	March 15/ September 15	March 15/ September 15
Callable Dates	March 15, 2015*	N/A

* Callable at a price of par plus accrued interest to the date of redemption. Series 2005 term bonds maturing in 2015, 2017, 2019, 2021, and 2023 are term bonds subject to mandatory redemption.

The following is a summary of transactions regarding long-term liabilities for the year ended September 30, 2016:

	October 1, 2015	Additions	Retirements	September 30, 2016
Bonds Payable	\$ 2,015,000	\$	\$ 355,000	\$ 1,660,000
Note Payable	37,112		24,474	12,638
Unamortized Discounts	(9,422)		(2,118)	(7,304)
Unamortized Premiums	62,113		13,964	48,149
Long-Term debt, Net	<u>\$ 2,104,803</u>	<u>\$ -0-</u>	<u>\$ 391,320</u>	<u>\$ 1,713,483</u>
			Amount Due Within One Year	\$ 362,638
			Amount Due After One Year	1,350,845
			Long-Term debt, Net	<u>\$ 1,713,483</u>

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2016, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 350,000	\$ 59,873	\$ 409,873
2018	350,000	45,905	395,905
2019	355,000	31,805	386,805
2020	350,000	17,667	367,667
2021	80,000	8,990	88,990
2022-2023	175,000	7,455	182,455
	<u>\$ 1,660,000</u>	<u>\$ 171,695</u>	<u>\$ 1,831,695</u>

During the year ended September 30, 2016, the City levied an ad valorem debt service tax at the rate of \$0.14375 per \$100 of assessed valuation, which resulted in a tax levy of \$428,109 on the adjusted taxable valuation of \$297,734,710 for the 2015 tax year. The bond orders require the City to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 related to maintenance and operations tax.

The City's tax calendar is as follows:

- Levy Date - October 1, or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Upon receipt but not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

On October 22, 2012, the City entered into a \$47,463 note with Government Capital Corporation to fund the acquisition of a 2012 Chevy Tahoe. Annual installments of \$12,942 are due each February 15, beginning February 15, 2013 and ending February 15, 2016. In the current year, this note was paid in full.

On November 12, 2013, the City entered into a \$49,000 note with Government Capital Corporation to fund the acquisition of a 2013 Chevy Tahoe. Annual installments of \$13,181 are due each February 15, beginning February 15, 2014 and ending February 15, 2017.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3. LONG-TERM DEBT (Continued)

As of September 30, 2016, the debt service requirements on the note outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 12,638	\$ 543	\$ 13,181

The City uses available monies in the General Fund to pay interest and principal on the note when due.

NOTE 4. ACCRUED COMPENSATED EMPLOYEE ABSENCES

The liability for accrued compensated absences at September 30, 2016, is accounted for in the Statement of Net Position and is comprised of the following components:

Sick Leave	\$ 43,066
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Employees are allowed to earn twelve sick leave days per year. Employees may accumulate up to 36 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 50 percent of accumulated sick leave days at their base salary in effect at date of termination.

Employees are allowed to earn up to 120 hours of comp-time for overtime hours worked. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for 150 percent of accumulated comp-time earned at their base salary in effect at date of termination. During a prior year, the City began paying all accumulated comp-time in the last payroll period of the fiscal year.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Cash and cash equivalents include petty cash on hand in various departments, time deposit accounts, and deposits in TexPool and Lone Star Investment Pool.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the City of securities eligible under the laws of Texas to secure the funds of the City, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the City's deposits was \$1,150,358 and the bank balance was \$1,914,273. Of the bank balance, \$253,256 was covered by federal depository insurance, \$1,563,604 was collateralized with securities held in a third party depository in the City's name and the balance of \$97,413 was unsecured.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2016, are part of cash and cash equivalents as listed below:

	Cash
GENERAL FUND	\$ 809,595
DEBT SERVICE FUND	272,311
COMPONENT UNIT	68,452
TOTAL DEPOSITS	\$ 1,150,358

Investments

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the City's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth.

The City's 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." No person may invest City funds without express written authority from the City Council.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the City and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its 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) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The City invests in TexPool and Lone Star, external investment pools that are not SEC-registered. The Texas State Comptroller of Public Accounts has oversight of the TexPool. Federated Investors, Inc. manage the daily operations of the TexPool under a contract with the Comptroller. Lone Star is governed by an 11 member board, all of whom are participants in the pool. First Public serves as the administrator of Lone Star. The fair value of the City's position in the pool is the same as the value of pool shares.

As of September 30, 2016, the City had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 3,897,432	\$ 3,897,432	\$	\$	\$
Lone Star	779,720	779,720			
<u>DEBT SERVICE FUND</u>					
TexPool	182,124	182,124			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	108,674	108,674			
<u>COMPONENT UNIT</u>					
TexPool	1,080,733	1,080,733			
TOTAL INVESTMENTS	<u>\$ 6,048,683</u>	<u>\$ 6,048,683</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the City's investment in TexPool and Lone Star were rated AAAM and AAA, respectively, by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City considers the investments in TexPool and Lone Star to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the City, unless there has been a significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets. All cash and investments of the Component Unit are restricted for activities of the economic development corporation.

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2016:

	October 1, 2015	Increases	Decreases	September 30, 2016
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 8,368,166	\$	\$	\$ 8,368,166
Construction in Progress	1,965,314	1,293,987	803,311	2,455,990
Total Capital Assets Not Being Depreciated	\$ 10,333,480	\$ 1,293,987	\$ 803,311	\$ 10,824,156
Capital Assets Subject to Depreciation				
Buildings	\$ 1,902,049	\$ 39,468		\$ 1,941,517
Furniture and Fixtures	276,511	63,391		339,902
Machinery and Equipment	1,688,958	72,711		1,761,669
Park Improvements	1,254,235	116,601		1,370,836
Vehicles	554,767	131,659	(35,616)	650,810
Water System	4,232,863	57,900		4,290,763
Wastewater System	9,131,906	116,675		9,248,581
Drainage	2,634,660	200,031		2,834,691
Streets and Sidewalks	12,330,574	4,875		12,335,449
Total Capital Assets Subject to Depreciation	\$ 34,006,523	\$ 803,311	\$ (35,616)	\$ 34,774,218

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6. CAPITAL ASSETS (Continued)

	October 1, 2015	Increases	Decreases	September 30, 2016
Accumulated Depreciation				
Buildings	\$ 812,406	\$ 49,636		\$ 862,042
Furniture and Fixtures	249,643	6,916		256,559
Machinery and Equipment	791,211	101,737		892,948
Park Improvements	474,429	68,170		542,599
Vehicles	303,366	77,052	(35,616)	344,802
Water System	2,977,451	111,333		3,088,784
Wastewater System	4,250,569	206,944		4,457,513
Drainage	2,130,692	52,162		2,182,854
Streets and Sidewalks	9,999,031	170,699		10,169,730
Total Accumulated Depreciation	<u>\$ 21,988,798</u>	<u>\$ 844,649</u>	<u>\$ (35,616)</u>	<u>\$ 22,797,831</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,017,725</u>	<u>\$ (41,338)</u>	<u>\$ - 0 -</u>	<u>\$ 11,976,387</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,351,205</u>	<u>\$ 1,252,649</u>	<u>\$ 803,311</u>	<u>\$ 22,800,543</u>

The City's capital assets included donations of \$1,029,877, most of which were donated land and improvements for parks and recreational facilities. Remaining amounts have been provided by expenditures of the General and Capital Projects Funds and the Component Unit. Depreciation categorized by department at September 30, 2016, follows:

General Government	\$ 227,139
Municipal Court	4,514
Public Works	6,395
Police Department	125,455
Public Utilities	395,334
Parks and Recreation	85,812
Total Depreciation Expense	<u>\$ 844,649</u>

NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY

During the current fiscal year, the City levied a 2015 maintenance and operations tax at the rate of \$0.72425 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$297,734,710. This tax levy resulted in a total tax amount of \$2,156,925. The revenue derived from this levy is deposited into the combined General Fund and Public Utilities Fund of the City.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit 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 from TMRS’ website 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 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. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest. A member city may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases as a rate equal to 70% of the increase (if any) in the Consumer Price Index—all Urban Consumers (CPI-U) between the December preceding the member’s retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms: At December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled but not yet receiving benefits	32
Active employees	24
Total	68

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 the 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 were required to contribute 7% of their annual gross earnings during the current fiscal year. The contribution rates for the City were 7.73% and 6.19% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$100,361, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions: inflation 2.5% per year, overall payroll growth 2.4% per year and investment rate of return 6.75%, net of pension plan investment expense, including inflation. Salary increases were based on a graduated service-based scale. Mortality rates for active members, retirees, and beneficiaries were based on the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. For disabled annuitants, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments, with male rates multiplied by 109% and female rates multiplied by 103%, with a three year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates for both are projected on a fully generational basis by scale BB to account for future mortality improvements, with disabled annuitants subject to a 3% floor.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund. Assumptions are renewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. 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. TMRS has chosen to adopt a rebalancing policy that is governed by allocation ranges rather than time periods. The ranges specified in the table below, are a function of the volatility of each asset class and the proportion of the total funds allocated to the asset class.

Asset Class	Minimum %	Target %	Maximum %
U.S. Equities	12.5%	17.5%	22.5%
International Equities	12.5%	17.5%	22.5%
Core Fixed Income	5.0%	10.0%	15.0%
Non-Core Fixed Income	15.0%	20.0%	25.0%
Real Estate	5.0%	10.0%	15.0%
Real Return	5.0%	10.0%	15.0%
Absolute Return	5.0%	10.0%	15.0%
Private Equity	0.0%	5.0%	10.0%
Cash Equivalents	0.0%	0.0%	10.0%

The goal of the rebalancing policy is to ensure that the integrity of the strategic target allocation is preserved through a disciplined process that allows investment staff the flexibility to rebalance the portfolio within TMRS approved ranges, to adjust for market movements and consider current market conditions, or valuations, in portfolio allocations.

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers. Based on these assumptions and the projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2014	\$ 6,766,787	\$ 5,739,497	\$ 1,027,290
Changes for the year:			
Service Costs	227,586		227,586
Interest (on the Total Pension Liability)	470,575		470,575
Difference between expected and actual experience	12,405		12,405
Changes of assumptions	56,198		56,198
Benefit payments, including refunds of employee contributions	(316,155)	(316,155)	
Contributions - employer		103,216	(103,216)
Contributions - employee		95,912	(95,912)
Net investment income		8,468	(8,468)
Administrative Expense		(5,158)	5,158
Other		(254)	254
Balances of December 31, 2015	<u>\$ 7,217,396</u>	<u>\$ 5,625,526</u>	<u>\$ 1,591,870</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Net pension liability	<u>\$ 2,639,245</u>	<u>\$ 1,591,870</u>	<u>\$ 734,059</u>

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 from TMRS' website at www.TMRS.com.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2016, the City recognized pension expense of \$237,927.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 8,588	\$ 112,805
Changes in actuarial assumptions	38,906	
Difference between projected and actual investment earnings	357,061	
Contributions subsequent to the measurement date	<u>152,778</u>	
Total	<u>\$ 557,333</u>	<u>\$ 112,805</u>

\$152,778 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 September 30, 2016. 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	\$ 32,030
2017	82,983
2018	98,077
2019	78,660
2020	-0-
Thereafter	<u>-0-</u>
	<u>291,750</u>

Supplemental Death Benefits Plan

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN (Continued)

Supplemental Death Benefits Plan (Continued)

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

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

The City's contribution for the retirees to the TMRS SBDF for the years ended 2016, 2015 and 2014 were \$3,093, 2,481 and \$2,217, respectively, which equaled the required contributions each year.

NOTE 9. RETIREMENT PLAN

In July 2015, the District established a 457b deferred compensation plan for its employees, in the form of The International City Management Association ("ICMA") Retirement Corporation Deferred Compensation Plan and Trust. The plan is a qualified prototype plan approved by the Internal Revenue Service and administered by Vantage Trust, which also serves as custodian of assets of the plan. The assets of the plan are held in trust, with the City serving as trustee. The plan became effective October 1, 2015.

The 457(b) retirement plan is a defined contribution plan open to regular full-time employees only and is funded by the District. Employees contribute to the plan and each employee participant directs the investment in his/her respective account.

During the current year, employees contributed \$11,440 to the plan.

NOTE 10. CONTRACTS

City of Houston

The Meadows Municipal Utility District ("MUD"), which was dissolved and added to City operations in 1993, had contracted with the City of Houston in a prior year for the use of capacity in the MUD's sewage treatment plant. Under the terms of the contract (which has been continued with the City), the City operates and owns the plant and charges the City of Houston for a proportionate share of the plant's operating costs. The City of Houston's contracted plant capacity is 67,500 gallons per day for 180 connections which represents approximately 4.5 percent of total plant capacity. During the fiscal year ended September 30, 2016, the City received \$39,160 from the City of Houston for their proportionate share of the plant's operating costs.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10. CONTRACTS (Continued)

Fort Bend County Water Control & Improvement District No. 2

On May 19, 2008, the City entered into an agreement with Fort Bend County Water Control and Improvement District No. 2 (the "District") for participation in a groundwater reduction plan. The agreement was effective as of January 1, 2008. The District has an existing surface water supply contract with the Gulf Coast Water Authority, owns a site for a surface water treatment plant and is developing a regional groundwater reduction plan to meet the regulatory plan requirement of the Fort Bend County Subsidence District. The District includes the City in the groundwater reduction plan.

The District is developing the groundwater reduction plan for the benefit of the participants and shall act as the administrator in implementing the plan and maintaining the surface water fund. The surface water fund is a separate account owned and administered by the District for the benefit of the participants and shall only be used to pay costs associated with the groundwater reduction plan and its implementation and the issuance and payment of any bonds. The District will be responsible for designing the plan to meet the requirements of the subsidence district. The District includes the City as a participant in the plan and will include the pumpage from permitted wells owned by the City in their request for the subsidence district's certification of the plan.

The City will pay the District a monthly pumpage fee for all groundwater pumped by the City from its permitted wells and for all water supplied to the City by the District. As of year-end, the pumpage fee is \$1.20 per 1,000 gallons. A groundwater credit is applied on a monthly basis and deducted from the monthly pumpage fee. As of year-end, the groundwater credit is \$0.45 per 1,000 gallons. During the current fiscal year, the City recorded \$196,176 in pumpage fees. The City also paid an equalization fee on a monthly basis as a unit charge of \$0.20 per 1,000 gallons of groundwater pumped by the City from a permitted well and/or for water supplied to the City by the District until the City's equalization fee payments total \$328,054 plus interest calculated at 4.44% per year. The equalization fee is the City's pro rata share of the District's historical costs incurred prior to the effective date of this agreement for the procurement of a surface water supply, a plant site and feasibility studies and preparation of the groundwater reduction plan. During a prior fiscal year, this equalization fee was paid in full.

Fort Bend County

On June 23, 2009, the City entered into an interlocal agreement with Fort Bend County for Improvements to West Airport Boulevard from US 59 to Kirkwood. The County's sole obligation is to provide funding to the City of an amount equal to the lesser of 1) 72% of the total project cost or 2) \$2,385,000. The County will forward the lesser amount upon final completion of the final design of the project. The City's responsibility was for managing the design of the project in accordance with the Advance Funding Agreement with the Texas Department of Transportation ("TxDOT"). Any funding required for the project in excess of the County's

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 10. CONTRACTS (Continued)

Fort Bend County (Continued)

contribution set forth above, will be the sole responsibility of the City. Upon completion of the project each party will maintain that portion of the project within its own jurisdiction. During the prior fiscal year, the City completed the design phase of the project.

During a prior year, the City paid \$1,547,631 to TxDOT for this project, \$1,114,295 from the County and \$433,337 of City funds. The project is in progress at year end.

Texas Department of Transportation

On October 7, 2009, the City entered into a Local Transportation Project Advance Funding Agreement with TxDOT. TxDOT awarded grant funds to the City to provide for the design and environmental phase of the Improvements to West Airport Boulevard from US 59 to Kirkwood project (the “project”).

On November 26, 2013, the City entered into an Advance Funding Agreement with TxDOT for the project. This agreement replaces the previous agreement to include the design, environmental and construction phases of the project. TxDOT will be responsible for securing the Federal and State share of the funding required for the development and construction of the project. The City will be responsible for all non-federal or non-state participation costs, including any overruns in excess of the approved budget. At least 60 days prior to the date set for receipt of construction bids, the City will remit its financial share for TxDOT’s estimated construction oversight and construction cost. Funds received by TxDOT will be deposited in an escrow account to be managed by TxDOT and may only be applied to this project. At the completion of the project, TxDOT will perform an audit of the project costs, funds due will be paid promptly paid by the owing party, any excess funds will be returned to the City. The agreement will remain in effect until the project is completed and accepted by all parties. The City will be solely responsible for any adjustment, removal or relocation of utility facilities.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The City, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12. GRANT REVENUES

On February 25, 2016, the City received an allocation from the Law Enforcement Officer Standards and Education account in the amount of \$1,461. These funds were provided by the Texas Comptroller of Public Accounts and were used in the current year to provide necessary training to full-time, fully paid law enforcement support personnel of the City.

September 16, 2014, the City received a grant from Texas Department of Public Safety in the amount of \$67,850. These funds were used for the purchase of a computer aided dispatch systems. During fiscal year ending September 30, 2015 the City was reimbursed \$52,200. In the current year, the City was reimbursed for \$15,200.

On October 16, 2015, the City was awarded a grant, in the amount of \$28,028, from the US Office of Homeland Security, Federal Emergency Management Agency to provide funds to upgrade police radios. These funds were provided by the Texas Office of the Governor, Homeland Security Grants Division. During the current year, the City spent \$26,639 for radios.

NOTE 13. RESTRICTED FOR SPECIAL PROJECTS

As of September 30, 2016, the City had \$208,678 restricted by state law for special projects: \$3,256 for Police Department Drug Task Force; \$39,611 for Child Safety Programs; \$12,690 for Children's Programs; \$51,294 for Public, Educational, and Governmental cable programming; \$18,689 for Court Technology; and \$83,138 for Court Security.

NOTE 14. COMMITTED FOR SPECIAL PROJECTS

As of September 30, 2016, the City had \$208,365 in the Road Use Fee Reserve. A monthly fee of \$5 is included in the monthly billing for services to residents and businesses within the City limits. This fund was created by the City to provide funding to repair roadways within the City limits. During the current year, the City collected \$93,975 from the monthly fee. A donation of \$80,000 was received from a commercial customer specifically for repairs to Dorrance Road. The City expended \$130,190 during the current year for those repairs.

CITY OF MEADOWS PLACE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund			Variance Positive (Negative)
	Original Budget	Final Amended Budget	Actual	
REVENUES				
Property Taxes and Penalties	\$ 2,179,321	\$ 2,179,321	\$ 2,173,367	\$ (5,954)
City Sales Taxes	829,000	829,000	1,141,627	312,627
Public Utilities	1,711,992	1,711,992	1,733,540	21,548
Franchise Fees	285,000	285,000	303,204	18,204
Fines and Forfeitures	390,000	390,000	477,530	87,530
Licenses and Permits	50,000	50,000	197,435	147,435
Investment Revenues	3,000	3,000	17,070	14,070
Other	46,100	46,100	246,818	200,718
TOTAL REVENUES	<u>\$ 5,494,413</u>	<u>\$ 5,494,413</u>	<u>\$ 6,290,591</u>	<u>\$ 796,178</u>
EXPENDITURES				
Council	\$ 40,512	\$ 40,512	\$ 35,145	\$ 5,367
General Government	652,821	652,821	635,648	17,173
Municipal Court	110,992	110,992	152,046	(41,054)
Public Works	947,623	968,623	794,486	174,137
Police Department	1,498,532	1,498,532	1,521,988	(23,456)
Parks and Recreation	514,157	514,157	470,990	43,167
Public Utilities Water/Sewer	1,635,618	1,635,618	1,289,191	346,427
Capital Outlay	84,000	211,000	864,779	(653,779)
Debt Service:				
Principal			24,474	(24,474)
Interest			1,649	(1,649)
TOTAL EXPENDITURES	<u>\$ 5,484,255</u>	<u>\$ 5,632,255</u>	<u>\$ 5,790,396</u>	<u>\$ (158,141)</u>
NET CHANGE IN FUND BALANCE	\$ 10,158	\$ (137,842)	\$ 500,195	\$ 638,037
FUND BALANCE –				
OCTOBER 1, 2015	<u>4,722,956</u>	<u>4,722,956</u>	<u>4,722,956</u>	
FUND BALANCE –				
SEPTEMBER 30, 2016	<u>\$ 4,733,114</u>	<u>\$ 4,585,114</u>	<u>\$ 5,223,151</u>	<u>\$ 638,037</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Year Ended December 31, 2015	Year Ended December 31, 2014
	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 227,586	\$ 211,979
Interest (on the Total Pension Liability)	470,575	463,068
Difference between expected and actual experience	12,405	(276,563)
Changes of assumptions	56,198	0
Benefit payments, including refunds of employee contributions	<u>(316,155)</u>	<u>(281,922)</u>
Net change in total pension liability	\$ 450,609	\$ 116,562
Total pension liability, beginning	<u>6,766,787</u>	<u>6,650,225</u>
Total pension liability, ending (a)	<u>\$ 7,217,396</u>	<u>\$ 6,766,787</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 103,216	\$ 94,011
Contributions - employee	95,912	87,986
Net investment income	8,468	316,172
Benefit payments, including refunds of employee contributions	(316,155)	(281,922)
Administrative Expense	(5,158)	(3,301)
Other	<u>(254)</u>	<u>(271)</u>
Net Change in plan fiduciary net position	\$ (113,971)	\$ 212,675
Plan Fiduciary net position, beginning	<u>5,739,497</u>	<u>5,526,822</u>
Plan Fiduciary net position, ending (b)	<u>\$ 5,625,526</u>	<u>\$ 5,739,497</u>
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ 1,591,870</u>	<u>\$ 1,027,290</u>
Plan fiduciary net position as a percentage of the total pension liability	77.94%	84.82%
Covered-employee payroll	\$ 1,370,174	\$ 1,256,939
Net pension liability as a percentage of covered employee payroll	116.18%	81.73%

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2016**

<u>Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2015	\$ 103,216	\$ 103,216	\$ -0-	\$ 1,370,174	7.53%
2014	\$ 94,011	\$ 94,011	\$ -0-	\$ 1,256,939	7.48%

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO SCHEDULE OF CITY CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Note A: Net Pension Liability – Texas Municipal Retirement System

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
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:

- 1) Granted 100% ad hoc USC.
- 2) Granted 70% ad hoc COLA.

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES – BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Property Taxes and Penalties:				
Property Taxes	\$ 2,161,321	\$ 2,161,321	\$ 2,152,288	\$ (9,033)
Penalties and Interest	18,000	18,000	21,079	3,079
Total Property Taxes and Penalties	\$ 2,179,321	\$ 2,179,321	\$ 2,173,367	\$ (5,954)
City Sales Taxes:				
Sales Tax	\$ 550,000	\$ 550,000	\$ 758,170	\$ 208,170
1/2 % Ad Valorem Sales Tax	275,000	275,000	379,085	104,085
Mixed Beverage Sales Tax	4,000	4,000	4,372	372
Total City Sales Taxes	\$ 829,000	\$ 829,000	\$ 1,141,627	\$ 312,627
Public Utilities:				
Service Fees - Water	\$ 710,000	\$ 710,000	\$ 722,911	\$ 12,911
Reconnect Fees			2,250	2,250
Service Fees - Sewer	500,000	500,000	513,395	13,395
Garbage Fees	330,000	330,000	335,089	5,089
Road Use Fees	95,000	95,000	93,975	(1,025)
City of Houston	46,992	46,992	39,160	(7,832)
Late Fees	30,000	30,000	26,550	(3,450)
Miscellaneous			210	210
Total Public Utilities	\$ 1,711,992	\$ 1,711,992	\$ 1,733,540	\$ 21,548
Franchise Fees	\$ 285,000	\$ 285,000	\$ 303,204	\$ 18,204
Fines and Forfeitures:				
Fines and Forfeitures	\$ 390,000	\$ 390,000	\$ 461,644	\$ 71,644
Court Cost 10% Administrative			15,886	15,886
Total Fines and Forfeitures	\$ 390,000	\$ 390,000	\$ 477,530	\$ 87,530
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 197,435	\$ 147,435
Interest	\$ 3,000	\$ 3,000	\$ 17,070	\$ 14,070
Other Revenues:				
Newsletter Advertising	\$ 12,000	\$ 12,000	\$ 13,555	\$ 1,555
Miscellaneous Revenue	1,100	1,100	33,059	31,959
Rentals	12,000	12,000	17,575	5,575
Programs	21,000	21,000	48,370	27,370
Donations			80,400	80,400
Grant			43,300	43,300
Gain on Disposal of Asset			10,559	10,559
Total Other Revenues	\$ 46,100	\$ 46,100	\$ 246,818	\$ 200,718
Total Revenues	\$ 5,494,413	\$ 5,494,413	\$ 6,290,591	\$ 796,178

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Council				
Personnel	\$ 27,212	\$ 27,212	\$ 27,526	\$ (314)
Operating and Other	13,300	13,300	7,619	5,681
Total Council	<u>\$ 40,512</u>	<u>\$ 40,512</u>	<u>\$ 35,145</u>	<u>\$ 5,367</u>
General Government:				
Personnel	\$ 283,471	\$ 283,471	\$ 254,160	\$ 29,311
Operating and Other	369,350	369,350	381,488	(12,138)
Total General Government	<u>\$ 652,821</u>	<u>\$ 652,821</u>	<u>\$ 635,648</u>	<u>\$ 17,173</u>
Municipal Court:				
Personnel	\$ 90,542	\$ 90,542	\$ 98,126	\$ (7,584)
Operating and Other	20,450	20,450	53,920	(33,470)
Total Municipal Court	<u>\$ 110,992</u>	<u>\$ 110,992</u>	<u>\$ 152,046</u>	<u>\$ (41,054)</u>
Public Works:				
Personnel	\$ 206,233	\$ 206,233	\$ 186,620	\$ 19,613
Operating and Other	741,390	762,390	607,866	154,524
Total Public Works	<u>\$ 947,623</u>	<u>\$ 968,623</u>	<u>\$ 794,486</u>	<u>\$ 174,137</u>
Police Department:				
Personnel	\$ 1,282,832	\$ 1,282,832	\$ 1,353,344	\$ (70,512)
Operating and Other	215,700	215,700	168,644	47,056
Total Police Department	<u>\$ 1,498,532</u>	<u>\$ 1,498,532</u>	<u>\$ 1,521,988</u>	<u>\$ (23,456)</u>
Parks and Recreation:				
Personnel	\$ 264,157	\$ 264,157	\$ 286,174	\$ (22,017)
Operating and Other	250,000	250,000	184,816	65,184
Total Parks and Recreation	<u>\$ 514,157</u>	<u>\$ 514,157</u>	<u>\$ 470,990</u>	<u>\$ 43,167</u>
Public Utilities:				
Personnel	\$ 92,608	\$ 92,608	\$ 88,064	\$ 4,544
Operating and Other	1,543,010	1,543,010	1,201,127	341,883
Total Public Utilities Water/Sewer	<u>\$ 1,635,618</u>	<u>\$ 1,635,618</u>	<u>\$ 1,289,191</u>	<u>\$ 346,427</u>
Capital Outlay	<u>\$ 84,000</u>	<u>\$ 211,000</u>	<u>\$ 864,779</u>	<u>\$ (653,779)</u>
Debt Service:				
Principal	\$	\$	\$ 24,474	\$ (24,474)
Interest			1,649	(1,649)
	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 26,123</u>	<u>\$ (26,123)</u>
Total Expenditures	<u>\$ 5,484,255</u>	<u>\$ 5,632,255</u>	<u>\$ 5,790,396</u>	<u>\$ (158,141)</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Debt Service Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes and Penalties	\$ 435,020	\$ 431,234	\$ (3,786)
Investment Revenue	50	727	677
TOTAL REVENUES	<u>\$ 435,070</u>	<u>\$ 431,961</u>	<u>\$ (3,109)</u>
EXPENDITURES			
General Government	\$ 6,200	\$ 5,529	\$ 671
Bond Principal	355,000	355,000	
Bond Interest	73,908	73,907	1
TOTAL EXPENDITURES	<u>\$ 435,108</u>	<u>\$ 434,436</u>	<u>\$ 672</u>
NET CHANGE IN FUND BALANCE	\$ (38)	\$ (2,475)	\$ (2,437)
FUND BALANCES – OCTOBER 1, 2015	<u>456,939</u>	<u>456,939</u>	
FUND BALANCES – SEPTEMBER 30, 2016	<u>\$ 456,901</u>	<u>\$ 454,464</u>	<u>\$ (2,437)</u>

The Debt Service Fund budget portion of the City Budget was not amended.

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Economic Development Corporation			
	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
City Sales Taxes	\$ 275,000	\$ 275,000	\$ 379,085	\$ 104,085
Investment Revenue			3,763	3,763
TOTAL REVENUES	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 382,848</u>	<u>\$ 107,848</u>
EXPENDITURES				
General Government	\$ 358,098	\$ 133,100	\$ 59,565	\$ 73,535
Capital Outlay	544,002	869,000	429,208	439,792
TOTAL EXPENDITURES	<u>\$ 902,100</u>	<u>\$ 1,002,100</u>	<u>\$ 488,773</u>	<u>\$ 513,327</u>
NET CHANGE IN FUND BALANCE	\$ (627,100)	\$ (727,100)	\$ (105,925)	\$ 621,175
FUND BALANCES – OCTOBER 1, 2015	<u>\$ 1,161,388</u>	<u>1,161,388</u>	<u>1,161,388</u>	<u> </u>
FUND BALANCES – SEPTEMBER 30, 2016	<u>\$ 534,288</u>	<u>\$ 434,288</u>	<u>\$ 1,055,463</u>	<u>\$ 621,175</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

**GENERAL OBLIGATION BONDS
SERIES - 2005**

<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due March 15</u>	<u>Interest Due March 15/ September 15</u>	<u>Total</u>
2017	\$ 65,000	\$ 20,773	\$ 85,773
2018	70,000	18,105	88,105
2019	75,000	15,205	90,205
2020	75,000	12,167	87,167
2021	80,000	8,990	88,990
2022	85,000	5,565	90,565
2023	90,000	1,890	91,890
	<u>\$ 540,000</u>	<u>\$ 82,695</u>	<u>\$ 622,695</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

**GENERAL OBLIGATION REFUNDING
BONDS SERIES - 2010**

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
2017	\$ 285,000	\$ 39,100	\$ 324,100
2018	280,000	27,800	307,800
2019	280,000	16,600	296,600
2020	275,000	5,500	280,500
2021			
2022			
2023			
	<u>\$ 1,120,000</u>	<u>\$ 89,000</u>	<u>\$ 1,209,000</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2016**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

<u>Due During Fiscal Years Ending September 30</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2017	\$ 350,000	\$ 59,873	\$ 409,873
2018	350,000	45,905	395,905
2019	355,000	31,805	386,805
2020	350,000	17,667	367,667
2021	80,000	8,990	88,990
2022	85,000	5,565	90,565
2023	90,000	1,890	91,890
	<u>\$ 1,660,000</u>	<u>\$ 171,695</u>	<u>\$ 1,831,695</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2015
City of Meadows Place, Texas General Obligation Bonds - Series 2005	\$ 1,295,000	\$ 605,000
City of Meadows Place, Texas General Obligation Refunding Bonds - Series 2010	<u>2,940,000</u>	<u>1,410,000</u>
TOTAL	<u>\$ 4,235,000</u>	<u>\$ 2,015,000</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2016</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 65,000	\$ 23,307	\$ 540,000	Bank of New York Jacksonville, FL
	290,000	50,600	1,120,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 355,000</u>	<u>\$ 73,907</u>	<u>\$ 1,660,000</u>	

See accompanying independent auditor's report.

