

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2002

McCALL, GIBSON & COMPANY, PLLC
Certified Public Accountants

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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 the City of Meadows Place, Texas (the "City") as of and for the year ended September 30, 2002, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2002, and the results, of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McCall, Gibson & Company, PLLC

McCall, Gibson & Company, PLLC
Certified Public Accountants

November 18, 2002

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CITY OF MEADOWS PLACE, TEXAS
COMBINED BALANCE SHEET -
ALL GOVERNMENTAL FUNDS AND ACCOUNT GROUPS
SEPTEMBER 30, 2002

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<u>ASSETS</u>			
Cash, Note 5	\$ 291,874	\$ 20,292	\$
Investments, Note 5	2,602,009	388,604	1,924,801
Receivables:			
Property Taxes	13,175	10,186	
Franchise Taxes	35,982		
Mixed Beverage Taxes	3,695		
Liens Receivable	6,866		
Customer Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	84,506		
Due from Other Funds	7,967	351,583	
Due from Primary Government			
Due from Component Unit	51,969		
General Fixed Assets, Note 6			
Amount Available in Debt Service Fund			
Amount to be Provided for Retirement of General Long-Term Debt			
TOTAL ASSETS	\$ 3,098,043	\$ 770,665	\$ 1,924,801

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			
\$	\$	\$ 312,166	\$	\$ 312,166
		4,915,414	68,613	4,984,027
		23,361		23,361
		35,982		35,982
		3,695		3,695
		6,866		6,866
		84,506		84,506
		359,550		359,550
			35,914	35,914
		51,969		51,969
17,465,970		17,465,970		17,465,970
	760,479	760,479		760,479
	<u>5,585,737</u>	<u>5,585,737</u>		<u>5,585,737</u>
<u>\$ 17,465,970</u>	<u>\$ 6,346,216</u>	<u>\$ 29,605,695</u>	<u>\$ 104,527</u>	<u>\$ 29,710,222</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, 2002

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Accounts Payable	\$ 157,880	\$	\$ 5,703
Retainage Payable	1,270		
Accrued Compensated Absences, Note 4			
Due to Other Funds	212,273		147,277
Due to Component Unit			35,914
Due to Primary Government			
Customer Deposits	12,157		
Deferred Revenue	13,175	10,186	
Bonds Payable, Note 3			
TOTAL LIABILITIES	<u>\$ 396,755</u>	<u>\$ 10,186</u>	<u>\$ 188,894</u>
FUND BALANCE:			
Investments in General Fixed Assets, Note 6	\$	\$	\$
Fund Balances:			
Reserved for Future Debt Service		760,479	
Designated for Non-Recurring Water and Sewer System Maintenance and Repairs, Note 10	140,000		
Designated for Capital Projects			1,735,907
Designated for Contingencies	25,000		
Undesignated	<u>2,536,288</u>		
TOTAL FUND BALANCE	<u>\$ 2,701,288</u>	<u>\$ 760,479</u>	<u>\$ 1,735,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,098,043</u>	<u>\$ 770,665</u>	<u>\$ 1,924,801</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			
\$	\$	\$ 163,583	\$ 659	\$ 164,242
		1,270		1,270
	46,216	46,216		46,216
		359,550		359,550
		35,914		35,914
			51,969	51,969
		12,157		12,157
		23,361		23,361
	<u>6,300,000</u>	<u>6,300,000</u>		<u>6,300,000</u>
<u>\$ -0-</u>	<u>\$ 6,346,216</u>	<u>\$ 6,942,051</u>	<u>\$ 52,628</u>	<u>\$ 6,994,679</u>
\$ 17,465,970	\$	\$ 17,465,970	\$	\$ 17,465,970
		760,479		760,479
		140,000		140,000
		1,735,907		1,735,907
		25,000		25,000
		<u>2,536,288</u>	<u>51,899</u>	<u>2,588,187</u>
<u>\$ 17,465,970</u>	<u>\$ -0-</u>	<u>\$ 22,663,644</u>	<u>\$ 51,899</u>	<u>\$ 22,715,543</u>
<u>\$ 17,465,970</u>	<u>\$ 6,346,216</u>	<u>\$ 29,605,695</u>	<u>\$ 104,527</u>	<u>\$ 29,710,222</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, 2002

	Governmental Fund Types		
	General	Debt Service	Capital Projects
REVENUES:			
Property Taxes and Penalties	\$ 806,010	\$ 630,194	\$
City Sales Taxes	536,354		
Public Utilities	906,328		
Franchise Fees	154,000		
Fines and Forfeitures	203,768		
Licenses and Permits	36,484		
Investment Revenues	62,533	52,537	
Other	163,855		
TOTAL REVENUES	<u>\$ 2,869,332</u>	<u>\$ 682,731</u>	<u>\$ -0-</u>
EXPENDITURES:			
Current:			
General Government	\$ 307,352	\$ 4,263	\$
Municipal Court	76,662		
Municipal Services and Fire Protection	603,995		
Police Department	918,570		
Parks and Recreation	238,919		
Public Utilities Water/Sewer	637,589		
Capital Outlay	47,852		51,060
Repairs and Renovations			288,839
Bond Principal		300,000	
Bond Interest		326,250	
TOTAL EXPENDITURES	<u>\$ 2,830,939</u>	<u>\$ 630,513</u>	<u>\$ 339,899</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 38,393	\$ 52,218	\$ (339,899)
FUND BALANCES – OCTOBER 1, 2001	<u>2,662,895</u>	<u>708,261</u>	<u>2,075,806</u>
FUND BALANCES – SEPTEMBER 30, 2002	<u>\$ 2,701,288</u>	<u>\$ 760,479</u>	<u>\$ 1,735,907</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
\$ 1,436,204	\$	\$ 1,436,204
536,354	173,155	709,509
906,328		906,328
154,000		154,000
203,768		203,768
36,484		36,484
115,070	1,397	116,467
<u>163,855</u>	<u>54,362</u>	<u>218,217</u>
<u>\$ 3,552,063</u>	<u>\$ 228,914</u>	<u>\$ 3,780,977</u>
\$ 311,615	\$ 60,368	\$ 371,983
76,662		76,662
603,995		603,995
918,570		918,570
238,919		238,919
637,589		637,589
98,912		98,912
288,839		288,839
300,000	100,000	400,000
<u>326,250</u>	<u>45,650</u>	<u>371,900</u>
<u>\$ 3,801,351</u>	<u>\$ 206,018</u>	<u>\$ 4,007,369</u>
\$ (249,288)	\$ 22,896	\$ (226,392)
<u>5,446,962</u>	<u>29,003</u>	<u>5,475,965</u>
<u>\$ 5,197,674</u>	<u>\$ 51,899</u>	<u>\$ 5,249,573</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, 2002

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property Taxes and Penalties	\$ 784,993	\$ 806,010	\$ 21,017
City Sales Taxes	592,500	536,354	(56,146)
Public Utilities	940,070	906,328	(33,742)
Franchise Fees	125,000	154,000	29,000
Fines and Forfeitures	165,000	203,768	38,768
Licenses and Permits	12,000	36,484	24,484
Investment Revenues	100,000	62,533	(37,467)
Other	<u>47,600</u>	<u>163,855</u>	<u>116,255</u>
TOTAL REVENUES	<u>\$ 2,767,163</u>	<u>\$ 2,869,332</u>	<u>\$ 102,169</u>
EXPENDITURES:			
Current:			
General Government	\$ 298,105	\$ 307,352	\$ (9,247)
Municipal Court	72,050	76,662	(4,612)
Municipal Services and Fire Protection	697,032	603,995	93,037
Police Department	957,486	918,570	38,916
Parks and Recreation	243,890	238,919	4,971
Public Utilities Water/Sewer	796,577	637,589	158,988
Capital Outlay	105,000	47,852	57,148
Bond Principal			
Bond Interest			
TOTAL EXPENDITURES	<u>\$ 3,170,140</u>	<u>\$ 2,830,939</u>	<u>\$ 339,201</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (402,977)</u>	<u>\$ 38,393</u>	<u>\$ 441,370</u>
FUND BALANCES – OCTOBER 1, 2001	<u>2,662,895</u>	<u>2,662,895</u>	
FUND BALANCES – SEPTEMBER 30, 2002	<u>\$ 2,259,918</u>	<u>\$ 2,701,288</u>	<u>\$ 441,370</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)
\$ 659,536	\$ 630,194	\$ (29,342)	\$ 192,500	\$ 173,155	\$ (19,345)
80,000	52,537	(27,463)		1,397	1,397
<u>739,536</u>	<u>682,731</u>	<u>(56,805)</u>	<u>192,500</u>	<u>54,362</u>	<u>54,362</u>
\$ 6,700	\$ 4,263	\$ 2,437	\$ 46,850	\$ 60,368	\$ (13,518)
300,000	300,000		100,000	100,000	
<u>326,250</u>	<u>326,250</u>		<u>45,650</u>	<u>45,650</u>	
<u>\$ 632,950</u>	<u>\$ 630,513</u>	<u>\$ 2,437</u>	<u>\$ 192,500</u>	<u>\$ 206,018</u>	<u>\$ (13,518)</u>
\$ 106,586	\$ 52,218	\$ (54,368)	\$ -0-	\$ 22,896	\$ 22,896
<u>708,261</u>	<u>708,261</u>		<u>29,003</u>	<u>29,003</u>	
<u>\$ 814,847</u>	<u>\$ 760,479</u>	<u>\$ (54,368)</u>	<u>\$ 29,003</u>	<u>\$ 51,899</u>	<u>\$ 22,896</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, 2002

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 accounting principles generally accepted in the United States of America 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, 2002

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, 2002

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 budget was not amended during the current fiscal year.

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:

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Reserved:

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

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, 2002	\$ 900,000	\$ 5,400,000
Interest Rates	4.50% - 6.50%	5.00% - 7.00%
Maturity Dates – Serially Beginning/Ending	March 15, 2003/2011	March 15, 2003/2020
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, 2002

NOTE 3. BONDS PAYABLE (Continued)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2002:

Bonded Debt Payable - October 1, 2001		\$ 6,700,000
Less: Bond Principal Retirement		
Series 1997	\$ 100,000	
Series 2000	<u>300,000</u>	<u>400,000</u>
Bonded Debt Payable - September 30, 2002		<u>\$ 6,300,000</u>

As of September 30, 2002, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2008-2012	1,900,000	849,575	2,749,575
2013-2017	1,500,000	412,500	1,912,500
2018-2020	<u>900,000</u>	<u>67,500</u>	<u>967,500</u>
	<u>\$ 6,300,000</u>	<u>\$ 2,803,875</u>	<u>\$ 9,103,875</u>

During the year ended September 30, 2002, the City levied an ad valorem debt service tax at the rate of \$0.3165 per \$100 of assessed valuation, which resulted in a tax levy of \$621,596 on the adjusted taxable valuation of \$196,396,778 for the 2001 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.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 3. BONDS PAYABLE (Continued)

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, 2002, is accounted for in the General Long-Term Debt Account Group and is comprised of the following components:

Sick Leave	\$ 33,004
Comp-time	<u>13,212</u>
Total	<u>\$ 46,216</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, 2002

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, 2002

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	\$ 291,874	\$	\$ 291,874
Tex-Pool		2,292,553	2,292,553
Lone Star		309,456	309,456
<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	20,292		20,292
Tex-Pool		388,604	388,604
<u>CAPITAL PROJECTS FUND -</u>			
(Restricted for Purchase of General Fixed Assets)			
Demand Deposits, Money Market Deposit Accounts and Savings Accounts			
Tex-Pool		1,924,801	1,924,801
<u>ECONOMIC DEVELOPMENT CORPORATION</u>			
(Restricted for Activities of the Economic Development Corporation)			
Tex-Pool		68,613	68,613
TOTALS	<u>\$ 312,166</u>	<u>\$ 4,984,027</u>	<u>\$ 5,296,193</u>

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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. Lehman Brothers and Federated Investors 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 \$312,166 and the bank balance was \$386,756. Of the bank balance, \$100,000 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.

NOTE 6. GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets for the year ended September 30, 2002:

	Balances October 1, 2001	Additions	Retirements	Balances September 30, 2002
Land	\$ 1,034,186	\$	\$	\$ 1,034,186
Building	1,100,472			1,100,472
Improvements, other than building	13,970,336	63,760		14,034,096
Furniture, equipment, and vehicles	<u>1,276,233</u>	<u>35,152</u>	<u>14,169</u>	<u>1,297,216</u>
Total	<u>\$ 17,381,227</u>	<u>\$ 98,912</u>	<u>\$ 14,169</u>	<u>\$ 17,465,970</u>

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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, 2002, follows:

General Government	\$ 4,294,191
Municipal Court	25,301
Municipal services and fire protection	73,887
Police Department	564,390
Public Utilities Water/Sewer	11,237,396
Parks and Recreation	<u>1,270,805</u>
Totals	<u>\$ 17,465,970</u>

NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY

During the current fiscal year the City levied a 2001 maintenance and operations tax at the rate of \$0.4135 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$196,396,778. This tax levy resulted in a total tax amount of \$812,101. 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 758 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, 2002

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 five 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 2002 was approximately \$1,040,430, and the City's contributions were based on a payroll of approximately \$993,410. Contributions made by employees totaled \$49,671, and the City made contributions of \$78,467 during the fiscal year ended September 30, 2002.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 8. PENSION PLAN (Continued)

SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

	2002	2001	2000	1999
Actuarial Valuation Date	12/31/01	12/31/00	12/31/99	12/31/98
Actuarial Value of Assets	\$ 1,412,051	\$ 1,232,686	\$ 1,052,060	\$ 885,204
Actuarial Accrued Liability	1,532,748	1,384,508	1,195,162	1,013,506
Percentage Funded	92.1%	89.0%	88.0%	87.30%
Unfunded (Over-Funded) Actuarial Accrued Liability	120,697	151,822	143,102	128,302
Annual Covered Payroll	944,907	863,405	877,191	939,814
Unfunded (Over-Funded) Actuarial Accrued Liability as a Percentage of Covered Payroll	12.8%	17.6%	16.3%	13.7%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Annual Pension Costs: Annual Required Contribution (ARC)	78,467	66,500	61,692	51,317
Contributions Made	78,467	66,500	61,692	51,317
Increase in NPO	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
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, 2002

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, 2002, the City received \$44,112 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 reserved fund balance in the General Fund 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 Meadows Municipal Utility District 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, 2002:

Fund	Due From Other Funds	Due To Other Funds
General		
Due to Debt Service Fund	\$	\$ 212,273
Due from Capital Projects Fund	7,967	
Due from Component Unit	51,969	
Capital Projects		
Due to Component Unit	\$	\$ 35,914
Due to General Fund		7,967
Due to Debt Service Fund		139,310
Debt Service		
Due from General Fund	\$ 212,273	\$
Due from Capital Projects Fund	139,310	

CITY OF MEADOWS PLACE, TEXAS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES (Continued)

Fund	Due From Other Funds	Due To Other Funds
Component Unit		
Due to Primary Government - General Fund	\$	\$ 51,969
Due from Primary Government - Capital Projects Fund	<u>35,914</u>	<u> </u>
Total Due from/Due to	<u>\$ 447,433</u>	<u>\$ 447,433</u>

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks 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, 2002

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Certified Public Accountants

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Institute of Certified
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, 2002, 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

November 18, 2002

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CITY OF MEADOWS PLACE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended September 30, 2002

	2002		Variance Favorable (Unfavorable)
	Budget	Actual	
Property Taxes and Penalties:			
Taxes - Ad Valorem Current	\$ 784,993	\$ 806,010	\$ 21,017
City Sales Taxes:			
Sales Tax	\$ 385,000	\$ 346,310	\$ (38,690)
1/2 % Ad Valorem Sales Tax	192,500	173,155	(19,345)
Mixed Beverage Sales Tax	15,000	16,889	1,889
	<u>\$ 592,500</u>	<u>\$ 536,354</u>	<u>\$ (56,146)</u>
Public Utilities:			
Resident Service Fees - Water	\$ 332,800	\$ 300,346	\$ (32,454)
Commercial Service Fees - Water	40,000	40,742	742
Reconnect Fees	900	1,620	720
Tap Connect Fees	2,000	3,000	1,000
Resident Service Fees - Sewer	332,800	289,508	(43,292)
Commercial Service Fees - Sewer	40,000	43,015	3,015
Garbage Fees	165,270	163,462	(1,808)
City of Houston	13,500	44,112	30,612
Tap Connect Fees-Sewer		3,100	3,100
Late Fees	12,800	17,423	4,623
	<u>\$ 940,070</u>	<u>\$ 906,328</u>	<u>\$ (33,742)</u>
Franchise Fees	<u>\$ 125,000</u>	<u>\$ 154,000</u>	<u>\$ 29,000</u>
Fines and Forfeitures			
Fines and Forfeitures	\$ 165,000	\$ 192,939	\$ 27,939
Court Cost 10% Administrative		10,829	10,829
	<u>\$ 165,000</u>	<u>\$ 203,768</u>	<u>\$ 38,768</u>
Licenses and Permits	<u>\$ 12,000</u>	<u>\$ 36,484</u>	<u>\$ 24,484</u>
Interest	<u>\$ 100,000</u>	<u>\$ 62,533</u>	<u>\$ (37,467)</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, 2002

	2002		Variance Favorable (Unfavorable)
	Budget	Actual	
Other Revenues			
Newsletter Advertising	\$ 7,500	\$ 12,571	\$ 5,071
Miscellaneous Revenue	12,000	16,251	4,251
Rentals	5,000	5,640	640
Programs	23,100	13,322	(9,778)
Donations		1,400	1,400
Police Grant		71,912	71,912
Police Seized Funds		42,759	42,759
	<u>\$ 47,600</u>	<u>\$ 163,855</u>	<u>\$ 116,255</u>
Total Revenues	<u>\$ 2,767,163</u>	<u>\$ 2,869,332</u>	<u>\$ 102,169</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, 2002

	2002		Variance Favorable (Unfavorable)
	Budget	Actual	
General Government			
Personnel	\$ 172,462	\$ 171,374	\$ 1,088
Operating and other	125,643	135,978	(10,335)
Total General Government	<u>\$ 298,105</u>	<u>\$ 307,352</u>	<u>\$ (9,247)</u>
Municipal Court			
Personnel	\$ 63,288	\$ 61,211	\$ 2,077
Operating and other	8,762	15,451	(6,689)
Total Municipal Court	<u>\$ 72,050</u>	<u>\$ 76,662</u>	<u>\$ (4,612)</u>
Municipal Services and Fire Protection			
Personnel	\$ 171,768	\$ 138,591	\$ 33,177
Operating and other	525,264	465,404	59,860
Total Municipal Services and Fire Protection	<u>\$ 697,032</u>	<u>\$ 603,995</u>	<u>\$ 93,037</u>
Police Department			
Personnel	\$ 803,947	\$ 731,715	\$ 72,232
Operating and other	153,539	186,855	(33,316)
Total Police Department	<u>\$ 957,486</u>	<u>\$ 918,570</u>	<u>\$ 38,916</u>
Parks and Recreation			
Personnel	\$ 92,965	\$ 92,626	\$ 339
Operating and other	150,925	146,293	4,632
Total Parks and Recreation	<u>\$ 243,890</u>	<u>\$ 238,919</u>	<u>\$ 4,971</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, 2002

	2002		Variance Favorable (Unfavorable)
	Budget	Actual	
Public Utilities Water/Sewer:			
Water Administration			
Personnel	\$ 88,993	\$ 95,367	\$ (6,374)
Operating and Other	9,050	11,000	(1,950)
Total Water Administration	<u>\$ 98,043</u>	<u>\$ 106,367</u>	<u>\$ (8,324)</u>
Water Works			
Personnel	\$ 124,825	\$ 81,195	\$ 43,630
Operating and Other	246,200	138,891	107,309
Total Water Works	<u>\$ 371,025</u>	<u>\$ 220,086</u>	<u>\$ 150,939</u>
Sewer			
Personnel	\$ 125,729	\$ 126,650	\$ (921)
Operating and Other	188,380	184,486	3,894
Total Sewer	<u>\$ 314,109</u>	<u>\$ 311,136</u>	<u>\$ 2,973</u>
Sewer Other			
Personnel	\$ -		\$ -
Operating and Other	13,400		13,400
Total Sewer Other	<u>\$ 13,400</u>	<u>\$ -</u>	<u>\$ 13,400</u>
Total Public Utilities Water/Sewer	<u>\$ 796,577</u>	<u>\$ 637,589</u>	<u>\$ 158,988</u>
Capital Outlay	<u>\$ 105,000</u>	<u>\$ 47,852</u>	<u>\$ 57,148</u>
Total Expenditures	<u><u>\$ 3,170,140</u></u>	<u><u>\$ 2,830,939</u></u>	<u><u>\$ 339,201</u></u>

See accompanying independent
auditor's report on supplemental information.

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION
September 30, 2002

	<u>Totals</u>	<u>Land</u>
<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	2,981,578	
Improvements - Landscaping	58,294	
	<u>\$ 4,294,191</u>	<u>\$ 190,283</u>
<u>Police Department</u>		
Machinery and equipment - Computer	\$ 140,335	\$
Machinery and equipment - Other	37,743	
Machinery and equipment - Vehicles	386,312	
	<u>\$ 564,390</u>	<u>\$ -</u>
<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	15,410	
Improvements - Parks	148,859	
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>\$ 1,270,805</u>	<u>\$ 620,950</u>
<u>Municipal Services and Fire Protection</u>		
Machinery and equipment	\$ 73,887	\$ -
<u>Municipal Court</u>		
Equipment	\$ 14,815	
Furniture and Fixtures	10,486	
	<u>\$ 25,301</u>	<u>\$ -</u>
<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	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>
Total	<u>\$ 17,465,970</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	
	58,294	
<u>\$ 929,343</u>	<u>\$ 3,039,872</u>	<u>\$ 134,693</u>
\$ -	\$ -	\$ 140,335
		37,743
		386,312
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564,390</u>
\$ -	\$ -	\$ -
	431,749	
	3,025	
	12,143	
	15,410	
	148,859	
		14,192
		22,689
		567
		1,221
<u>\$ -</u>	<u>\$ 611,186</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>\$ 14,034,096</u>	<u>\$ 1,297,216</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, 2002

	Balances October 1, 2001	Additions	Retirements	Balances September 30, 2002
<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	102,165			102,165
Improvements - Streets	2,981,578			2,981,578
Improvements - Landscaping	45,594	12,700		58,294
	<u>\$ 4,281,491</u>	<u>\$ 12,700</u>	<u>\$ -</u>	<u>\$ 4,294,191</u>
<u>Police Department</u>				
Machinery and equipment - Computer	\$ 140,335		\$ -	\$ 140,335
Machinery and equipment - Other	37,743			37,743
Machinery and equipment - Vehicles	365,329	35,152	14,169	386,312
	<u>\$ 543,407</u>	<u>\$ 35,152</u>	<u>\$ 14,169</u>	<u>\$ 564,390</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	4,740		15,410
Improvements - Parks	102,539	46,320		148,859
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>\$ 51,060</u>	<u>\$ -</u>	<u>\$ 1,270,805</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>				
Equipment	\$ 14,815			\$ 14,815
Furniture and Fixtures	10,486	-	-	10,486
	<u>\$ 25,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,301</u>
<u>Public Utilities Water and Sewer</u>				
District organizational costs	\$ 40,298	\$ -	\$ -	\$ 40,298
<u>Physical Facilities</u>				
Sewage treatment plant	2,600,469			2,600,469
Drainage system	1,203,489			1,203,489
Sewage collection system	3,611,273			3,611,273
Water distribution system	667,759			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	122,637			122,637
Furniture and fixtures	20,186			20,186
	<u>\$ 11,237,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,237,396</u>
Total	<u>\$ 17,381,227</u>	<u>\$ 98,912</u>	<u>\$ 14,169</u>	<u>\$ 17,465,970</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, 2002

GENERAL OBLIGATION BONDS
SERIES - 1997

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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>\$ 900,000</u>	<u>\$ 198,000</u>	<u>\$ 1,098,000</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, 2002

GENERAL OBLIGATION BONDS
SERIES - 2000

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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	<u>300,000</u>	<u>7,500</u>	<u>307,500</u>
TOTAL	<u>\$ 5,400,000</u>	<u>\$ 2,605,875</u>	<u>\$ 8,005,875</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, 2002

TOTAL ALL SERIES			
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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	<u>\$ 6,300,000</u>	<u>\$ 2,803,875</u>	<u>\$ 9,103,875</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, 2002

Description	Original Bonds Issued	Bonds Outstanding October 1, 2001
City of Meadows Place, Texas General Obligation Bonds - Series 1997	\$ 1,275,000	\$ 1,000,000
City of Meadows Place, Texas General Obligation Bonds - Series 2000	<u>6,000,000</u>	<u>5,700,000</u>
TOTAL	<u>\$ 7,275,000</u> *	<u>\$ 6,700,000</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.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2002</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 100,000	\$ 45,650	\$ 900,000	Bank of New York Jacksonville, FL
<u> </u>	<u>300,000</u>	<u>326,250</u>	<u>5,400,000</u>	Bank of New York Jacksonville, FL
<u>\$ -0-</u>	<u>\$ 400,000</u>	<u>\$ 371,900</u>	<u>\$ 6,300,000</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

Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded (Overfunded) Actuarial Accrued Liability
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
2001	1,412,051	1,532,748	92.10	120,697

See accompanying independent
auditor's report on supplemental information.

Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll	Annual Required Contribution to TMRS	Average City Rate
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
944,907	12.8	78,467	7.91

See accompanying independent
auditor's report on supplemental information.

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Public Accountants*

*Texas Society of
Certified Public
Accountants*

November 18, 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, 2002, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted 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.

November 18, 2002

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.

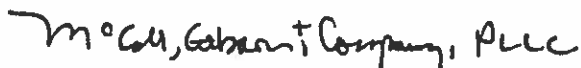
In order to achieve the above objective, several changes have been made to the way governments present their financial information. One such change is that management will be required to write a discussion and analysis of the year's activities to be included with the audit report. Another significant 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 Statement No. 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 Statement No. 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

