

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2000

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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Honorable Mayor and Board of Aldermen
City of Meadows Place, Texas

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of City of Meadows Place, Texas (the "City") as of and for the year ended September 30, 2000, as listed in the preceding table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements, referred to above, present fairly, in all material respects, the financial position of the City as of September 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

McCall, Gibson & Company, PLLC

McCall, Gibson & Company, PLLC
Certified Public Accountants

April 4, 2001

CITY OF MEADOWS PLACE, TEXAS
COMBINED BALANCE SHEET -
ALL GOVERNMENTAL FUNDS AND ACCOUNT GROUPS
SEPTEMBER 30, 2000

| | Governmental Fund Types | | |
|---|-------------------------|--------------|---------------------|
| | General | Debt Service | Capital Projects |
| <u>ASSETS</u> | | | |
| Cash, Note 5 | \$ 392,843 | \$ 19,597 | \$ |
| Investments, Note 5 | 1,800,026 | 303,861 | 4,926,275 |
| Receivables: | | | |
| Property Taxes | 10,828 | 7,776 | |
| Franchise Taxes | 59,836 | | |
| Liens Receivable | 6,866 | | |
| Customer Service Accounts | 80,726 | | |
| Due from Other Funds | 20,415 | 166,988 | |
| Due from Primary Government | | | |
| Due from Component Unit | 190,332 | | |
| General Fixed Assets, Note 6 | | | |
| Amount Available in Debt Service Fund | | | |
| Amount to be Provided for Retirement of General Long-Term Debt | | | |
| TOTAL ASSETS | \$ 2,561,872 | \$ 498,222 | \$ 4,926,275 |

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

| Account Groups | | Primary Government Totals Memorandum Only | Component Unit | Reporting Entity Totals Memorandum Only |
|----------------------|---------------------|---|-------------------|--|
| Fixed Assets | Long Term Debt | | | |
| \$ | \$ | \$ 412,440 | \$ | \$ 412,440 |
| | | 7,030,162 | 63,848 | 7,094,010 |
| | | 18,604 | | 18,604 |
| | | 59,836 | | 59,836 |
| | | 6,866 | | 6,866 |
| | | 80,726 | | 80,726 |
| | | 187,403 | | 187,403 |
| | | | 35,914 | 35,914 |
| | | 190,332 | | 190,332 |
| 14,754,207 | | 14,754,207 | | 14,754,207 |
| | 490,446 | 490,446 | | 490,446 |
| | <u>6,658,121</u> | <u>6,658,121</u> | | <u>6,658,121</u> |
| <u>\$ 14,754,207</u> | <u>\$ 7,148,567</u> | <u>\$ 29,889,143</u> | <u>\$ 99,762</u> | <u>\$ 29,988,905</u> |

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

CITY OF MEADOWS PLACE, TEXAS
COMBINED BALANCE SHEET -
ALL GOVERNMENTAL FUNDS AND ACCOUNT GROUPS
SEPTEMBER 30, 2000

| | Governmental Fund Types | | |
|--|-------------------------|-------------------|---------------------|
| | General | Debt Service | Capital Projects |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 130,025 | \$ | \$ 21,395 |
| Contract Payable | | | 163,581 |
| Retainage Payable | | | 36,842 |
| Accrued Compensated Absences, Note 4 | | | |
| Due to Other Funds | 166,988 | | 20,415 |
| Due to Component Unit | | | 35,914 |
| Due to Primary Government | | | |
| Customer Deposits | 10,161 | | |
| Deferred Revenue | 10,828 | 7,776 | |
| Certificates of Obligation and Bonds Payable | | | |
| TOTAL LIABILITIES | <u>\$ 318,002</u> | <u>\$ 7,776</u> | <u>\$ 278,147</u> |
| FUND BALANCE: | | | |
| Investments in General Fixed Assets, Note 6 | \$ | \$ | \$ |
| Fund Balances (Deficit): | | | |
| Reserved for Future Debt Service | | 490,446 | |
| Designated for Non-Recurring Water and Sewer System Maintenance and Repairs, Note 10 | 140,000 | | |
| Designated for Capital Projects | | | 4,648,128 |
| Designated for Contingencies | 25,000 | | |
| Undesignated | <u>2,078,870</u> | | |
| TOTAL FUND BALANCE (DEFICIT) | <u>\$ 2,243,870</u> | <u>\$ 490,446</u> | <u>\$ 4,648,128</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 2,561,872</u> | <u>\$ 498,222</u> | <u>\$ 4,926,275</u> |

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

| Account Groups | | Primary Government Totals Memorandum Only | Component Unit | Reporting Entity Totals Memorandum Only |
|----------------------|---------------------|---|--------------------|--|
| Fixed Assets | Long Term Debt | | | |
| \$ | \$ | \$ 151,420 | \$ | \$ 151,420 |
| | | 163,581 | | 163,581 |
| | | 36,842 | | 36,842 |
| | 48,567 | 48,567 | | 48,567 |
| | | 187,403 | | 187,403 |
| | | 35,914 | | 35,914 |
| | | | 190,332 | 190,332 |
| | | 10,161 | | 10,161 |
| | | 18,604 | | 18,604 |
| | <u>7,100,000</u> | <u>7,100,000</u> | | <u>7,100,000</u> |
| <u>\$ -0-</u> | <u>\$ 7,148,567</u> | <u>\$ 7,752,492</u> | <u>\$ 190,332</u> | <u>\$ 7,942,824</u> |
| \$ 14,754,207 | \$ | \$ 14,754,207 | \$ | \$ 14,754,207 |
| | | 490,446 | | 490,446 |
| | | 140,000 | | 140,000 |
| | | 4,648,128 | | 4,648,128 |
| | | 25,000 | | 25,000 |
| | | <u>2,078,870</u> | <u>(90,570)</u> | <u>1,988,300</u> |
| <u>\$ 14,754,207</u> | <u>\$ -0-</u> | <u>\$ 22,136,651</u> | <u>\$ (90,570)</u> | <u>\$ 22,046,081</u> |
| <u>\$ 14,754,207</u> | <u>\$ 7,148,567</u> | <u>\$ 29,889,143</u> | <u>\$ 99,762</u> | <u>\$ 29,988,905</u> |

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

CITY OF MEADOWS PLACE, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES – ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2000

| | Governmental Fund Types | | |
|---|-------------------------|---------------------|-----------------------|
| | General | Debt Service | Capital Projects |
| REVENUES: | | | |
| Property Taxes and Penalties | \$ 792,542 | \$ 578,116 | \$ |
| City Sales Taxes | 1,090,676 | | |
| Public Utilities | 786,945 | | |
| Franchise Fees | 243,192 | | |
| Fines and Forfeitures | 156,737 | | |
| Licenses and Permits | 25,185 | | |
| Investment Revenues | 75,179 | 53,490 | 189,019 |
| Other | <u>142,680</u> | | |
| TOTAL REVENUES | <u>\$ 3,313,136</u> | <u>\$ 631,606</u> | <u>\$ 189,019</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | \$ 264,212 | \$ 4,805 | \$ 78,050 |
| Municipal Court | 63,175 | | |
| Municipal Services and Fire Protection | 503,797 | | |
| Police Department | 780,165 | | |
| Parks and Recreation | 246,393 | | |
| Public Utilities Water/Sewer | 938,579 | | |
| Capital Outlay | 30,923 | | 1,161,135 |
| Bond Principal | | 705,000 | |
| Bond Interest | | <u>197,576</u> | |
| TOTAL EXPENDITURES | <u>\$ 2,827,244</u> | <u>\$ 907,381</u> | <u>\$ 1,239,185</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 485,892</u> | <u>\$ (275,775)</u> | <u>\$ (1,050,166)</u> |

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

| Primary Government Totals Memorandum Only | Component Unit | Reporting Entity Totals Memorandum Only |
|---|-------------------|--|
| \$ 1,370,658 | \$ | \$ 1,370,658 |
| 1,090,676 | 358,502 | 1,449,178 |
| 786,945 | | 786,945 |
| 243,192 | | 243,192 |
| 156,737 | | 156,737 |
| 25,185 | | 25,185 |
| 317,688 | 3,711 | 321,399 |
| <u>142,680</u> | | <u>142,680</u> |
| <u>\$ 4,133,761</u> | <u>\$ 362,213</u> | <u>\$ 4,495,974</u> |
| | | |
| \$ 347,067 | \$ 47,170 | \$ 394,237 |
| 63,175 | | 63,175 |
| 503,797 | | 503,797 |
| 780,165 | | 780,165 |
| 246,393 | | 246,393 |
| 938,579 | | 938,579 |
| 1,192,058 | | 1,192,058 |
| 705,000 | 100,000 | 805,000 |
| <u>197,576</u> | <u>58,050</u> | <u>255,626</u> |
| <u>\$ 4,973,810</u> | <u>\$ 205,220</u> | <u>\$ 5,179,030</u> |
| | | |
| <u>\$ (840,049)</u> | <u>\$ 156,993</u> | <u>\$ (683,056)</u> |

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

CITY OF MEADOWS PLACE, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES – ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2000

| | Governmental Fund Types | | |
|---|-------------------------|-------------------|---------------------|
| | General | Debt Service | Capital Projects |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In From Other Funds | \$ 315,440 | \$ 72,719 | \$ |
| Transfers (Out) to Other Funds | (72,719) | | (315,440) |
| Transfers (Out) to Component Unit | | | (160,455) |
| Proceeds from Sale of Bonds (Net of Discount of \$0) | | | <u>6,000,000</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ 242,721</u> | <u>\$ 72,719</u> | <u>\$ 5,524,105</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | \$ 728,613 | \$ (203,056) | \$ 4,473,939 |
| FUND BALANCES (DEFICIT) – OCTOBER 1, 1999 | <u>1,515,257</u> | <u>693,502</u> | <u>174,189</u> |
| FUND BALANCES (DEFICIT) – SEPTEMBER 30, 2000 | <u>\$ 2,243,870</u> | <u>\$ 490,446</u> | <u>\$ 4,648,128</u> |

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

| Primary Government Totals Memorandum Only | Component Unit | Reporting Entity Totals Memorandum Only |
|---|-----------------------------|--|
| \$ 388,159 | \$ | \$ 388,159 |
| (388,159) | | (388,159) |
| (160,455) | 160,455 | |
| <u>6,000,000</u> | <u> </u> | <u>6,000,000</u> |
| <u>\$ 5,839,545</u> | <u>\$ 160,455</u> | <u>\$ 6,000,000</u> |
| | | |
| \$ 4,999,496 | \$ 317,448 | \$ 5,316,944 |
| <u>2,382,948</u> | <u>(408,018)</u> | <u>1,974,930</u> |
| <u>\$ 7,382,444</u> | <u>\$ (90,570)</u> | <u>\$ 7,291,874</u> |

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

CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND,
DEBT SERVICE FUND AND COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

| | General Fund | | |
|---|----------------------------|----------------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | |
| Property Taxes and Penalties | \$ 741,492 | \$ 792,542 | \$ 51,050 |
| City Sales Taxes | 1,093,000 | 1,090,676 | (2,324) |
| Public Utilities | 721,200 | 786,945 | 65,745 |
| Franchise Fees | 180,000 | 243,192 | 63,192 |
| Fines and Forfeitures | 120,000 | 156,737 | 36,737 |
| Licenses and Permits | 16,000 | 25,185 | 9,185 |
| Investment Revenues | 61,000 | 75,179 | 14,179 |
| Other | <u>161,300</u> | <u>142,680</u> | <u>(18,620)</u> |
| TOTAL REVENUES | <u>\$ 3,093,992</u> | <u>\$ 3,313,136</u> | <u>\$ 219,144</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | \$ 286,977 | \$ 264,212 | \$ 22,765 |
| Municipal Court | 66,387 | 63,175 | 3,212 |
| Municipal Services and Fire Protection | 662,440 | 503,797 | 158,643 |
| Police Department | 833,772 | 780,165 | 53,607 |
| Parks and Recreation | 287,107 | 246,393 | 40,714 |
| Public Utilities Water/Sewer | 1,072,363 | 938,579 | 133,784 |
| Capital Outlay | | 30,923 | (30,923) |
| Bond Principal | | | |
| Bond Interest | | | |
| TOTAL EXPENDITURES | <u>\$ 3,209,046</u> | <u>\$ 2,827,244</u> | <u>\$ 381,802</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ (115,054)</u> | <u>\$ 485,892</u> | <u>\$ 600,946</u> |

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

| Debt Service Fund | | | Component Unit (Economic Development Corporation) | | |
|-------------------|---------------------|--|--|-------------------|--|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 549,000 | \$ 578,116 | \$ 29,116 | \$ 360,000 | \$ 358,502 | \$ (1,498) |
| 40,000 | 53,490 | 13,490 | | 3,711 | 3,711 |
| <u>\$ 589,000</u> | <u>\$ 631,606</u> | <u>\$ 42,606</u> | <u>\$ 360,000</u> | <u>\$ 362,213</u> | <u>\$ 2,213</u> |
| \$ 7,000 | \$ 4,805 | \$ 2,195 | \$ 51,943 | \$ 47,170 | \$ 4,773 |
| 545,000 | 705,000 | (160,000) | 100,000 | 100,000 | |
| <u>23,980</u> | <u>197,576</u> | <u>(173,596)</u> | <u>58,050</u> | <u>58,050</u> | |
| <u>\$ 575,980</u> | <u>\$ 907,381</u> | <u>\$ (331,401)</u> | <u>\$ 209,993</u> | <u>\$ 205,220</u> | <u>\$ 4,773</u> |
| <u>\$ 13,020</u> | <u>\$ (275,775)</u> | <u>\$ (288,795)</u> | <u>\$ 150,007</u> | <u>\$ 156,993</u> | <u>\$ 6,986</u> |

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

CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND,
DEBT SERVICE FUND AND COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

| | General Fund | | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|--|
| | Budget | Actual | |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In From Other Funds | \$ 2,500 | \$ 315,440 | \$ 312,940 |
| Transfers (Out) To Other Funds | (173,640) | (72,719) | 100,921 |
| Transfers (Out) To Component Unit | | | |
| Transfers (Out) To Primary Government | | | |
| Proceeds from Sale of Bonds | | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ (171,140)</u> | <u>\$ 242,721</u> | <u>\$ 413,861</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES) | \$ (286,194) | \$ 728,613 | \$ 1,014,807 |
| FUND BALANCES (DEFICIT) – OCTOBER 1, 1999 | <u>1,515,257</u> | <u>1,515,257</u> | |
| FUND BALANCES (DEFICIT) – SEPTEMBER 30, 2000 | <u>\$ 1,229,063</u> | <u>\$ 2,243,870</u> | <u>\$ 1,014,807</u> |

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

| Debt Service Fund | | | Component Unit (Economic Development Corporation) | | |
|-------------------|-------------------|--|--|--------------------|--|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$ | \$ 72,719 | \$ 72,719 | \$ | \$ | \$ |
| | | | | 160,455 | 160,455 |
| | | | (150,007) | | |
| <u>\$ -0-</u> | <u>\$ 72,719</u> | <u>\$ 72,719</u> | <u>\$ (150,007)</u> | <u>\$ 160,455</u> | <u>\$ 160,455</u> |
| \$ 13,020 | \$(203,056) | \$ (216,076) | \$ | \$ 317,448 | \$ 317,448 |
| <u>693,502</u> | <u>693,502</u> | | <u>(408,018)</u> | <u>(408,018)</u> | |
| <u>\$ 706,522</u> | <u>\$ 490,446</u> | <u>\$ (216,076)</u> | <u>\$ (408,018)</u> | <u>\$ (90,570)</u> | <u>\$ 317,448</u> |

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

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 Governmental Accounting Standards Board 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.

The accompanying general purpose financial statements have been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Based on these considerations, the City's general purpose 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. The operations of the Corporation are presented as a governmental fund type.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The transactions of the City are accounted for in the following funds and account groups:

Funds

Capital Projects Fund

To account for financial resources segregated for acquisition or construction of facilities and related costs.

Debt Service Fund

To account for ad valorem taxes and financial resources accumulated for servicing bonded debt and the cost of assessing and collecting taxes.

General Fund

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

Account Groups

General Long-Term Debt

To account for the unmatured principal of general long-term debt obligations.

General Fixed Assets

To account for completed facilities and organizational costs.

The general purpose financial statements include a total column, which is presented for memorandum purposes only and is not intended to present consolidated financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the modified accrual basis of accounting. Under this method, all expenditures except bond interest and all revenues currently available are accrued.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

The City capitalized all costs associated with the creation of the City and all costs directly associated with the sale of the bonds. From the date of sale of bonds through the date of the significant completion of related improvements, interest earnings and interest expenditures related to the bond proceeds are being capitalized.

All general fixed assets, including infrastructure fixed assets, are stated at the full costs of assets owned by the City, and any contribution by others is recorded in fund equity. Repairs are not capitalized and replacements of fixed assets are capitalized only to the extent that they exceed the cost of the original assets. Depreciation is not recorded on general fixed assets.

Amounts transferred from one fund to another fund are reported as an other financing source or use. 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 balance sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance timely.

In compliance with governmental accounting principles, the City annually adopts an unappropriated budget for the General Fund, Debt Service Fund and Component Unit.

The City has employees and a pension plan has been established, see Note 8.

Measurement Focus

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 are included on the balance sheet as follows:

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Unreserved:

Designated - To indicate fund equity for which the City has made tentative plans.

Undesignated - To indicate fund equity, which is available for use in future periods.

NOTE 3. BONDS PAYABLE

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.

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

| | Series 1997 | Series 2000 |
|---|---------------------------|---------------------------|
| Amount Outstanding - September 30, 2000 | \$ 1,100,000 | \$ 6,000,000 |
| Interest Rates | 4.50% - 6.50% | 5.00% - 7.00% |
| Maturity Dates – Serially Beginning/Ending | March 15, 1999/2011 | March 15, 2001/2020 |
| Interest Payment Dates | March 15/ September 15 | March 15/ September 15 |
| Callable Dates | March 15, 2004 | March 15, 2010 |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2000:

| | | |
|--|----------------|---------------------|
| Bonded Debt Payable - October 1, 1999 | | \$ 1,905,000 |
| Add: Bonds Sold – Series 2000 | | 6,000,000 |
| Less: Bond Principal Retirement | | |
| Series 1991 | \$ 160,000 | |
| Series 1993 | 545,000 | |
| Series 1997 | <u>100,000</u> | <u>805,000</u> |
| Bonded Debt Payable - September 30, 2000 | | <u>\$ 7,100,000</u> |

As of September 30, 2000, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|---------------------|----------------------|
| 2001 | \$ 400,000 | \$ 398,800 | \$ 798,800 |
| 2002 | 400,000 | 371,900 | 771,900 |
| 2003 | 400,000 | 346,000 | 746,000 |
| 2004 | 400,000 | 320,500 | 720,500 |
| 2005 | 400,000 | 294,950 | 694,950 |
| Thereafter | <u>5,100,000</u> | <u>1,842,425</u> | <u>6,942,425</u> |
| | <u>\$ 7,100,000</u> | <u>\$ 3,574,575</u> | <u>\$ 10,674,575</u> |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 3. BONDS PAYABLE (Continued)

During the year ended September 30, 2000, the City levied an ad valorem debt service tax at the rate of \$0.3047 per \$100 of assessed valuation, which resulted in a tax levy of \$562,601 on the adjusted taxable valuation of \$183,540,777 for the 1999 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:

- Lien Date - January 1.
- Levy Date - Later of September 30 or 60 days after receipt of certified tax rate.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. ACCRUED COMPENSATED EMPLOYEE ABSENCES

The liability for accrued compensated absences at September 30, 2000, is accounted for in the General Long-Term Debt Account Group and is comprised of the following components:

| | |
|------------|----------------------|
| Sick Leave | \$ 35,685 |
| Comp-time | <u>12,882</u> |
| Total | <u>\$ 48,567</u> |

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 240 hours of comp-time for over time hours worked. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for 100 percent of accumulated comp-time earned at their base salary in effect at date of termination.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 5. CASH AND INVESTMENTS

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

State 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 instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) certain collateralized mortgage obligations (excluding strips and inverse floaters), (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 instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) insured or collateralized certificates of deposit, (7) certain fully collateralized repurchase agreements secured by delivery, (8) bankers' acceptances with limitations, (9) commercial paper rated A-1 or P-1 or higher, (10) no-load money market mutual funds and no-load mutual funds with limitations, and (11) certain qualified governmental investment pools.

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 Mayor.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 5. CASH AND INVESTMENTS (Continued)

| | <u>ASSETS AT COST</u> | | <u>FAIR VALUE</u> |
|--|-----------------------|---------------------|---------------------|
| | <u>Cash and Cash</u> | <u>Investments</u> | <u>Combined</u> |
| | <u>Equivalents</u> | | |
| <u>GENERAL FUND –</u> | | | |
| Demand Deposits, Money Market Deposit Accounts and Savings Accounts | \$ 392,843 | \$ | \$ 392,843 |
| Tex-Pool | | 1,676,190 | 1,676,190 |
| Lone Star | | 123,836 | 123,836 |
| <u>DEBT SERVICE FUND –</u> | | | |
| (Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes) | | | |
| Demand Deposits, Money Market Deposit Accounts and Savings Accounts | 19,597 | | 19,597 |
| Tex-Pool | | 303,861 | 303,861 |
| <u>CAPITAL PROJECTS FUND -</u> | | | |
| (Restricted for Purchase of General Fixed Assets) | | | |
| Demand Deposits, Money Market Deposit Accounts and Savings Accounts | | | |
| Tex-Pool | | 4,926,275 | 4,926,275 |
| <u>ECONOMIC DEVELOPMENT</u> | | | |
| <u>CORPORATION</u> | | | |
| (Restricted for Activities of the Economic Development Corporation) | | | |
| Tex-Pool | | 63,848 | 63,848 |
| TOTALS | <u>\$ 412,440</u> | <u>\$ 7,094,010</u> | <u>\$ 7,506,450</u> |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 5. CASH AND INVESTMENTS (Continued)

All investments are recorded at cost, which the City considers to be fair value.

State 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 municipal utility districts, 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 the fiscal year end, the carrying amount of the City's deposits was \$412,440 and the bank balance was \$627,535. Of the bank balance, \$200,000 was covered by federal depository insurance and the balance was collateralized with securities held in a third party depository in the City's name.

The City's policy is to require depositories to pledge adequate collateral to secure the City's deposits at all times to the extent that the City's depository balances exceed the limits of federal depository insurance. As of the highest cash balance date of each depository exceeding federal depository insurance, the depositories of the City did pledge adequate collateral to secure the deposits of the City. The entity pledging the collateral provided the information concerning market value.

Credit Risk Categorization for Investments

Deposits in pooled investments include amounts in Tex-Pool and Lone Star Investment Pool which are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to credit risk categorization. Tex-Pool and Lone Star Investment Pool policies do, however, require that funds deposited by local governments be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended.

The State Comptroller of Public Accounts exercises oversight responsibility over Tex-Pool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in Tex-Pool and other persons who do not have a business relationship with Tex-Pool. The advisory Board members review the investment policy and management fee structure. Finally, Tex-Pool is rated AAAM by Standards & Poors.

Tex-Pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Tex-Pool used amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Tex-Pool is the same as the value of Tex-Pool Shares.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 6. GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets for the year ended September 30, 2000:

| | Balances October 1, 1999 | Additions | Retirements | Balances September 30, 2000 |
|--|--------------------------------|---------------------|------------------|-----------------------------------|
| Land | \$ 1,034,186 | \$ | \$ | \$ 1,034,186 |
| Building | 1,100,472 | | | 1,100,472 |
| Improvements, other than building | 9,728,753 | 1,669,261 | | 11,398,014 |
| Furniture, equipment, and vehicles | <u>1,106,237</u> | <u>149,092</u> | <u>33,794</u> | <u>1,221,535</u> |
| Total | <u>\$12,969,648</u> | <u>\$ 1,818,353</u> | <u>\$ 33,794</u> | <u>\$14,754,207</u> |

The City's General Fixed Assets included donations of \$817,456, most of which were donated land and improvements for parks and recreation. Remaining amounts have been provided by expenditures of the General and Capital Projects Funds. General Fixed Assets categorized by department at September 30, 2000, follows:

| | |
|--|----------------------|
| General Government | \$ 3,578,331 |
| Municipal Court | 10,486 |
| Municipal services and fire protection | 73,887 |
| Police Department | 503,859 |
| Public Utilities Water/Sewer | 9,367,899 |
| Parks and Recreation | <u>1,219,745</u> |
| Totals | <u>\$ 14,754,207</u> |

NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY

During the current fiscal year the City levied a 1999 maintenance and operations tax at the rate of \$0.4253 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$183,540,777. This tax levy resulted in a total tax amount of \$785,277. 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 GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 8. PENSION PLAN

Plan Description and Provisions

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of over 700 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated, with interest, if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with ten or more years of service or with 25 years of service regardless of age. A member is vested after 10 years. The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints also in the state statutes.

Contributions

The contribution rate for employees is five percent, and the matching percent is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement rate, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25 year amortization period.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 8. PENSION PLAN (Continued)

When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the city needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 1998, valuation is effective for rates beginning January 2000).

The City's total payroll in fiscal year 2000 was approximately \$985,465, and the City's contributions were based on a payroll of approximately \$910,950. Contributions made by employees totaled \$45,548, and the City made contributions of \$61,692 during the fiscal year ended September 30, 2000.

SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

| | 2000 | 1999 | 1998 |
|---|-------------|------------|------------|
| Actuarial Valuation Date | 12/31/99 | 12/31/98 | 12/31/97 |
| Actuarial Value of Assets | \$1,052,060 | \$ 885,204 | \$ 733,244 |
| Actuarial Accrued Liability | 1,195,162 | 1,013,506 | 800,808 |
| Percentage Funded | 88.0% | 87.30% | 91.56% |
| Unfunded (Over-Funded) Actuarial Accrued Liability | 143,102 | 128,302 | 67,564 |
| Annual Covered Payroll | 877,191 | 939,814 | 794,796 |
| Unfunded (Over-Funded) Actuarial Accrued Liability as a Percentage of Covered Payroll | 16.3% | 13.7% | 8.50% |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 8. PENSION PLAN (Continued)

SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

| | 2000 | 1999 | 1998 |
|---|---------------|---------------|---------------|
| Net Pension Obligation (NPO) at the Beginning of the Period | \$ -0- | \$ -0- | \$ -0- |
| Annual Pension Costs: | | | |
| Annual Required Contribution (ARC) | 61,692 | 51,317 | 49,439 |
| Contributions Made | 61,692 | 51,317 | 49,439 |
| Increase in NPO | _____ | _____ | _____ |
| NPO at the end of the period | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

Ten-year trend information may be found in the additional information section of the City's financial report.

NOTE 9. CONTRACT WITH CITY OF HOUSTON

The Meadows Municipal Utility District (MUD), which was dissolved and added to City operations in the 1993 year, 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, 2000, the City received \$19,248 from the City of Houston for their proportionate share of the plant's operating costs.

NOTE 10. DEFICIT AND RESERVED FUND BALANCES

The City has established a reserve of General Fund Balance for non-recurring maintenance and repair expenditures necessary for the operation of its water and sewer system. The reserve of \$140,000 was established by the Municipal Utility District in the prior year, prior to being dissolved by the City and will be subject to review and analysis in the current year. The Component Unit of the City had a deficit fund balance of \$90,570, which will be funded with sales tax revenues in future years.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 11. BOND SALE

On February 15, 2000, the City sold its General Obligation Bonds, Series 2000 in the amount of \$6,000,000. The proceeds of the bonds are to be used for improvements to the waterworks system, sanitary sewer system, streets, drainage, and parks of the City.

NOTE 12. INTERFUND TRANSACTIONS

The following is a summary of interfund transactions for the year ended September 30, 2000:

| Fund | Transfer In From Other Funds | Transfer Out To Other Funds |
|-----------------------------------|------------------------------------|-----------------------------------|
| General | | |
| Capital Projects | \$ 315,440 | \$ |
| Debt Service Fund | | 72,719 |
| Debt Service | | |
| General Fund | 72,719 | |
| Capital Projects | | |
| General Fund | | <u>315,440</u> |
| Total Interfund Transfers Primary | | |
| Government | <u>\$ 388,159</u> | <u>\$ 388,159</u> |

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of accounts due from and due to other funds and component unit for the year ended September 30, 2000:

| Fund | Due From Other Funds | Due To Other Funds |
|--------------------------------|-------------------------|-----------------------|
| General | | |
| Due to Debt Service | \$ | \$ 166,988 |
| Due from Capital Projects Fund | 20,415 | |
| Due from Component Unit | 190,332 | |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES (Continued)

| Fund | Due From Other Funds | Due To Other Funds |
|---|-------------------------|-----------------------|
| Capital Projects | | |
| Due from Component Unit | \$ | \$ 35,914 |
| Due from General Fund | | 20,415 |
| Debt Service | | |
| Due from General | \$ 166,988 | \$ |
| Component Unit due to Primary Government General Fund | | 190,332 |
| Component Unit due to Primary Government Capital Projects Fund | <u>35,914</u> | <u> </u> |
| Total Due from/Due to | <u>\$ 413,649</u> | <u>\$ 413,649</u> |

NOTE 14. RISK MANAGEMENT

The City is exposed to various risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage, retention, and limits during the year. Settled claims have not exceeded insurance coverage for any of the preceding three fiscal years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2000, the City paid premiums of approximately \$47,487 to TML for provisions of various liability, property, and casualty insurance. The City has various deductible amounts on its various policies. At year end, the City has not had any significant claims.

The City also provides workers' compensation insurance on its employees through TML. The workers' compensation premiums for the fiscal year ended September 30, 2000, was approximately \$24,350. Workers' compensation is subject to change when audited by TML. At year end, the City believed the amounts paid on workers' compensation would not change significantly from the recorded amounts.

CITY OF MEADOWS PLACE, TEXAS

SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2000

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Certified Public Accountants

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Public Accountants*

*Texas Society of
Certified Public
Accountants*

Honorable Mayor and Board of Aldermen
City of Meadows Place, Texas

Independent Auditor's Report on Supplemental Information

We have audited the general purpose financial statements of City of Meadows Place, Texas (the "City") as of and for the year ended September 30, 2000, listed in the table of contents, and the report thereon is included in the preceding section of this report. The accompanying supplemental information includes financial data excerpted from 1998 prior years' financial statements, which were not audited by us.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. These financial statements and schedules are also the responsibility of the management of the City. Such additional information, excluding that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic general purpose financial statements taken as a whole.

In connection with this audit, except as noted in the enclosed management letter, nothing came to our attention that indicated the City had departed from general or special legislation under which the City was created or from laws and regulations excerpted. However, this audit was not directed primarily toward obtaining such knowledge.

McCall, Gibson & Company, PLLC

McCall, Gibson & Company, PLLC
Certified Public Accountants

April 4, 2001

CITY OF MEADOWS PLACE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended September 30, 2000

| | 2000 | | Variance Favorable (Unfavorable) |
|--------------------------------------|---------------------|---------------------|--|
| | Budget | Actual | |
| Property Taxes and Penalties: | | | |
| Taxes - Ad Valorem Current | \$ 574,892 | \$ 616,729 | \$ 41,837 |
| Maintenance and Operations | | | |
| Public Utilities Taxes | 166,600 | 174,284 | 7,684 |
| Penalties and Interest | | 1,529 | 1,529 |
| | <u>\$ 741,492</u> | <u>\$ 792,542</u> | <u>\$ 51,050</u> |
| City Sales Taxes: | | | |
| Sales Tax | \$ 720,000 | \$ 717,005 | \$ (2,995) |
| 1/2 % Ad Valorem Sales Tax | 360,000 | 358,502 | (1,498) |
| Mixed Beverage Sales Tax | 13,000 | 15,169 | 2,169 |
| | <u>\$ 1,093,000</u> | <u>\$ 1,090,676</u> | <u>\$ (2,324)</u> |
| Public Utilities: | | | |
| Resident Service Fees - Water | \$ 310,000 | \$ 317,446 | \$ 7,446 |
| Commercial Service Fees - Water | 36,000 | 38,004 | 2,004 |
| Reconnect Fees | 900 | 880 | (20) |
| Tap Connect Fees | 2,000 | 36,110 | 34,110 |
| Resident Service Fees - Sewer | 310,000 | 324,352 | 14,352 |
| Commercial Service Fees - Sewer | 36,000 | 33,498 | (2,502) |
| City of Houston | 13,500 | 19,248 | 5,748 |
| Tap Connect Fees | | | - |
| Sewer and Other | | 2,500 | 2,500 |
| Late Fees | 12,800 | 14,907 | 2,107 |
| | <u>\$ 721,200</u> | <u>\$ 786,945</u> | <u>\$ 65,745</u> |
| Franchise Fees | <u>\$ 180,000</u> | <u>\$ 243,192</u> | <u>\$ 63,192</u> |
| Fines and Forfeitures | | | |
| Fines and Forfeitures | \$ 120,000 | \$ 148,853 | \$ 28,853 |
| Court Cost 10% Administrative | | 7,884 | 7,884 |
| | <u>\$ 120,000</u> | <u>\$ 156,737</u> | <u>\$ 36,737</u> |
| Licenses and Permits | <u>\$ 16,000</u> | <u>\$ 25,185</u> | <u>\$ 9,185</u> |
| Interest | <u>\$ 61,000</u> | <u>\$ 75,179</u> | <u>\$ 14,179</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended September 30, 2000

| | 2000 | | Variance Favorable (Unfavorable) |
|---------------------------|--------------------------------|--------------------------------|--|
| | Budget | Actual | |
| Other Revenues | | | |
| Newsletter Advertising | \$ 7,500 | \$ 7,136 | \$ (364) |
| Miscellaneous Revenue | 12,000 | 31,677 | 19,677 |
| Recreation Center Rentals | 4,500 | 6,440 | 1,940 |
| Programs | 30,000 | 37,913 | 7,913 |
| DARE Program | | | - |
| Donations | | 1,029 | 1,029 |
| Police Computer Grant | 41,000 | | (41,000) |
| COPS Fast Grant | 60,000 | 56,476 | (3,524) |
| DARE Officer Grant | 6,300 | 2,009 | (4,291) |
| | <u>\$ 161,300</u> | <u>\$ 142,680</u> | <u>\$ (18,620)</u> |
| Total Revenues | <u><u>\$ 3,093,992</u></u> | <u><u>\$ 3,313,136</u></u> | <u><u>\$ 219,144</u></u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended September 30, 2000

| | 2000 | | Variance Favorable (Unfavorable) |
|---|-------------------|-------------------|--|
| | Budget | Actual | |
| General Government | | | |
| Personnel | \$ 157,177 | \$ 154,273 | \$ 2,904 |
| Operating and other | 129,800 | 109,939 | 19,861 |
| Total General Government | <u>\$ 286,977</u> | <u>\$ 264,212</u> | <u>\$ 22,765</u> |
| Municipal Court | | | |
| Personnel | \$ 57,637 | \$ 53,064 | \$ 4,573 |
| Operating and other | 8,750 | 10,111 | (1,361) |
| Total Municipal Court | <u>\$ 66,387</u> | <u>\$ 63,175</u> | <u>\$ 3,212</u> |
| Municipal Services and Fire Protection | | | |
| Personnel | \$ 194,150 | \$ 153,312 | \$ 40,838 |
| Operating and other | 468,290 | 350,485 | 117,805 |
| Total Municipal Services and Fire Protection | <u>\$ 662,440</u> | <u>\$ 503,797</u> | <u>\$ 158,643</u> |
| Police Department | | | |
| Personnel | \$ 662,552 | \$ 610,379 | \$ 52,173 |
| Operating and other | 171,220 | 169,786 | 1,434 |
| Total Police Department | <u>\$ 833,772</u> | <u>\$ 780,165</u> | <u>\$ 53,607</u> |
| Parks and Recreation | | | |
| Personnel | \$ 98,882 | \$ 92,583 | \$ 6,299 |
| Operating and other | 188,225 | 153,810 | 34,415 |
| Total Parks and Recreation | <u>\$ 287,107</u> | <u>\$ 246,393</u> | <u>\$ 40,714</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended September 30, 2000

| | 2000 | | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| | Budget | Actual | |
| Public Utilites Water/Sewer: | | | |
| Water Administration | | | |
| Personnel | \$ 90,986 | \$ 85,853 | \$ 5,133 |
| Operating and Other | 20,690 | 8,305 | 12,385 |
| Total Water Administration | <u>\$ 111,676</u> | <u>\$ 94,158</u> | <u>\$ 17,518</u> |
| Water Works | | | |
| Personnel | \$ 137,110 | \$ 79,069 | \$ 58,041 |
| Operating and Other | 449,450 | 417,048 | 32,402 |
| Total Water Works | <u>\$ 586,560</u> | <u>\$ 496,117</u> | <u>\$ 90,443</u> |
| Sewer | | | |
| Personnel | \$ 118,887 | \$ 113,145 | \$ 5,742 |
| Operating and Other | 229,950 | 168,102 | 61,848 |
| Total Sewer | <u>\$ 348,837</u> | <u>\$ 281,247</u> | <u>\$ 67,590</u> |
| Sewer Other | | | |
| Personnel | | \$ 7,162 | \$ (7,162) |
| Operating and Other | 25,290 | 59,895 | (34,605) |
| Total Sewer Other | <u>\$ 25,290</u> | <u>\$ 67,057</u> | <u>\$ (41,767)</u> |
| Total Public Utilites Water/Sewer | <u>\$ 1,072,363</u> | <u>\$ 938,579</u> | <u>\$ 133,784</u> |
| Total Expenditures | <u>\$ 3,209,046</u> | <u>\$ 2,796,321</u> | <u>\$ 412,725</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION
September 30, 2000

| | Totals | Land |
|--|----------------------|---------------------|
| <u>General Government</u> | | |
| Land | \$ 190,283 | \$ 190,283 |
| Building | 929,343 | |
| Machinery and equipment - Furniture and equipment | 32,528 | |
| Machinery and equipment | 102,165 | |
| Improvements - Streets | 2,278,418 | |
| Improvements - Landscaping | 45,594 | |
| | \$ 3,578,331 | \$ 190,283 |
| <u>Police Department</u> | | |
| Machinery and equipment - Computer | \$ 140,335 | \$ |
| Machinery and equipment - Other | 37,743 | |
| Machinery and equipment - Vehicles | 325,781 | |
| | \$ 503,859 | \$ - |
| <u>Parks and Recreation</u> | | |
| Land | \$ 620,950 | \$ 620,950 |
| Improvements - Recreation Center | 431,749 | |
| Improvements - Basketball Court | 3,025 | |
| Improvements - Landscape | 12,143 | |
| Improvements - Pool | 10,670 | |
| Improvements - Parks | 102,539 | |
| Machinery and equipment - Vehicles | 14,192 | |
| Machinery and equipment - Pool | 22,689 | |
| Machinery and equipment - Recreation Center | 567 | |
| Machinery and equipment - Administration | 1,221 | |
| | \$ 1,219,745 | \$ 620,950 |
| <u>Municipal Services and Fire Protection</u> | | |
| Machinery and equipment | \$ 73,887 | \$ - |
| <u>Municipal Court</u> | | |
| Furniture and Fixtures | \$ 10,486 | \$ - |
| <u>Public Utilities Water and Sewer</u> | | |
| District organizational costs | \$ 40,298 | \$ - |
| Physical Facilities | | |
| Sewage treatment plant | 2,600,469 | |
| Drainage system | 1,203,489 | |
| Sewage collection system | 1,756,626 | |
| Water distribution system | 653,244 | |
| Capitalized engineering fees | 524,478 | |
| Water supply plant | 1,735,272 | |
| Well site | 140,087 | 140,087 |
| Buildings | 171,129 | |
| Land, easements, and right of ways | 82,866 | 82,866 |
| Machinery and equipment | 317,453 | |
| Automobiles and trucks | 122,302 | |
| Furniture and fixtures | 20,186 | |
| | \$ 9,367,899 | \$ 222,953 |
| Total | \$ 14,754,207 | \$ 1,034,186 |

See accompanying independent
auditor's report on supplemental information.

| <u>Buildings</u> | <u>Improvements Other Than Buildings</u> | <u>Machinery and Equipment</u> |
|---------------------|--|--|
| \$ - | \$ - | \$ - |
| 929,343 | | 32,528 |
| | | 102,165 |
| | 2,278,418 | |
| | 45,594 | |
| <u>\$ 929,343</u> | <u>\$ 2,324,012</u> | <u>\$ 134,693</u> |
| \$ - | \$ - | \$ 140,335 |
| | | 37,743 |
| | | 325,781 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 503,859</u> |
| \$ - | \$ - | \$ - |
| | 431,749 | |
| | 3,025 | |
| | 12,143 | |
| | 10,670 | |
| | 102,539 | |
| | | 14,192 |
| | | 22,689 |
| | | 567 |
| | | 1,221 |
| <u>\$ -</u> | <u>\$ 560,126</u> | <u>\$ 38,669</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 73,887</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,486</u> |
| \$ - | \$ 40,298 | \$ - |
| | 2,600,469 | |
| | 1,203,489 | |
| | 1,756,626 | |
| | 653,244 | |
| | 524,478 | |
| | 1,735,272 | |
| 171,129 | | 317,453 |
| | | 122,302 |
| | | 20,186 |
| <u>\$ 171,129</u> | <u>\$ 8,513,876</u> | <u>\$ 459,941</u> |
| <u>\$ 1,100,472</u> | <u>\$11,398,014</u> | <u>\$ 1,221,535</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION
Year Ended September 30, 2000

| | Balances October 1, 1999 | Additions | Retirements | Balances September 30, 2000 |
|--|--------------------------------|---------------------|------------------|-----------------------------------|
| <u>General Government</u> | | | | |
| Land | \$ 190,283 | \$ - | \$ - | \$ 190,283 |
| Building | 929,343 | | | 929,343 |
| Machinery and equipment - Furniture | 32,528 | | | 32,528 |
| Machinery and equipment | 97,824 | 4,341 | | 102,165 |
| Improvements - Streets | 1,732,318 | 546,100 | | 2,278,418 |
| Improvements - Landscaping | 45,594 | | | 45,594 |
| | <u>\$ 3,027,890</u> | <u>\$ 550,441</u> | <u>\$ -</u> | <u>\$ 3,578,331</u> |
| <u>Police Department</u> | | | | |
| Machinery and equipment - Computer | \$ 138,036 | \$ 2,299 | \$ - | \$ 140,335 |
| Machinery and equipment - Other | 18,304 | 19,439 | | 37,743 |
| Machinery and equipment - Vehicles | 285,137 | 40,644 | | 325,781 |
| | <u>\$ 441,477</u> | <u>\$ 62,382</u> | <u>\$ -</u> | <u>\$ 503,859</u> |
| <u>Parks and Recreation</u> | | | | |
| Land | \$ 620,950 | \$ - | \$ - | \$ 620,950 |
| Improvements - Recreation Center | 431,749 | | | 431,749 |
| Improvements - Basketball Court | 3,025 | | | 3,025 |
| Improvements - Landscape | 12,143 | | | 12,143 |
| Improvements - Pool | 10,670 | | | 10,670 |
| Improvements - Parks | 76,780 | 25,759 | | 102,539 |
| Machinery and equipment - Vehicles | 14,192 | | | 14,192 |
| Machinery and equipment - Pool | 22,689 | | | 22,689 |
| Machinery and equipment - Recreation Center | 567 | | | 567 |
| Machinery and equipment - Administration | | 1,221 | | 1,221 |
| | <u>\$ 1,192,765</u> | <u>\$ 26,980</u> | <u>\$ -</u> | <u>\$ 1,219,745</u> |
| <u>Municipal Services and Fire Protection</u> | | | | |
| Building | \$ 10,640 | \$ - | \$ - | \$ 10,640 |
| Machinery and equipment | 26,074 | | | 26,074 |
| Vehicles | 37,173 | | | 37,173 |
| | <u>\$ 73,887</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 73,887</u> |
| <u>Municipal Court</u> | | | | |
| Furniture and Fixtures | \$ 10,486 | \$ - | \$ - | \$ 10,486 |
| <u>Public Utilities Water and Sewer</u> | | | | |
| District organizational costs | \$ 40,298 | \$ - | \$ - | \$ 40,298 |
| <u>Physical Facilities</u> | | | | |
| Sewage treatment plant | 2,593,997 | 6,472 | | 2,600,469 |
| Drainage system | 1,203,489 | | | 1,203,489 |
| Sewage collection system | 680,211 | 1,076,415 | | 1,756,626 |
| Water distribution system | 638,729 | 14,515 | | 653,244 |
| Capitalized engineering fees | 524,478 | | | 524,478 |
| Water supply plant | 1,735,272 | | | 1,735,272 |
| Well site | 140,087 | | | 140,087 |
| Buildings | 171,129 | | | 171,129 |
| Land, easements, and right of ways | 82,866 | | | 82,866 |
| Machinery and equipment | 285,591 | 65,656 | 33,794 | 317,453 |
| Automobiles and trucks | 106,810 | 15,492 | | 122,302 |
| Furniture and fixtures | 20,186 | | | 20,186 |
| | <u>\$ 8,223,143</u> | <u>\$ 1,178,550</u> | <u>\$ 33,794</u> | <u>\$ 9,367,899</u> |
| Total | <u>\$ 12,969,648</u> | <u>\$ 1,818,353</u> | <u>\$ 33,794</u> | <u>\$ 14,754,207</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2000

GENERAL OBLIGATION BONDS
SERIES - 1997

| Due During Fiscal Years Ending September 30 | Principal Due March 15 | Interest Due March 15/ September 15 | Total |
|---|---------------------------|---|---------------------|
| 2001 | \$ 100,000 | \$ 51,550 | \$ 151,550 |
| 2002 | 100,000 | 45,650 | 145,650 |
| 2003 | 100,000 | 40,750 | 140,750 |
| 2004 | 100,000 | 36,250 | 136,250 |
| 2005 | 100,000 | 31,700 | 131,700 |
| 2006 | 100,000 | 27,050 | 127,050 |
| 2007 | 100,000 | 22,300 | 122,300 |
| 2008 | 100,000 | 17,450 | 117,450 |
| 2009 | 100,000 | 12,500 | 112,500 |
| 2010 | 100,000 | 7,500 | 107,500 |
| 2011 | 100,000 | 2,500 | 102,500 |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| TOTAL | <u>\$ 1,100,000</u> | <u>\$ 295,200</u> | <u>\$ 1,395,200</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2000

GENERAL OBLIGATION BONDS
SERIES - 2000

| Due During Fiscal Years Ending September 30 | Principal Due March 15 | Interest Due March 15/ September 15 | Total |
|---|----------------------------|---|----------------------------|
| 2001 | \$ 300,000 | \$ 347,250 | \$ 647,250 |
| 2002 | 300,000 | 326,250 | 626,250 |
| 2003 | 300,000 | 305,250 | 605,250 |
| 2004 | 300,000 | 284,250 | 584,250 |
| 2005 | 300,000 | 263,250 | 563,250 |
| 2006 | 300,000 | 242,250 | 542,250 |
| 2007 | 300,000 | 221,250 | 521,250 |
| 2008 | 300,000 | 200,250 | 500,250 |
| 2009 | 300,000 | 179,625 | 479,625 |
| 2010 | 300,000 | 159,750 | 459,750 |
| 2011 | 300,000 | 142,500 | 442,500 |
| 2012 | 300,000 | 127,500 | 427,500 |
| 2013 | 300,000 | 112,500 | 412,500 |
| 2014 | 300,000 | 97,500 | 397,500 |
| 2015 | 300,000 | 82,500 | 382,500 |
| 2016 | 300,000 | 67,500 | 367,500 |
| 2017 | 300,000 | 52,500 | 352,500 |
| 2018 | 300,000 | 37,500 | 337,500 |
| 2019 | 300,000 | 22,500 | 322,500 |
| 2020 | 300,000 | 7,500 | 307,500 |
| TOTAL | <u>\$ 6,000,000</u> | <u>\$ 3,279,375</u> | <u>\$ 9,279,375</u> |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2000

| TOTAL ALL SERIES | | | |
|---|------------------------|-----------------------|--|
| Due During Fiscal Years Ending September 30 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2001 | \$ 400,000 | \$ 398,800 | \$ 798,800 |
| 2002 | 400,000 | 371,900 | 771,900 |
| 2003 | 400,000 | 346,000 | 746,000 |
| 2004 | 400,000 | 320,500 | 720,500 |
| 2005 | 400,000 | 294,950 | 694,950 |
| 2006 | 400,000 | 269,300 | 669,300 |
| 2007 | 400,000 | 243,550 | 643,550 |
| 2008 | 400,000 | 217,700 | 617,700 |
| 2009 | 400,000 | 192,125 | 592,125 |
| 2010 | 400,000 | 167,250 | 567,250 |
| 2011 | 400,000 | 145,000 | 545,000 |
| 2012 | 300,000 | 127,500 | 427,500 |
| 2013 | 300,000 | 112,500 | 412,500 |
| 2014 | 300,000 | 97,500 | 397,500 |
| 2015 | 300,000 | 82,500 | 382,500 |
| 2016 | 300,000 | 67,500 | 367,500 |
| 2017 | 300,000 | 52,500 | 352,500 |
| 2018 | 300,000 | 37,500 | 337,500 |
| 2019 | 300,000 | 22,500 | 322,500 |
| 2020 | 300,000 | 7,500 | 307,500 |
| TOTAL | \$ 7,100,000 | \$ 3,574,575 | \$ 10,674,575 |

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2000

| Description | Original Bonds Issued | Bonds Outstanding October 1, 1999 |
|--|--------------------------|---|
| City of Meadows Place, Texas Tax and Revenue Certificates of Obligation Bonds - Series 1991 | \$ 800,000 | \$ 160,000 |
| City of Meadows Place, Texas Public Improvement Refunding Bonds - Series 1993 | 3,050,000 | 545,000 |
| City of Meadows Place, Texas General Obligation Bonds - Series 1997 | 1,275,000 | 1,200,000 |
| City of Meadows Place, Texas General Obligation Bonds - Series 2000 | <u>6,000,000</u> | <u> </u> |
| TOTAL | <u>\$ 11,125,000</u> | <u>\$ 1,905,000</u> |

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

See accompanying independent
auditor's report on supplemental information.

Current Year Transactions

| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding September 30, 2000</u> | <u>Paying Agent</u> |
|---------------------|--------------------|-------------------|---|--------------------------------------|
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ 160,000 | \$ 7,640 | \$ -0- | Chase Manhattan Bank Dallas, TX |
| | 545,000 | 23,980 | -0- | Chase Manhattan Bank Dallas, TX |
| | 100,000 | 58,050 | 1,100,000 | Chase Manhattan Bank Dallas, TX |
| <u>6,000,000</u> | | <u>165,956</u> | <u>6,000,000</u> | Bank of New York Jacksonville, FL |
| <u>\$ 6,000,000</u> | <u>\$ 805,000</u> | <u>\$ 255,626</u> | <u>\$ 7,100,000</u> | |

See accompanying independent
auditor's report on supplemental information.

**CITY OF MEADOWS PLACE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS - UNAUDITED
Last Ten Calendar Years**

| <u>Calendar Year</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>Percentage Funded</u> | <u>Unfunded (Overfunded) Actuarial Accrued Liability</u> |
|--------------------------|--|--|------------------------------|--|
| 1990 | 118,690 | 128,738 | 92.20 | 10,048 |
| 1991 | 171,484 | 185,150 | 92.62 | 13,666 |
| 1992 | 235,821 | 258,527 | 91.22 | 22,706 |
| 1993 | 330,792 | 353,585 | 93.55 | 22,793 |
| 1994 | 426,173 | 449,096 | 94.90 | 22,923 |
| 1995 | 521,766 | 552,586 | 94.42 | 30,820 |
| 1996 | 607,570 | 669,467 | 90.75 | 61,897 |
| 1997 | 733,244 | 800,808 | 91.56 | 67,564 |
| 1998 | 885,204 | 1,013,506 | 87.30 | 128,302 |
| 1999 | 1,052,060 | 1,195,162 | 88.00 | 143,102 |

See accompanying independent
auditor's report on supplemental information.

| <u>Annual Covered Payroll</u> | <u>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</u> | <u>Annual Required Contribution to TMRS</u> | <u>Average City Rate</u> |
|---------------------------------------|---|---|----------------------------------|
| 393,305 | 2.55 | 18,429 | 4.69 |
| 455,294 | 3.00 | 22,033 | 4.84 |
| 605,290 | 3.75 | 29,577 | 4.89 |
| 738,322 | 3.09 | 39,603 | 5.36 |
| 727,897 | 3.15 | 32,843 | 4.51 |
| 783,176 | 3.94 | 38,359 | 4.90 |
| 824,668 | 7.51 | 42,520 | 5.16 |
| 859,233 | 7.86 | 49,439 | 5.75 |
| 939,814 | 13.7 | 51,317 | 5.46 |
| 877,191 | 16.3 | 61,692 | 5.46 |

See accompanying independent
auditor's report on supplemental information.

McCALL, GIBSON & COMPANY, PLLC

Certified Public Accountants

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*Member American
Institute of Certified
Public Accountants*

*Texas Society of
Certified Public
Accountants*

April 4, 2001

Honorable Mayor and Board of Aldermen
City of Meadows Place, Texas

Members of the Board:

We have audited the general purpose financial statement of City of Meadows Place, Texas, (the "City") as of and for the year ended September 30, 2000, and have issued our report thereon dated April 4, 2001. We conducted our audit in accordance with generally accepted auditing standards.

In planning and performing our audit, we considered the City's internal control structure over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the City in the normal course of performing its assigned functions. We noted no material matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. For future consideration, we would like to communicate to you the following observations and/or suggestions:

Insurance Coverage

We have not made an adequate study of the companies employed by the City to determine if such companies have adequately segregated their procedures to allow for adequate internal controls. The size of these companies may place certain limits on their ability to segregate functional responsibilities, and the size of the City precludes sufficient segregation of duties if all accounting functions were handled by an employee of the City. In addition, some of the City's consultant agreements require a certain amount of insurance coverage for both fidelity bonding and general liability coverage.

We recommend the City periodically review certificates of insurance provided by the consultants to ascertain that the required amounts of insurance are in force. We also recommend the City engage its engineer and insurance agent to review the City's insurance coverage on its property, plant and equipment to gain assurance that the facilities are adequately insured.

Public Funds Investment Act

Effective September 1, 1995, the Public Funds Investment Act (the "Act"), Chapter 2256, Government Code was amended. Included in the amended statute is a requirement for the City's auditor to perform a compliance audit of the City's compliance with its adopted investment policy. Based upon our test of compliance, the City is in compliance with the act.

Governmental Accounting Standards Board Statement No. 34

The Governmental Accounting Standards Board ("GASB") has published its Statement No. 34. The objective of this statement is to enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors.

In order to achieve the above objective, several changes have been made to the way governments present their financial information. One such change is that management will be required to write a discussion and analysis of the year's activities to be included with the audit report. Another significant change concerns the manner in which fixed assets, including those defined as infrastructure assets, are presented.

Accountability is the paramount objective of governmental financial reporting--the objective from which all other financial reporting objectives flow. A government's duty to be accountable includes providing financial information that is useful for economic, social, and political decisions. Financial reports that contribute to these decisions include information useful for (a) comparing actual financial results with the legally adopted budget, (b) assessing financial condition and results of operation, (c) assisting in determining compliance with finance-related laws, rules, and regulations, and (d) assisting in evaluating efficiency and effectiveness.

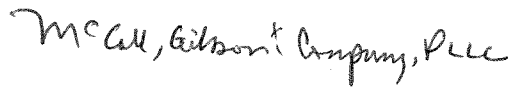
The timetable for compliance with GASB is predicated upon the amount of revenue your entity generates for all funds in a given year. Your entity is defined as a Phase 3 entity with total annual revenues of less than \$10 million and therefore must implement GASB 34 in financial statements for periods beginning after June 15, 2003.

Honorable Mayor and Board of Aldermen
City of Meadows Place, Texas

April 4, 2001

This management letter is intended solely for the information and use of the City. We appreciate the courtesy and assistance extended by the City's employees during the course of our audit. If you have any questions concerning the matters presented herein please contact us.

Sincerely,

A handwritten signature in cursive script that reads "McCall, Gibson & Company, PLLC".

McCall, Gibson & Company, PLLC
Certified Public Accountants