

**CITY OF MEADOWS PLACE, TEXAS**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2001**

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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

We have audited the accompanying general purpose financial statements of the City of Meadows Place (the "City") as of and for the year ended September 30, 2001, 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 in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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, 2001, and the results, of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

*McCall, Gibson & Company, PLLC*

McCall, Gibson & Company, PLLC  
Certified Public Accountants

March 6, 2002



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**CITY OF MEADOWS PLACE, TEXAS**  
**COMBINED BALANCE SHEET -**  
**ALL GOVERNMENTAL FUNDS AND ACCOUNT GROUPS**  
**SEPTEMBER 30, 2001**

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<u>ASSETS</u>			
Cash, Note 5	\$ 194,299	\$ 20,125	\$
Investments, Note 5	2,818,098	302,014	2,257,054
Receivables:			
Property Taxes	6,762	5,441	
Franchise Taxes	56,719		
Mixed Beverage Taxes	2,295		
Liens Receivable	6,866		
Customer Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	89,650		
Due from Other Funds		386,122	241,922
Due from Primary Government			
Due from Component Unit	74,127		
General Fixed Assets, Note 6			
Amount Available in Debt Service Fund			
Amount to be Provided for Retirement of General Long-Term Debt			
<b>TOTAL ASSETS</b>	<b>\$ 3,248,816</b>	<b>\$ 713,702</b>	<b>\$ 2,498,976</b>

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			
\$	\$	\$ 214,424	\$	\$ 214,424
		5,377,166	67,216	5,444,382
		12,203		12,203
		56,719		56,719
		2,295		2,295
		6,866		6,866
		89,650		89,650
		628,044		628,044
			35,914	35,914
		74,127		74,127
17,381,227		17,381,227		17,381,227
	708,261	708,261		708,261
	6,038,880	6,038,880		6,038,880
<u>\$ 17,381,227</u>	<u>\$ 6,747,141</u>	<u>\$ 30,589,862</u>	<u>\$ 103,130</u>	<u>\$ 30,692,992</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, 2001**

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Accounts Payable	\$ 120,797	\$	\$ 206,013
Accrued Compensated Absences, Note 4			
Due to Other Funds	446,801		181,243
Due to Component Unit			35,914
Due to Primary Government			
Customer Deposits	11,561		
Deferred Revenue	6,762	5,441	
Certificates of Obligation and Bonds Payable, Note 3			
TOTAL LIABILITIES	<u>\$ 585,921</u>	<u>\$ 5,441</u>	<u>\$ 423,170</u>
FUND BALANCE:			
Investments in General Fixed Assets, Note 6	\$	\$	\$
Fund Balances:			
Reserved for Future Debt Service		708,261	
Designated for Non-Recurring Water and Sewer System Maintenance and Repairs, Note 10	140,000		
Designated for Capital Projects			2,075,806
Designated for Contingencies	25,000		
Undesignated	2,497,895		
TOTAL FUND BALANCE	<u>\$ 2,662,895</u>	<u>\$ 708,261</u>	<u>\$ 2,075,806</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,248,816</u>	<u>\$ 713,702</u>	<u>\$ 2,498,976</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			
\$	\$	\$ 326,810	\$	\$ 326,810
	47,141	47,141		47,141
		628,044		628,044
		35,914		35,914
			74,127	74,127
		11,561		11,561
		12,203		12,203
	<u>6,700,000</u>	<u>6,700,000</u>		<u>6,700,000</u>
<u>\$ -0-</u>	<u>\$ 6,747,141</u>	<u>\$ 7,761,673</u>	<u>\$ 74,127</u>	<u>\$ 7,835,800</u>
\$ 17,381,227	\$	\$ 17,381,227	\$	\$ 17,381,227
		708,261		708,261
		140,000		140,000
		2,075,806		2,075,806
		25,000		25,000
		<u>2,497,895</u>	<u>29,003</u>	<u>2,526,898</u>
<u>\$ 17,381,227</u>	<u>\$ -0-</u>	<u>\$ 22,828,189</u>	<u>\$ 29,003</u>	<u>\$ 22,857,192</u>
<u>\$ 17,381,227</u>	<u>\$ 6,747,141</u>	<u>\$ 30,589,862</u>	<u>\$ 103,130</u>	<u>\$ 30,692,992</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, 2001**

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<b>REVENUES:</b>			
Property Taxes and Penalties	\$ 775,077	\$ 661,578	\$ -
City Sales Taxes	824,481		
Public Utilities	889,193		
Franchise Fees	185,425		
Fines and Forfeitures	185,421		
Licenses and Permits	20,092		
Investment Revenues	138,159	208,319	
Other	<u>187,218</u>		
<b>TOTAL REVENUES</b>	<u>\$ 3,205,066</u>	<u>\$ 869,897</u>	<u>\$ -0-</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	\$ 260,977	\$ 4,832	\$ -
Municipal Court	64,559		
Municipal Services and Fire Protection	593,873		
Police Department	736,406		
Parks and Recreation	255,642		
Public Utilities Water/Sewer	805,622		
Capital Outlay	68,962		2,572,322
Bond Principal		300,000	
Bond Interest		<u>347,250</u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,786,041</u>	<u>\$ 652,082</u>	<u>\$ 2,572,322</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>\$ 419,025</u>	<u>\$ 217,815</u>	<u>\$ (2,572,322)</u>
<b>FUND BALANCES (DEFICIT) –</b>			
<b>OCTOBER 1, 2000</b>	<u>2,243,870</u>	<u>490,446</u>	<u>4,648,128</u>
<b>FUND BALANCES –</b>			
<b>SEPTEMBER 30, 2001</b>	<u>\$ 2,662,895</u>	<u>\$ 708,261</u>	<u>\$ 2,075,806</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
\$ 1,436,655	\$	\$ 1,436,655
824,481	270,111	1,094,592
889,193		889,193
185,425		185,425
185,421		185,421
20,092		20,092
346,478	3,368	349,846
<u>187,218</u>	<u>3,672</u>	<u>190,890</u>
<u>\$ 4,074,963</u>	<u>\$ 277,151</u>	<u>\$ 4,352,114</u>
\$ 265,809	\$ 6,028	\$ 271,837
64,559		64,559
593,873		593,873
736,406		736,406
255,642		255,642
805,622		805,622
2,641,284		2,641,284
300,000	100,000	400,000
<u>347,250</u>	<u>51,550</u>	<u>398,800</u>
<u>\$ 6,010,445</u>	<u>\$ 157,578</u>	<u>\$ 6,168,023</u>
<u>\$(1,935,482)</u>	<u>\$ 119,573</u>	<u>\$(1,815,909)</u>
<u>7,382,444</u>	<u>(90,570)</u>	<u>7,291,874</u>
<u>\$ 5,446,962</u>	<u>\$ 29,003</u>	<u>\$ 5,475,965</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, 2001**

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Property Taxes and Penalties	\$ 783,839	\$ 775,077	\$ (8,762)
City Sales Taxes	826,000	824,481	(1,519)
Public Utilities	882,570	889,193	6,623
Franchise Fees	188,000	185,425	(2,575)
Fines and Forfeitures	167,000	185,421	18,421
Licenses and Permits	20,000	20,092	92
Investment Revenues	134,400	138,159	3,759
Other	<u>188,324</u>	<u>187,218</u>	<u>(1,106)</u>
TOTAL REVENUES	<u>\$ 3,190,133</u>	<u>\$ 3,205,066</u>	<u>\$ 14,933</u>
EXPENDITURES:			
Current:			
General Government	\$ 283,187	\$ 260,977	\$ 22,210
Municipal Court	78,575	64,559	14,016
Municipal Services and Fire Protection	671,082	593,873	77,209
Police Department	813,305	736,406	76,899
Parks and Recreation	250,222	255,642	(5,420)
Public Utilities Water/Sewer	807,094	805,622	1,472
Capital Outlay		68,962	(68,962)
Bond Principal			
Bond Interest			
TOTAL EXPENDITURES	<u>\$ 2,903,465</u>	<u>\$ 2,786,041</u>	<u>\$ 117,424</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 286,668</u>	<u>\$ 419,025</u>	<u>\$ 132,357</u>
FUND BALANCES (DEFICIT) – OCTOBER 1, 2000	<u>2,243,870</u>	<u>2,243,870</u>	
FUND BALANCES – SEPTEMBER 30, 2001	<u>\$ 2,530,538</u>	<u>\$ 2,662,895</u>	<u>\$ 132,357</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)
\$ 660,250	\$ 661,578	\$ 1,328	\$ 239,000	\$ 270,111	\$ 31,111
200,000	208,319	8,319		3,368	3,368
<u>860,250</u>	<u>869,897</u>	<u>9,647</u>	<u>239,000</u>	<u>277,151</u>	<u>38,151</u>
\$ 7,300	\$ 4,832	\$ 2,468	\$ 18,000	\$ 6,028	\$ 11,972
300,000	300,000		100,000	100,000	
<u>347,250</u>	<u>347,250</u>		<u>51,550</u>	<u>51,550</u>	
<u>654,550</u>	<u>652,082</u>	<u>2,468</u>	<u>169,550</u>	<u>157,578</u>	<u>11,972</u>
<u>205,700</u>	<u>217,815</u>	<u>12,115</u>	<u>69,450</u>	<u>119,573</u>	<u>50,123</u>
<u>490,446</u>	<u>490,446</u>		<u>(90,570)</u>	<u>(90,570)</u>	
<u>696,146</u>	<u>708,261</u>	<u>12,115</u>	<u>(21,120)</u>	<u>29,003</u>	<u>50,123</u>

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



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**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**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 in the United States of America. 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, 2001**

**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, 2001**

**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, 2001**

**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, 2001	\$ 1,000,000	\$ 5,700,000
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, 2001**

**NOTE 3. BONDS PAYABLE (Continued)**

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2001:

Bonded Debt Payable - October 1, 2000		\$ 7,100,000
Less: Bond Principal Retirement		
Series 1997	\$ 100,000	
Series 2000	<u>300,000</u>	<u>400,000</u>
Bonded Debt Payable - September 30, 2001		<u>\$ 6,700,000</u>

As of September 30, 2001, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
Thereafter	<u>4,700,000</u>	<u>1,573,125</u>	<u>6,273,125</u>
	<u>\$ 6,700,000</u>	<u>\$ 3,175,775</u>	<u>\$ 9,875,775</u>

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 3. BONDS PAYABLE (Continued)**

During the year ended September 30, 2001, the City levied an ad valorem debt service tax at the rate of \$0.3333 per \$100 of assessed valuation, which resulted in a tax levy of \$645,024 on the adjusted taxable valuation of \$193,526,488 for the 2000 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 - 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, 2001, is accounted for in the General Long-Term Debt Account Group and is comprised of the following components:

Sick Leave	\$ 34,903
Comp-time	<u>12,238</u>
 Total	 <u>\$ 47,141</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 overtime 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, 2001**

**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 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, (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 and (13) 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, 2001**

**NOTE 5. CASH AND INVESTMENTS (Continued)**

	<u>ASSETS AT COST</u>		<u>FAIR VALUE</u>
	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Combined</u>
<u>GENERAL FUND –</u>			
Demand Deposits, Money Market Deposit Accounts and Savings Accounts	\$ 194,299	\$	\$ 194,299
Tex-Pool		2,515,196	2,515,196
Lone Star		302,902	302,902
<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	20,125		20,125
Tex-Pool		302,014	302,014
<u>CAPITAL PROJECTS FUND -</u>			
(Restricted for Purchase of General Fixed Assets)			
Demand Deposits, Money Market Deposit Accounts and Savings Accounts			
Tex-Pool		2,257,054	2,257,054
<u>ECONOMIC DEVELOPMENT CORPORATION</u>			
(Restricted for Activities of the Economic Development Corporation)			
Tex-Pool		67,216	67,216
<b>TOTALS</b>	<u>\$ 214,424</u>	<u>\$ 5,444,382</u>	<u>\$ 5,658,806</u>

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 5. CASH AND INVESTMENTS (Continued)**

All investments are recorded at cost, which the City considers to be fair value. The City invests in TexPool and Lone Star, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of TexPool under a contract with the Comptroller. The Texas Association of School Boards has oversight of Lone Star and Dain Rauscher, Inc. and Mellon Bank manage the daily operations. The fair value of the City's position in both pools are the same as the value of pool shares.

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 a municipality, 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 \$214,424 and the bank balance was \$336,044. Of the bank balance, \$120,125 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.

**NOTE 6. GENERAL FIXED ASSETS**

The following is a summary of changes in general fixed assets for the year ended September 30, 2001:

	Balances October 1, 2000	Additions	Retirements	Balances September 30, 2001
Land	\$ 1,034,186	\$	\$	\$ 1,034,186
Building	1,100,472			1,100,472
Improvements, other than building	11,398,014	2,572,322		13,970,336
Furniture, equipment, and vehicles	<u>1,221,535</u>	<u>68,962</u>	<u>14,264</u>	<u>1,276,233</u>
Total	<u>\$14,754,207</u>	<u>\$ 2,641,284</u>	<u>\$ 14,264</u>	<u>\$17,381,227</u>

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 6. GENERAL FIXED ASSETS (Continued)**

The City's General Fixed Assets included donations of \$817,456, 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. General Fixed Assets categorized by department at September 30, 2001, follows:

General Government	\$ 4,281,491
Municipal Court	25,301
Municipal services and fire protection	73,887
Police Department	543,407
Public Utilities Water/Sewer	11,237,396
Parks and Recreation	<u>1,219,745</u>
Totals	<u>\$ 17,381,227</u>

**NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY**

During the current fiscal year the City levied a 2000 maintenance and operations tax at the rate of \$0.3967 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$193,526,488. This tax levy resulted in a total tax amount of \$767,720. The revenue derived from this levy is deposited into the combined General Fund and Public Utilities Fund of the City.

**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, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of over 745 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 OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 8. PENSION PLAN (Continued)**

Plan Description and Provisions (Continued)

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.

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, 2000, valuation is effective for rates beginning January 2002).

The City's total payroll in fiscal year 2001 was approximately \$990,937, and the City's contributions were based on a payroll of approximately \$904,359. Contributions made by employees totaled \$48,219, and the City made contributions of \$66,500 during the fiscal year ended September 30, 2001.

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 8. PENSION PLAN (Continued)**

**SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS**

	2001	2000	1999	1998
Actuarial Valuation Date	12/31/00	12/31/99	12/31/98	12/31/97
Actuarial Value of Assets	\$ 1,232,686	\$ 1,052,060	\$ 885,204	\$ 733,244
Actuarial Accrued Liability	1,384,508	1,195,162	1,013,506	800,808
Percentage Funded	89.0%	88.0%	87.30%	91.56%
Unfunded (Over-Funded) Actuarial Accrued Liability	151,822	143,102	128,302	67,564
Annual Covered Payroll	863,405	877,191	939,814	794,796
Unfunded (Over-Funded) Actuarial Accrued Liability as a Percentage of Covered Payroll	17.6%	16.3%	13.7%	8.50%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Annual Pension Costs: Annual Required Contribution (ARC)	66,500	61,692	51,317	49,439
Contributions Made	66,500	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>	<u>\$ -0-</u>

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 9. CONTRACT WITH CITY OF HOUSTON**

The Meadows Municipal Utility District (MUD), which was dissolved and added to City operations in the 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, 2001, the City received \$14,537 from the City of Houston for their proportionate share of the plant's operating costs.

**NOTE 10. RESERVED FUND BALANCE**

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 is subject to annual review and analysis.

**NOTE 11. 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, 2001:

Fund	Due From Other Funds	Due To Other Funds
General		
Due to Debt Service	\$	\$ 204,879
Due to Capital Projects Fund		241,922
Due from Component Unit	74,127	
Capital Projects		
Due to Component Unit	\$	\$ 35,914
Due from General Fund	241,922	
Due to Debt Service		181,243
Debt Service		
Due from General	\$ 204,879	\$
Due from Capital Projects	181,243	

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2001**

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES (Continued)**

Fund	Due From Other Funds	Due To Other Funds
Component Unit due to Primary Government General Fund		74,127
Component Unit due from Primary Government Capital Projects Fund	<u>35,914</u>	
Total Due from/Due to	<u>\$ 738,085</u>	<u>\$ 738,085</u>

**NOTE 12. RISK MANAGEMENT**

The City is exposed to various risk of loss related to torts, theft, damage or 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.

**CITY OF MEADOWS PLACE, TEXAS**

**SUPPLEMENTAL INFORMATION**

**SEPTEMBER 30, 2001**





**McCALL, GIBSON & COMPANY, PLLC**  
*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, 2001, 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 and 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 information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. This information is 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 general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the 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

March 6, 2002



**CITY OF MEADOWS PLACE, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2001**

	2001		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Property Taxes and Penalties:</b>			
Taxes - Ad Valorem Current	\$ 783,839	\$ 775,077	\$ (8,762)
<b>City Sales Taxes:</b>			
Sales Tax	\$ 540,000	\$ 540,223	\$ 223
1/2 % Ad Valorem Sales Tax	270,000	270,112	112
Mixed Beverage Sales Tax	16,000	14,146	(1,854)
	<u>\$ 826,000</u>	<u>\$ 824,481</u>	<u>\$ (1,519)</u>
<b>Public Utilities:</b>			
Resident Service Fees - Water	\$ 306,800	\$ 301,540	\$ (5,260)
Commercial Service Fees - Water	40,000	40,010	10
Reconnect Fees	900	1,240	340
Tap Connect Fees	2,000		(2,000)
Resident Service Fees - Sewer	320,300	316,422	(3,878)
Commercial Service Fees - Sewer	36,000	35,624	(376)
Garbage Fees	146,270	162,610	16,340
City of Houston	13,500	14,537	1,037
Tap Connect Fees-Sewer	1,000		(1,000)
Late Fees	15,800	17,210	1,410
	<u>\$ 882,570</u>	<u>\$ 889,193</u>	<u>\$ 6,623</u>
<b>Franchise Fees</b>	<u>\$ 188,000</u>	<u>\$ 185,425</u>	<u>\$ (2,575)</u>
<b>Fines and Forfeitures</b>			
Fines and Forfeitures	\$ 167,000	\$ 176,545	\$ 9,545
Court Cost 10% Administrative		8,876	8,876
	<u>\$ 167,000</u>	<u>\$ 185,421</u>	<u>\$ 18,421</u>
<b>Licenses and Permits</b>	<u>\$ 20,000</u>	<u>\$ 20,092</u>	<u>\$ 92</u>
<b>Interest</b>	<u>\$ 134,400</u>	<u>\$ 138,159</u>	<u>\$ 3,759</u>

See accompanying independent  
auditor's report on supplemental information.

**CITY OF MEADOWS PLACE, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2001**

	2001		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Other Revenues</b>			
Newsletter Advertising	\$ 9,000	\$ 9,041	\$ 41
Miscellaneous Revenue	92,000	87,573	(4,427)
Recreation Center Rentals	5,000	8,145	3,145
Programs	33,000	31,776	(1,224)
Donations		2,070	2,070
Police Computer Grant	43,018	42,307	(711)
DARE Officer Grant	6,306	6,306	-
	<u>\$ 188,324</u>	<u>\$ 187,218</u>	<u>\$ (1,106)</u>
<b>Total Revenues</b>	<u>\$ 3,190,133</u>	<u>\$ 3,205,066</u>	<u>\$ 14,933</u>

See accompanying independent  
auditor's report on supplemental information.

**CITY OF MEADOWS PLACE, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2001**

	2001		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>General Government</b>			
Personnel	\$ 173,687	\$ 153,231	\$ 20,456
Operating and other	109,500	107,746	1,754
<b>Total General Government</b>	<u>\$ 283,187</u>	<u>\$ 260,977</u>	<u>\$ 22,210</u>
<b>Municipal Court</b>			
Personnel	\$ 59,475	\$ 56,887	\$ 2,588
Operating and other	19,100	7,672	11,428
<b>Total Municipal Court</b>	<u>\$ 78,575</u>	<u>\$ 64,559</u>	<u>\$ 14,016</u>
<b>Municipal Services and Fire Protection</b>			
Personnel	\$ 165,428	\$ 144,089	\$ 21,339
Operating and other	505,654	449,784	55,870
<b>Total Municipal Services         and Fire Protection</b>	<u>\$ 671,082</u>	<u>\$ 593,873</u>	<u>\$ 77,209</u>
<b>Police Department</b>			
Personnel	\$ 644,105	\$ 625,569	\$ 18,536
Operating and other	169,200	110,837	58,363
<b>Total Police Department</b>	<u>\$ 813,305</u>	<u>\$ 736,406</u>	<u>\$ 76,899</u>
<b>Parks and Recreation</b>			
Personnel	\$ 87,897	\$ 90,873	\$ (2,976)
Operating and other	162,325	164,769	(2,444)
<b>Total Parks and Recreation</b>	<u>\$ 250,222</u>	<u>\$ 255,642</u>	<u>\$ (5,420)</u>

See accompanying independent  
auditor's report on supplemental information.

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**CITY OF MEADOWS PLACE, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2001**

	2001		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Public Utilities Water/Sewer:</b>			
<b>Water Administration</b>			
Personnel	\$ 93,336	\$ 89,669	\$ 3,667
Operating and Other	11,150	10,525	625
<b>Total Water Administration</b>	<u>\$ 104,486</u>	<u>\$ 100,194</u>	<u>\$ 4,292</u>
<b>Water Works</b>			
Personnel	\$ 102,712	\$ 91,398	\$ 11,314
Operating and Other	309,763	325,171	(15,408)
<b>Total Water Works</b>	<u>\$ 412,475</u>	<u>\$ 416,569</u>	<u>\$ (4,094)</u>
<b>Sewer</b>			
Personnel	\$ 108,983	\$ 103,011	\$ 5,972
Operating and Other	172,900	166,770	6,130
<b>Total Sewer</b>	<u>\$ 281,883</u>	<u>\$ 269,781</u>	<u>\$ 12,102</u>
<b>Sewer Other</b>			
Personnel	\$ -	\$ 6,567	\$ (6,567)
Operating and Other	8,250	12,511	(4,261)
<b>Total Sewer Other</b>	<u>\$ 8,250</u>	<u>\$ 19,078</u>	<u>\$ (10,828)</u>
<b>Total Public Utilities Water/Sewer</b>	<u>\$ 807,094</u>	<u>\$ 805,622</u>	<u>\$ 1,472</u>
<b>Capital Outlay</b>	\$ -	\$ 68,962	\$ (68,962)
<b>Total Expenditures</b>	<u><u>\$ 2,903,465</u></u>	<u><u>\$ 2,786,041</u></u>	<u><u>\$ 117,424</u></u>

See accompanying independent  
auditor's report on supplemental information.



**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY FUNCTION**  
**As of September 30, 2001**

	<u>Totals</u>	<u>Land</u>
<b><u>General Government</u></b>		
Land	\$ 190,283	\$ 190,283
Building	929,343	
Machinery and equipment - Furniture and equipment	32,528	
Machinery and equipment	102,165	
Improvements - Streets	2,981,578	
Improvements - Landscaping	45,594	
	<u>\$ 4,281,491</u>	<u>\$ 190,283</u>
<b><u>Police Department</u></b>		
Machinery and equipment - Computer	\$ 140,335	\$
Machinery and equipment - Other	37,743	
Machinery and equipment - Vehicles	365,329	
	<u>\$ 543,407</u>	<u>\$ -</u>
<b><u>Parks and Recreation</u></b>		
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	
	<u>\$ 1,219,745</u>	<u>\$ 620,950</u>
<b><u>Municipal Services and Fire Protection</u></b>		
Machinery and equipment	\$ 73,887	\$ -
<b><u>Municipal Court</u></b>		
Equipment	\$ 14,815	
Furniture and Fixtures	10,486	
	<u>\$ 25,301</u>	<u>\$ -</u>
<b><u>Public Utilities Water and Sewer</u></b>		
District organizational costs	\$ 40,298	\$ -
Physical Facilities		
Sewage treatment plant	2,600,469	
Drainage system	1,203,489	
Sewage collection system	3,611,273	
Water distribution system	667,759	
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	122,637	
Furniture and fixtures	20,186	
	<u>\$ 11,237,396</u>	<u>\$ 222,953</u>
<b>Total</b>	<u>\$ 17,381,227</u>	<u>\$ 1,034,186</u>

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
	2,981,578	
	45,594	
<u>\$ 929,343</u>	<u>\$ 3,027,172</u>	<u>\$ 134,693</u>
\$ -	\$ -	\$ 140,335
		37,743
		365,329
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,407</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>
\$ -	\$ -	\$ 14,815
		10,486
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,301</u>
\$ -	\$ 40,298	\$ -
	2,600,469	
	1,203,489	
	3,611,273	
	667,759	
	524,478	
	1,735,272	
171,129		317,453
		122,637
		20,186
<u>\$ 171,129</u>	<u>\$ 10,383,038</u>	<u>\$ 460,276</u>
<u>\$ 1,100,472</u>	<u>\$ 13,970,336</u>	<u>\$ 1,276,233</u>

See accompanying independent  
auditor's report on supplemental information.

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION**  
For the Year Ended September 30, 2001

	Balances October 1, 2000	Additions	Retirements	Balances September 30, 2001
<b><u>General Government</u></b>				
Land	\$ 190,283	\$ -	\$ -	\$ 190,283
Building	929,343			929,343
Machinery and equipment - Furniture	32,528			32,528
Machinery and equipment	102,165			102,165
Improvements - Streets	2,278,418	703,160		2,981,578
Improvements - Landscaping	45,594			45,594
	<u>\$ 3,578,331</u>	<u>\$ 703,160</u>	<u>\$ -</u>	<u>\$ 4,281,491</u>
<b><u>Police Department</u></b>				
Machinery and equipment - Computer	\$ 140,335		\$ -	\$ 140,335
Machinery and equipment - Other	37,743			37,743
Machinery and equipment - Vehicles	325,781	39,548		365,329
	<u>\$ 503,859</u>	<u>\$ 39,548</u>	<u>\$ -</u>	<u>\$ 543,407</u>
<b><u>Parks and Recreation</u></b>				
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	102,539			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>\$ 1,219,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,219,745</u>
<b><u>Municipal Services and Fire Protection</u></b>				
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>
<b><u>Municipal Court</u></b>				
Equipment		\$ 14,815		\$ 14,815
Furniture and Fixtures	10,486	-	-	10,486
	<u>\$ 10,486</u>	<u>\$ 14,815</u>	<u>\$ -</u>	<u>\$ 25,301</u>
<b><u>Public Utilities Water and Sewer</u></b>				
District organizational costs	\$ 40,298	\$ -	\$ -	\$ 40,298
<b><u>Physical Facilities</u></b>				
Sewage treatment plant	2,600,469			2,600,469
Drainage system	1,203,489			1,203,489
Sewage collection system	1,756,626	1,854,647		3,611,273
Water distribution system	653,244	14,515		667,759
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	317,453			317,453
Automobiles and trucks	122,302	14,599	14,264	122,637
Furniture and fixtures	20,186			20,186
	<u>\$ 9,367,899</u>	<u>\$ 1,883,761</u>	<u>\$ 14,264</u>	<u>\$ 11,237,396</u>
<b>Total</b>	<u>\$ 14,754,207</u>	<u>\$ 2,641,284</u>	<u>\$ 14,264</u>	<u>\$ 17,381,227</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, 2001**

GENERAL OBLIGATION BONDS  
SERIES - 1997

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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>\$ 1,000,000</u>	<u>\$ 243,650</u>	<u>\$ 1,243,650</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, 2001**

GENERAL OBLIGATION BONDS  
SERIES - 2000

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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
<b>TOTAL</b>	<b><u>\$ 5,700,000</u></b>	<b><u>\$ 2,932,125</u></b>	<b><u>\$ 8,632,125</u></b>

See accompanying independent  
auditor's report on supplemental information.

**CITY OF MEADOWS PLACE, TEXAS**  
**GENERAL LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS**  
**SEPTEMBER 30, 2001**

TOTAL ALL SERIES			
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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	<u>300,000</u>	<u>7,500</u>	<u>307,500</u>
TOTAL	<u>\$ 6,700,000</u>	<u>\$ 3,175,775</u>	<u>\$ 9,875,775</u>

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, 2001**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2000
City of Meadows Place, Texas General Obligation Bonds - Series 1997	1,275,000	1,100,000
City of Meadows Place, Texas General Obligation Bonds - Series 2000	<u>6,000,000</u>	<u>6,000,000</u>
TOTAL	<u>\$ 7,275,000</u> *	<u>\$ 7,100,000</u>

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

\* In addition to the bond issues listed above, the City has retired the following bond issues; Series 1991 in the amount of \$800,000 and the Series 1993 in the amount of \$3,050,000.

See accompanying independent  
auditor's report on supplemental information.

Current Year Transactions

Bonds Sold	Retirements		Bonds Outstanding September 30, 2001	Paying Agent
	Principal	Interest		
	100,000	51,550	1,000,000	JPMorgan Chase Bank Dallas, TX
	300,000	347,250	5,700,000	Bank of New York Jacksonville, FL
\$ -0-	\$ 400,000	\$ 398,800	\$ 6,700,000	

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**

<b>Calendar Year</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Percentage Funded</b>	<b>Unfunded (Overfunded) Actuarial Accrued Liability</b>
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
2000	1,232,686	1,384,508	89.00	151,822

See accompanying independent  
auditor's report on supplemental information.

<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</b>	<b>Annual Required Contribution to TMRS</b>	<b>Average City Rate</b>
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	7.04
863,405	17.6	66,500	7.71

See accompanying independent  
auditor's report on supplemental information.

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# **McCALL, GIBSON & COMPANY, PLLC**

*Certified Public Accountants*

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*Member American  
Institute of Certified  
Public Accountants*

*Texas Society of  
Certified Public  
Accountants*

March 6, 2002

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, 2001, and have issued our report thereon dated March 6, 2002. We conducted our audit in accordance with generally accepted auditing standards in the United States of America.

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:

## Public Funds Investment Act

The Public Funds Investment Act (the "Act"), Chapter 2256, Government Code includes 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.

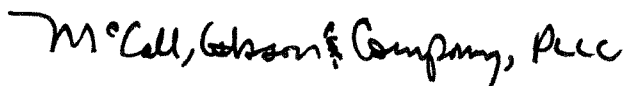
In order to achieve the above objective, several changes have been made to the way governments present their financial information. One such change is that management will be required to write a discussion and analysis of the year's activities to be included with the audit report. Another significant 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 34 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.

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,



McCall, Gibson & Company, PLLC  
Certified Public Accountants

