

**CITY OF MEADOWS PLACE, TEXAS**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2008**

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

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the City of Meadows Place, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the City as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McCall, Gibson & Company, PLLC*

McCall, Gibson & Company, PLLC  
Certified Public Accountants

December 16, 2008

**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Our discussion and analysis of the City of Meadows Place, Texas (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the City's financial statements, which begin on page 9.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets on page 9 presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. water and wastewater systems, streets and sidewalks, etc.), to assess the overall health or financial condition of the City.

The Statement of Activities on pages 10 and 11 presents information showing how the City's net assets changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

- **Governmental Activities** - Most of the City's basic services are reported here, including police, public works, municipal courts, parks, public utilities and general administration. Property taxes, sales taxes, franchise fees, water and wastewater fees, fines and forfeitures finance most of these activities.

**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

- Component Unit – The City includes one separate legal entity in its report – the Meadows Economic Development Corporation. Although legally separate, this component unit is included because the City is financially accountable for it.

**FUND FINANCIAL STATEMENTS**

The basic financial statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources segregated for acquisition or construction of facilities and related costs.

Governmental funds are reported in the Governmental Funds Balance Sheet on pages 12 and 13 and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on pages 15 and 16. The focus in the fund statements provides a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the City and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 34 in this report.



**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund. See page 36.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of the City's financial position. In the case of the governmental activities of the City, assets exceeded liabilities by \$19,760,029 as of September 30, 2008. This compares with assets exceeding liabilities by \$20,379,116 as of September 30, 2007.

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

The following table provides a comparative analysis of the Statement of Net Assets as of September 30, 2008, and September 30, 2007:

	Summary of Changes in the Statement of Net Assets- Governmental Activities		
	2008	2007	Change Positive (Negative)
Current and Other Assets	\$ 4,036,070	\$ 3,868,988	\$ 167,082
Capital Assets (Net of Accumulated Depreciation)	<u>21,659,040</u>	<u>22,369,967</u>	<u>(710,927)</u>
Total Assets	<u>\$25,695,110</u>	<u>\$26,238,955</u>	<u>\$ (543,845)</u>
Long-Term Liabilities	\$ 5,386,591	\$ 5,515,000	\$ 128,409
Other Liabilities	<u>548,490</u>	<u>344,839</u>	<u>(203,651)</u>
Total Liabilities	<u>\$ 5,935,081</u>	<u>\$ 5,859,839</u>	<u>\$ (75,242)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 17,665,434	\$ 16,887,139	\$ 778,295
Restricted	675,894	1,461,425	(785,531)
Unrestricted	<u>1,418,701</u>	<u>2,030,552</u>	<u>(611,851)</u>
Total Net Assets	<u>\$ 19,760,029</u>	<u>\$ 20,379,116</u>	<u>\$ (619,087)</u>

**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following table provides a summary of the City's operations for the years ended September 30, 2008, and September 30, 2007. The City's net assets related to governmental activities decreased by \$619,087, accounting for a 3.0% decrease in net assets. This compares with a decrease of \$69,782 in the prior fiscal year.

	Summary of Changes in the Statement of Activities- Governmental Activities		
	2008	2007	Change Positive (Negative)
Revenues:			
Charges for Services	\$ 1,831,361	\$ 1,727,135	\$ 104,226
Grant Revenue	41,394	72,932	(31,538)
General Revenues:			
Property Taxes	2,035,554	1,835,004	200,550
Sales Taxes	803,385	788,045	15,340
Investment Revenues	119,846	194,389	(74,543)
Other Revenues	389,486	252,818	136,668
Total Revenues	\$ 5,221,026	\$ 4,870,323	\$ 350,703
Expenses for Services	5,840,113	4,940,105	(900,008)
Change in Net Assets	\$ (619,087)	\$ (69,782)	\$ (549,305)
Net Assets, Beginning of Year	20,379,116	20,448,898	(69,782)
Net Assets, End of Year	\$ 19,760,029	\$ 20,379,116	\$ (619,087)

**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS**

The City's combined fund balances as of September 30, 2008, were \$3,476,325, a decrease of \$73,802 from the prior year.

The General Fund fund balance decreased by \$327,631 primarily due to transfer to Capital Projects Fund for prior year construction costs.

The Debt Service Fund fund balance decreased by \$92,275, primarily due to the structure of the debt service requirements.

The Capital Projects Fund fund balance increased by \$346,104, primarily due to receipt of transfer from General Fund.

**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City did not amend the budget during the current fiscal year. Actual revenue was \$340,061 more than budgeted revenue and actual expenditures were \$236,411 more than budgeted expenditures. See the budget to actual comparison on page 36.

**CAPITAL ASSETS**

The City's investment in capital assets as of September 30, 2008, amounts to \$21,659,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sidewalks, streets, vehicles and equipment as well as the water, wastewater and drainage systems.

Capital asset events during the current fiscal year included the following:

- Fence around fire station
- Purchase of 2 vehicles
- Police Department Radios
- Various Street and Drainage Improvements
- Various Parks Improvements

Capital Assets at Year-End, Net of Accumulated Depreciation

	2008	2007
Land	\$ 8,363,976	\$ 8,363,976
Buildings	1,250,625	1,292,769
Machinery and Equipment	198,245	231,466
Park Improvements	341,247	341,323
Vehicles	124,034	130,370
Water System	2,039,220	2,162,547
Wastewater System	5,866,060	6,063,206
Drainage System	855,629	913,427
Streets and Sidewalks	2,620,004	2,870,883
Total Net Capital Assets	\$ 21,659,040	\$ 22,369,967

Additional information on the City's capital assets can be found in Note 6 on pages 28 and 29 of this report.

**CITY OF MEADOWS PLACE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the City had total bond debt payable of \$5,070,000. Of this debt, the Meadows Economic Development Corporation has agreed to make the payments on the \$300,000 remaining from the Series 1997 Bond issue.

The changes in the debt position of the City during the fiscal year ended September 30, 2008, are summarized as follows:

Bond Debt Payable, October 1, 2007	\$ 5,515,000
Less: Bond Principal Paid	<u>445,000</u>
Bond Debt Payable, September 30, 2008	<u>\$ 5,070,000</u>

The City's Series 1997, 2000 and 2005 bonds carry an underlying rating issued by Standard and Poor's of "A-". The City's Series 1997 bonds carry an "AA" rating by virtue of bond insurance issued by MBIA. The City's Series 2000 bonds carry a "BB" rating by virtue of bond insurance issued by FGIC. The City's Series 2005 bonds carry a "BBB-" rating by virtue of bond insurance issued by XL Capital. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all downgrades of the bond insurers through September 30, 2008. Subsequent to year end, the series 2000 bonds were downgraded to "CCC" and the Series 2008 bonds were downgraded to "B".

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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**CITY OF MEADOWS PLACE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	Primary Government	Discretely Presented Component Unit
	Governmental Activities	Meadows Economic Development Corporation
<b>ASSETS</b>		
Cash and Cash Equivalents, Note 5	\$ 3,699,345	\$ 377,411
Receivables:		
Property Taxes	50,331	
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	116,525	
Garbage	34,843	
Franchise Fees	41,508	
Mixed Beverages Taxes	2,564	
Liens	12,251	
Other	48,384	
Unamortized Bond Issuance Costs	30,319	
Land, Note 6	8,363,976	
Capital Assets (Net of Accumulated Depreciation), Note 6	13,295,064	
<b>TOTAL ASSETS</b>	<b>\$ 25,695,110</b>	<b>\$ 377,411</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 451,245	\$
Accrued Compensated Absences, Note 4	59,401	
Accrued Bond Interest Payable	9,994	625
Security Deposits	27,850	
Long-Term Liabilities:		
Equalization Fee, Note 9	316,591	
Bonds Payable Due Within One Year, Note 3	445,000	
Bonds Payable Due After One Year, Note 3	4,625,000	
<b>TOTAL LIABILITIES</b>	<b>\$ 5,935,081</b>	<b>\$ 625</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 17,665,434	\$
Restricted For:		
Debt Service	675,894	
Unrestricted	1,418,701	376,786
<b>TOTAL NET ASSETS</b>	<b>\$ 19,760,029</b>	<b>\$ 376,786</b>

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

**CITY OF MEADOWS PLACE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Program Revenues		
Expenses	Charges for Services	Grants	
<b>GOVERNMENTAL ACTIVITIES</b>			
General Government	\$ 885,323	\$ 157,406	\$ 2,500
Municipal Court	101,046	19,180	
Public Works	733,883		
Police Department	1,481,943	379,452	38,894
Parks and Recreation	483,481	37,777	
Public Utilities	1,901,965	1,337,546	
Interest on Long-Term Debt	252,472		
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,840,113</b>	<b>\$ 1,931,361</b>	<b>\$ 41,394</b>
<b>COMPONENT UNIT</b>	<b>\$ 155,353</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>GENERAL REVENUES:</b>			
Property Taxes			
Sales Taxes			
Franchise Fees			
Investment Revenues			
Other			
<b>TOTAL GENERAL REVENUES</b>			
<b>CHANGE IN NET ASSETS</b>			
<b>NET ASSETS – OCTOBER 1, 2007</b>			
<b>NET ASSETS – SEPTEMBER 30, 2008</b>			

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
<u>Governmental Activities</u>	<u>Meadows Economic Development Corporation</u>
\$ (725,417)	\$
(81,866)	
(733,883)	
(1,063,597)	
(445,704)	
(564,419)	
<u>(252,472)</u>	<u></u>
<u>\$ (3,867,358)</u>	<u>\$ -0-</u>
<u>\$ -0-</u>	<u>\$ (155,353)</u>
\$ 2,035,554	\$
803,385	262,940
254,974	
119,846	10,805
<u>34,512</u>	<u></u>
<u>\$ 3,248,271</u>	<u>\$ 273,745</u>
\$ (619,087)	\$ 118,392
<u>20,379,116</u>	<u>258,394</u>
<u>\$ 19,760,029</u>	<u>\$ 376,786</u>

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



**CITY OF MEADOWS PLACE, TEXAS  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2008**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash and Cash Equivalents, Note 5	\$ 1,981,020	\$ 672,250
Receivables:		
Property Taxes	36,693	13,638
Service Accounts (Net of Allowance for Doubtful Accounts of \$0)	116,525	
Garbage	34,843	
Franchise Fees	41,508	
Mixed Beverage Taxes	2,564	
Liens	12,251	
Other	48,384	
<b>TOTAL ASSETS</b>	<b>\$ 2,273,788</b>	<b>\$ 685,888</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 451,245	\$
Security Deposits	27,850	
Deferred Property Tax Revenue	36,693	13,638
<b>TOTAL LIABILITIES</b>	<b>\$ 515,788</b>	<b>\$ 13,638</b>
<b>FUND BALANCES</b>		
Reserved for Authorized Construction	\$	\$
Reserved for Future Debt Service		672,250
Unreserved/Undesignated	1,758,000	
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,758,000</b>	<b>\$ 672,250</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,273,788</b>	<b>\$ 685,888</b>

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

<u>Capital Projects Fund</u>	<u>Primary Government Total</u>	<u>Discretely Presented Component Unit</u>
\$ 1,046,075	\$ 3,699,345	\$ 377,411
	50,331	
	116,525	
	34,843	
	41,508	
	2,564	
	12,251	
	48,384	
<u>\$ 1,046,075</u>	<u>\$ 4,005,751</u>	<u>\$ 377,411</u>
\$	\$ 451,245	\$
	27,850	
	50,331	
<u>\$ -0-</u>	<u>\$ 529,426</u>	<u>\$ -0-</u>
\$ 1,046,075	\$ 1,046,075	\$
	672,250	
	1,758,000	377,411
<u>\$ 1,046,075</u>	<u>\$ 3,476,325</u>	<u>\$ 377,411</u>
<u>\$ 1,046,075</u>	<u>\$ 4,005,751</u>	<u>\$ 377,411</u>

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

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**CITY OF MEADOWS PLACE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

Total Fund Balances - Governmental Funds		\$ 3,476,325
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Unamortized bond issuance costs in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		30,319
Governmental funds do not include capital assets. However, in the Statement of Net Assets, capital assets are included:		
Land	\$ 8,363,976	
Capital Assets	<u>13,295,064</u>	21,659,040
Deferred tax revenues for the 2007 and prior tax levies became part of recognized revenue in the governmental activities of the District.		50,331
Governmental funds do not include accrued compensated absences. However, in the Statement of Net Assets, a liability is recorded.		(59,401)
Governmental funds do not include long-term liabilities. However, in the Statement of Net Assets, long-term liabilities are included:		
Equalization Fee	\$ (316,591)	
Bonds Payable Due Within One Year	(445,000)	
Bonds Payable Due After One Year	(4,625,000)	
Accrued Bond Interest Payable	<u>(9,994)</u>	<u>(5,396,585)</u>
Total Net Assets - Governmental Activities		<u>\$ 19,760,029</u>

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

**CITY OF MEADOWS PLACE, TEXAS**  
**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes and Penalties	\$ 1,498,079	\$ 512,402
City Sales Taxes	803,385	
Public Utilities	1,337,546	
Franchise Fees	254,974	
Fines and Forfeitures	398,632	
Licenses and Permits	24,991	
Investment Revenues	67,036	5,495
Other	146,098	
<b>TOTAL REVENUES</b>	<b>\$ 4,530,741</b>	<b>\$ 517,897</b>
<b>EXPENDITURES</b>		
Service Operations:		
General Government	\$ 470,608	\$ 13,575
Municipal Court	94,510	
Public Works	727,109	
Police Department	1,423,666	
Park and Recreation	355,394	
Public Utilities	1,192,565	
Capital Outlay	121,624	
Debt Service:		
Bond Principal		345,000
Bond Interest		251,597
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,385,476</b>	<b>\$ 610,172</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 145,265</b>	<b>\$ (92,275)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In/(Out)	\$ (472,896)	\$ -0-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ (327,631)</b>	<b>\$ (92,275)</b>
<b>FUND BALANCES – OCTOBER 1, 2007</b>	<b>2,085,631</b>	<b>764,525</b>
<b>FUND BALANCES – SEPTEMBER 30, 2008</b>	<b>\$ 1,758,000</b>	<b>\$ 672,250</b>

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

<u>Capital Projects Fund</u>	<u>Primary Government Total</u>	<u>Discretely Presented Component Unit</u>
\$	\$ 2,010,481	\$
	803,385	262,940
	1,337,546	
	254,974	
	398,632	
	24,991	
47,315	119,846	10,805
	<u>146,098</u>	
<u>\$ 47,315</u>	<u>\$ 5,095,953</u>	<u>\$ 273,745</u>
\$ 92,452	\$ 576,635	\$ 38,107
	94,510	
	727,109	
	1,423,666	
81,655	437,049	
	1,192,565	
	121,624	
	345,000	100,000
	<u>251,597</u>	<u>17,450</u>
<u>\$ 174,107</u>	<u>\$ 5,169,755</u>	<u>\$ 155,557</u>
<u>\$ (126,792)</u>	<u>\$ (73,802)</u>	<u>\$ 118,188</u>
<u>\$ 472,896</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 346,104	\$ (73,802)	\$ 118,188
<u>699,971</u>	<u>3,550,127</u>	<u>259,223</u>
<u>\$ 1,046,075</u>	<u>\$ 3,476,325</u>	<u>\$ 377,411</u>

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

**CITY OF MEADOWS PLACE, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Change in Fund Balances – Governmental Funds	\$ (73,802)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenue when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	25,073
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(791,315)
Governmental funds do not account for the decrease in accrued compensated absences. However, in the Statement of Activities, the decrease is recorded as a reduction of the current year expense.	13,035
Governmental funds report record proceeds from the sale of assets as revenue. However, in the Statement of Net Assets capital assets sold during the year are removed and a gain or loss is recorded in the Statement of Activities.	(41,236)
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	121,624
Governmental funds report equalization costs for the groundwater reduction plan as an expenditure in the year payments are made. However, a liability is recorded in the Statement of Net Assets for the remaining balance of the equalization fee and the expense is recorded in the Statement of Activities when the fee is assessed.	(316,591)
Governmental funds report bond principal payments and lease principal payments as expenditures. However, in the Statement of Net Assets, these payments are reported as decreases in long-term liabilities.	445,000
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on bonds through fiscal year end.	<u>(875)</u>
Change in Net Assets – Governmental Activities	<u>\$ (619,087)</u>

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1. CREATION OF CITY**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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. Based on these considerations, the City's basic 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.



**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components-Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

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

Governmental Funds

The City has three major governmental funds.

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

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

Basis of Accounting

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

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

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as another 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 Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Program Revenues

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgeting

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the city. Cash in all funds is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

Pensions

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

Measurement Focus

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

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.

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.

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Estimates

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

**NOTE 3. 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, 2008	\$ 300,000	\$ 3,600,000
Interest Rates	5.00%	5.00% - 6.75%
Maturity Dates – Serially Beginning/Ending	March 15, 2009/2011	March 15, 2009/2020
Interest Payment Dates	March 15/ September 15	March 15/ September 15
Callable Dates	March 15, 2004*	March 15, 2010*
		Series 2005
Amount Outstanding - September 30, 2008		\$ 1,170,000
Interest Rates		3.50% - 5.50%
Maturity Dates – Serially Beginning/Ending		March 15, 2009/2025
Interest Payment Dates		March 15/ September 15
Callable Dates		March 15, 2015*

\* Callable at a price of par plus accrued interest to the date of redemption. Series 2005 term bonds maturing in 2015, 2017, 2019, 2021, 2023 and 2025 are term bonds subject to mandatory redemption.

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2008:

Bond Debt Payable – October 1, 2007		\$ 5,515,000
Less: Bond Principal Retirement		
Series 1997	\$ 100,000	
Series 2000	300,000	
Series 2005	<u>45,000</u>	<u>445,000</u>
 Bond Debt Payable - September 30, 2008		 <u>\$ 5,070,000</u>
 Bond Debt Payable-		
Due Within One Year		\$ 445,000
Due After One Year		<u>4,625,000</u>
 Bond Debt Payable-September 30, 2008		 <u>\$ 5,070,000</u>

As of September 30, 2008, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 445,000	\$ 240,997	\$ 685,997
2010	450,000	213,510	663,510
2011	450,000	188,510	638,510
2012	350,000	168,260	518,260
2013	355,000	150,922	505,922
2014-2018	1,820,000	495,260	2,315,260
2019-2023	1,005,000	115,745	1,120,745
2024-2025	<u>195,000</u>	<u>8,492</u>	<u>203,492</u>
	<u>\$ 5,070,000</u>	<u>\$ 1,581,696</u>	<u>\$ 6,651,696</u>

During the year ended September 30, 2008, the City levied an ad valorem debt service tax at the rate of \$0.1970 per \$100 of assessed valuation, which resulted in a tax levy of \$503,068 on the adjusted taxable valuation of \$255,295,116 for the 2007 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 BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**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	-	Upon receipt but 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, 2008, is accounted for in the Statement of Net Assets and is comprised of the following components:

Sick Leave	\$ 59,401
Comp-time	<u>-0-</u>
Total	<u>\$ 59,401</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 120 hours of comp-time for overtime hours worked. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for 150 percent of accumulated comp-time earned at their base salary in effect at date of termination. During the current year, the City began paying all accumulated comp-time in the last payroll period of the fiscal year. The City will no longer carry forward these balances.

**NOTE 5. DEPOSITS AND INVESTMENTS**

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

Deposits

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the City of securities eligible under the laws of Texas to secure the funds of the City, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the City's deposits was \$691,756 and the bank balance was \$968,255. 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 carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at September 30, 2008, are part of cash and cash equivalents as listed below:

GENERAL FUND	\$	605,004
DEBT SERVICE FUND		469,905
CAPITAL PROJECTS FUND		(309,543)
COMPONENT UNIT		<u>(73,610)</u>
TOTAL DEPOSITS	\$	<u>691,756</u>

Investments

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the City's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District'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 District funds without express written authority from the City Council.



**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the City and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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

As of September 30, 2008, the City had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u>					
TexPool	\$ 1,004,855	\$ 1,004,855	\$	\$	\$
Lone Star	369,189	369,189			
<u>DEBT SERVICE FUND -</u>					
TexPool	202,347	202,347			
<u>CAPITAL PROJECTS FUND -</u>					
TexPool	1,357,588	1,357,588			
<u>COMPONENT UNIT -</u>					
TexPool	451,021	451,021			
<b>TOTAL INVESTMENTS</b>	<b>\$ 3,385,000</b>	<b>\$ 3,385,000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

Investments (Continued)

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2008, the City's investment in TexPool and Lone Star were rated AAAM and AAA, respectively, by Standard and Poor's.

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

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

All cash and investments of the Component Unit are restricted for activities of the economic development corporation.

**NOTE 6. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2008:

	<u>October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2008</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and Improvements	\$ 8,363,976	\$ _____	\$ _____	\$ 8,363,976
<b>Capital Assets at Historical Cost Subject to Depreciation</b>				
Buildings	\$ 1,747,085	\$ _____	\$ _____	\$ 1,747,085
Furniture and Fixtures	244,908			244,908
Machinery Equipment	550,805	37,000		587,805
Park Improvements	487,295	34,854		522,149
Vehicles	630,687	43,620	(59,375)	614,932

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 6. CAPITAL ASSETS (Continued)**

	<u>October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2008</u>
<b>Capital Assets at Historical Cost Subject to Depreciation (Continued)</b>				
Water System	\$ 4,192,941	\$	\$	\$ 4,192,941
Wastewater System	8,715,771			8,715,771
Drainage	2,593,799			2,593,799
Streets and Sidewalks	<u>12,206,915</u>	<u>6,150</u>		<u>12,213,065</u>
<b>Total Capital Assets at Historical Cost Subject to Depreciation</b>	<b>\$ 31,370,206</b>	<b>\$ 121,624</b>	<b>\$ (59,375)</b>	<b>\$ 31,432,455</b>
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 454,316	\$ 42,144	\$	\$ 496,460
Furniture and Fixtures	244,908			244,908
Machinery Equipment	319,339	70,221		389,560
Park Improvements	145,972	34,930		180,902
Vehicles	500,317	8,720	(18,139)	490,898
Water System	2,030,394	123,327		2,153,721
Wastewater System	2,652,565	197,146		2,849,711
Drainage	1,680,372	57,798		1,738,170
Streets and Sidewalk	<u>9,336,032</u>	<u>257,029</u>		<u>9,593,061</u>
<b>Total Accumulated Depreciation</b>	<b>\$ 17,364,215</b>	<b>\$ 791,315</b>	<b>\$ (18,139)</b>	<b>\$ 18,137,391</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b><u>14,005,991</u></b>	<b><u>(669,691)</u></b>	<b><u>(41,236)</u></b>	<b><u>13,295,064</u></b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ <u>22,369,967</u></b>	<b>\$ <u>(669,691)</u></b>	<b>\$ <u>(41,236)</u></b>	<b>\$ <u>21,659,040</u></b>

The City's capital 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. Depreciation categorized by department at September 30, 2008, follows:

General Government	\$ 308,096
Municipal Court	6,645
Public Works	6,398
Police Department	68,744
Public Utilities Water/Sewer	355,944
Parks and Recreation	<u>45,488</u>
<b>Total Depreciation Expense</b>	<b>\$ <u>791,315</u></b>

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

During the current fiscal year, the City levied a 2007 maintenance and operations tax at the rate of \$0.5930 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$255,295,116. This tax levy resulted in a total tax amount of \$1,514,311. 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 827 administered by TMRS, an agent multiple-employer public employee retirement system.

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

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after 5 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.

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

Contributions

The contribution rate for employees was increased to seven percent effective November 1, 2003, and the matching percent remains 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 30 year amortization period.

The projected unit credit actuarial cost method is used for determining the City's 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, 2007, valuation is effective for rates beginning January 2009).

The City's total payroll in fiscal year 2008 was approximately \$1,396,371, and the City's contributions were based on a payroll of approximately \$1,305,495. Contributions made by employees totaled \$91,394, and the City made contributions of \$136,120 during the fiscal year ended September 30, 2008. Funding information for the last three actuarial valuation dates are as follows:

**Required Pension System Supplementary Information (Unaudited)**

Actuarial Valuation Date	12/31/07	12/31/06	12/31/05
Actuarial Value of Assets	\$ 2,329,450	\$ 2,050,607	\$ 2,059,004
Actuarial Accrued Liability (AAL)	\$ 3,258,881	\$ 2,431,010	\$ 2,391,362
Percentage Funded	71.5%	84.4%	86.1%
Underfunded (Overfunded) AAL (UAAL)	\$ 929,431	\$ 380,403	\$ 332,358
Annual Covered Payroll	\$ 1,280,175	\$ 1,085,378	\$ 981,129
UAAL as a Percentage of Covered Payroll	73.8%	35.1%	33.9%
Annual Required Contribution	\$ 136,120	\$ 129,152	\$ 128,769
Percentage of Contributions Made	100%	100%	100%
Net Pension Obligation	\$ -0-	\$ -0-	\$ -0-

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

**Required Pension System Supplementary Information (Unaudited) (Continued)**

Actuarial valuation date	12/31/07	12/31/06	12/31/05
Actuarial cost method	Projected Unit Credit	Unit Credit	Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Amortization period	30 Years- Closed Period	25 Years- Open Period	25 Years- Open Period
Asset valuation method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment return	7.00%	7.00%	7.00%
Projected salary increases	Varies by age and service	None	None
Inflation	3.0%	3.5%	3.5%
Cost-of-living adjustments	2.1%	None	None

Ten-year trend information may be found in the other supplementary information section of the City's financial report on pages 48 and 49.

The City is one of 827 municipalities which have a benefit plan administered by TMRS. Each of the municipalities has an annual, individual valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P. O. Box 149153, Austin, Texas 78714-9153 or by visiting <http://www.tmr.org>.

**NOTE 9. CONTRACTS**

City of Houston

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

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 9.      CONTRACTS (Continued)**

City of Houston (Continued)

percent of total plant capacity. During the fiscal year ended September 30, 2008, the City received \$18,504 from the City of Houston for their proportionate share of the plant's operating costs.

Fort Bend County Water Control & Improvement District No. 2

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

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

The City will pay the District a monthly pumpage fee for all groundwater pumped by the City from its permitted wells and for all water supplied to the City by the District. As of year end, the pumpage fee is \$1.40 per 1,000 gallons. A groundwater credit will be applied on a monthly basis and deducted from the monthly pumpage fee. As of year end, the groundwater credit is \$0.45 per 1,000. During the current fiscal year, the City recorded \$155,747 in pumpage fees.

The City will also pay an equalization fee on a monthly basis as a unit charge of \$0.20 per 1,000 gallons of groundwater pumped by the City from a permitted well and/or for water supplied to the City by the District until the City's equalization fee payments total \$328,054 plus interest calculated at 4.44% per year. The equalization fee is the City's pro rata share of the District's historical costs incurred prior to the effective date of this agreement for the procurement of a surface water supply, a plant site and feasibility studies and preparation of the groundwater reduction plan. During the current fiscal year, the City recorded payments of \$16,248 in equalization payments. Of this amount, \$11,463 was applied to principal leaving a balance in equalization fees of \$316,591. The remaining \$4,785 was recorded as interest expense.

**CITY OF MEADOWS PLACE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 10. COMPONENT UNIT RECONCILIATION**

Component Unit – Fund Balance per Balance Sheet	\$ 377,411
Governmental funds report interest expenditures in the year paid. However, in the Statement of Net Assets, interest is accrued on bonds through the fiscal year end.	<u>(625)</u>
Component Unit – Net Assets per Statement of Net Assets	<u>\$ 376,786</u>

**NOTE 11. RISK MANAGEMENT**

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The City, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. During the current fiscal year the City contributed \$79,538 to TML for this insurance coverage. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 12. TRANSFER**

During the current year, the City transferred \$472,896 from the General Fund to the Capital Projects Fund for costs recorded in the Capital Projects Fund in a prior year for the construction of the fire station.



**CITY OF MEADOWS PLACE, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2008**

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes and Penalties	\$ 1,489,930	\$ 1,498,079	\$ 8,149
City Sales Taxes	651,250	803,385	152,135
Public Utilities	1,154,500	1,337,546	183,046
Franchise Fees	230,000	254,974	24,974
Fines and Forfeitures	465,000	398,632	(66,368)
Licenses and Permits	40,000	24,991	(15,009)
Investment Revenue	70,000	67,036	(2,964)
Other	90,000	146,098	56,098
<b>TOTAL REVENUES</b>	<b>\$ 4,190,680</b>	<b>\$ 4,530,741</b>	<b>\$ 340,061</b>
<b>EXPENDITURES</b>			
General Government	\$ 475,097	\$ 470,608	\$ 4,489
Municipal Court	102,699	94,510	8,189
Public Works	798,145	727,109	71,036
Police Department	1,407,688	1,423,666	(15,978)
Parks and Recreation	380,779	355,394	25,385
Public Utilities Water/Sewer	984,657	1,192,565	(207,908)
Capital Outlay		121,624	(121,624)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,149,065</b>	<b>\$ 4,385,476</b>	<b>\$ (236,411)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 41,615</b>	<b>\$ 145,265</b>	<b>\$ 103,650</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In/(Out)	\$ -0-	\$ (472,896)	\$ (472,896)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>\$ 41,615</b>	<b>\$ (327,631)</b>	<b>\$ (369,246)</b>
<b>FUND BALANCE – OCTOBER 1, 2007</b>	<b>2,085,631</b>	<b>2,085,631</b>	
<b>FUND BALANCE – SEPTEMBER 30, 2008</b>	<b>\$ 2,127,246</b>	<b>\$ 1,758,000</b>	<b>\$ (369,246)</b>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2008**

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Property Taxes and Penalties:</b>			
Taxes – Ad Valorem Current	\$ 1,489,930	\$ 1,482,402	\$ (7,528)
Penalty and Interest		<u>15,677</u>	<u>15,677</u>
<b>Total Property Taxes and Penalties</b>	<u>\$ 1,489,930</u>	<u>\$ 1,498,079</u>	<u>\$ 8,149</u>
<b>City Sales Taxes:</b>			
Sales Tax	\$ 422,500	\$ 525,879	\$ 103,379
½% Ad Valorem Sales Tax	211,250	262,940	51,690
Mixed Beverage Sales Tax	<u>17,500</u>	<u>14,566</u>	<u>(2,934)</u>
<b>Total City Sales Taxes</b>	<u>\$ 651,250</u>	<u>\$ 803,385</u>	<u>\$ 152,135</u>
<b>Public Utilities:</b>			
Service Fees – Water	\$ 410,000	\$ 585,365	\$ 175,365
Service Fees – Sewer	515,000	500,824	(14,176)
Garbage Fees	197,000	207,174	10,174
City of Houston	13,500	18,504	5,004
Late Fees	<u>19,000</u>	<u>25,679</u>	<u>6,679</u>
<b>Total Public Utilities</b>	<u>\$ 1,154,500</u>	<u>\$ 1,337,546</u>	<u>\$ 183,046</u>
<b>Franchise Fees</b>	<u>\$ 230,000</u>	<u>\$ 254,974</u>	<u>\$ 24,974</u>
<b>Fines and Forfeitures:</b>			
Fines and Forfeitures	\$ 465,000	\$ 379,452	\$ (85,548)
Court Cost 10% Administrative		<u>19,180</u>	<u>19,180</u>
<b>Total Fines and Forfeitures</b>	<u>\$ 465,000</u>	<u>\$ 398,632</u>	<u>\$ (66,368)</u>
<b>Licenses and Permits</b>	<u>\$ 40,000</u>	<u>\$ 24,991</u>	<u>\$ (15,009)</u>
<b>Interest</b>	<u>\$ 70,000</u>	<u>\$ 67,036</u>	<u>\$ (2,964)</u>
<b>Other Revenues:</b>			
Newsletter Advertising	\$ 9,000	\$ 11,577	\$ 2,577
Miscellaneous Revenue	30,000	62,232	32,232
Rentals	12,000	8,410	(3,590)
Programs	39,000	29,367	(9,633)
Donations	<u></u>	<u>34,512</u>	<u>34,512</u>
<b>Total Other Revenues</b>	<u>\$ 90,000</u>	<u>\$ 146,098</u>	<u>\$ 56,098</u>
<b>Total Revenues</b>	<u>\$ 4,190,680</u>	<u>\$ 4,530,741</u>	<u>\$ 340,061</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>General Government:</b>			
Personnel	\$ 218,386	\$ 283,983	\$ (65,597)
Operating and Other	<u>256,711</u>	<u>186,625</u>	<u>70,086</u>
<b>Total General Government</b>	<u>\$ 475,097</u>	<u>\$ 470,608</u>	<u>\$ 4,489</u>
<b>Municipal Court:</b>			
Personnel	\$ 67,229	\$ 83,519	\$ (16,290)
Operating and Other	<u>35,740</u>	<u>10,991</u>	<u>24,479</u>
<b>Total Municipal Court</b>	<u>\$ 102,699</u>	<u>\$ 94,510</u>	<u>\$ 8,189</u>
<b>Public Works:</b>			
Personnel	\$ 193,403	\$ 229,951	\$ (36,548)
Operating and Other	<u>604,742</u>	<u>497,158</u>	<u>107,584</u>
<b>Total Public Works</b>	<u>\$ 798,145</u>	<u>\$ 727,109</u>	<u>\$ 71,036</u>
<b>Police Department:</b>			
Personnel	\$ 792,512	\$ 1,177,245	\$ (384,733)
Operating and Other	<u>615,176</u>	<u>246,421</u>	<u>368,755</u>
<b>Total Police Department</b>	<u>\$ 1,407,688</u>	<u>\$ 1,423,666</u>	<u>\$ (15,978)</u>
<b>Parks and Recreation:</b>			
Personnel	\$ 136,920	\$ 151,009	\$ (14,089)
Operating and Other	<u>243,859</u>	<u>204,385</u>	<u>39,474</u>
<b>Total Parks and Recreation</b>	<u>\$ 380,779</u>	<u>\$ 355,394</u>	<u>\$ 25,385</u>
<b>Public Utilities Water/Sewer:</b>			
Personnel	\$ 64,877	\$ 99,808	\$ (34,931)
Operating and Other	<u>919,780</u>	<u>1,092,757</u>	<u>(172,977)</u>
<b>Total Public Utilities Water/Sewer</b>	<u>\$ 984,657</u>	<u>\$ 1,192,565</u>	<u>\$ (207,908)</u>
<b>Capital Outlay</b>	<u>\$ -0-</u>	<u>\$ 121,624</u>	<u>\$ (121,624)</u>
<b>Total Expenditures</b>	<u>\$ 4,149,065</u>	<u>\$ 4,385,476</u>	<u>\$ (236,411)</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes and Penalties	\$ 494,900	\$ 512,402	\$ 17,502
Investment Revenue	<u>25,000</u>	<u>5,495</u>	<u>(19,505)</u>
<b>TOTAL REVENUES</b>	<u>\$ 519,900</u>	<u>\$ 517,897</u>	<u>\$ (2,003)</u>
<b>EXPENDITURES</b>			
General Government	\$ 8,500	\$ 13,575	\$ (5,075)
Bond Principal	345,000	345,000	
Bond Interest	<u>251,597</u>	<u>251,597</u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 605,097</u>	<u>\$ 610,172</u>	<u>\$ (5,075)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (85,197)	\$ (92,275)	\$ (7,078)
<b>FUND BALANCE – OCTOBER 1, 2007</b>	<u>764,525</u>	<u>764,525</u>	
<b>FUND BALANCE – SEPTEMBER 30, 2008</b>	<u>\$ 679,328</u>	<u>\$ 672,250</u>	<u>\$ (7,078)</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**COMPONENT UNIT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
City Sales Taxes	\$ 211,250	\$ 262,940	\$ 51,690
Investment Revenue	<u>750</u>	<u>10,805</u>	<u>10,055</u>
<b>TOTAL REVENUES</b>	<u>\$ 212,000</u>	<u>\$ 273,745</u>	<u>\$ 61,745</u>
<b>EXPENDITURES</b>			
General Government	\$ 75,500	\$ 38,107	\$ 37,393
Bond Principal	100,000	100,000	
Bond Interest	<u>17,450</u>	<u>17,450</u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 192,950</u>	<u>\$ 155,557</u>	<u>\$ 37,393</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 19,050	\$ 118,188	\$ 99,138
<b>FUND BALANCE – OCTOBER 1, 2007</b>	<u>259,223</u>	<u>259,223</u>	
<b>FUND BALANCE – SEPTEMBER 30, 2008</b>	<u>\$ 278,273</u>	<u>\$ 377,411</u>	<u>\$ 99,138</u>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2008**

**GENERAL OBLIGATION BONDS**  
**SERIES - 1997**

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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			
2021			
2022			
2023			
2024			
2025			
<b>TOTAL</b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 22,500</u></b>	<b><u>\$ 322,500</u></b>

See accompanying independent auditor's report.



**CITY OF MEADOWS PLACE, TEXAS**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2008**

**GENERAL OBLIGATION BONDS**  
**SERIES - 2000**

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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
2021			
2022			
2023			
2024			
2025			
<b>TOTAL</b>	<b><u>\$ 3,600,000</u></b>	<b><u>\$ 1,089,375</u></b>	<b><u>\$ 4,689,375</u></b>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2008**

**GENERAL OBLIGATION BONDS**  
**SERIES - 2005**

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
2009	\$ 45,000	\$ 48,872	\$ 93,872
2010	50,000	46,260	96,260
2011	50,000	43,510	93,510
2012	50,000	40,760	90,760
2013	55,000	38,422	93,422
2014	60,000	36,335	96,335
2015	60,000	34,085	94,085
2016	65,000	31,693	96,693
2017	65,000	29,157	94,157
2018	70,000	26,490	96,490
2019	75,000	23,590	98,590
2020	75,000	20,553	95,553
2021	80,000	17,376	97,376
2022	85,000	13,951	98,951
2023	90,000	10,275	100,275
2024	95,000	6,342	101,342
2025	<u>100,000</u>	<u>2,150</u>	<u>102,150</u>
<b>TOTAL</b>	<b><u>\$ 1,170,000</u></b>	<b><u>\$ 469,821</u></b>	<b><u>\$ 1,639,821</u></b>

See accompanying independent auditor's report.

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**CITY OF MEADOWS PLACE, TEXAS**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2008**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2009	\$ 445,000	\$ 240,997	\$ 685,997
2010	450,000	213,510	663,510
2011	450,000	188,510	638,510
2012	350,000	168,260	518,260
2013	355,000	150,922	505,922
2014	360,000	133,835	493,835
2015	360,000	116,585	476,585
2016	365,000	99,193	464,193
2017	365,000	81,657	446,657
2018	370,000	63,990	433,990
2019	375,000	46,090	421,090
2020	375,000	28,053	403,053
2021	80,000	17,376	97,376
2022	85,000	13,951	98,951
2023	90,000	10,275	100,275
2024	95,000	6,342	101,342
2025	<u>100,000</u>	<u>2,150</u>	<u>102,150</u>
<b>TOTAL</b>	<b><u>\$ 5,070,000</u></b>	<b><u>\$ 1,581,696</u></b>	<b><u>\$ 6,651,696</u></b>

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE, TEXAS**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2007
City of Meadows Place, Texas General Obligation Bonds - Series 1997	\$ 1,275,000	\$ 400,000
City of Meadows Place, Texas General Obligation Bonds - Series 2000	6,000,000	3,900,000
City of Meadows Place, Texas General Obligation Bonds - Series 2005	<u>1,295,000</u>	<u>1,215,000</u>
<b>TOTAL</b>	<b><u>\$ 8,570,000</u> *</b>	<b><u>\$ 5,515,000</u></b>

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.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2008</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 100,000	\$ 17,450	\$ 300,000	Bank of New York Jacksonville, FL
	300,000	200,250	3,600,000	Bank of New York Jacksonville, FL
<u>          </u>	<u>45,000</u>	<u>51,347</u>	<u>1,170,000</u>	Bank of New York Jacksonville, FL
<u>\$ -0-</u>	<u>\$ 445,000</u>	<u>\$ 269,047</u>	<u>\$ 5,070,000</u>	

See accompanying independent auditor's report.

**CITY OF MEADOWS PLACE**  
**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>
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
2002	\$ 1,564,933	\$ 1,683,980	92.90%	\$ 119,047
2003	\$ 1,808,882	\$ 2,167,751	83.40%	\$ 358,869
2004	\$ 1,998,757	\$ 2,360,859	84.70%	\$ 362,102
2005	\$ 2,059,004	\$ 2,391,362	86.10%	\$ 332,358
2006	\$ 2,050,607	\$ 2,431,010	84.40%	\$ 380,403
2007*	\$ 2,329,450	\$ 3,258,881	71.50%	\$ 929,431

\* New actuarial cost method and assumptions were adopted by the TMRS Board of Trustees at their December, 2007 meeting, to be effective for the December 31, 2007 valuation. See Note 8 for additional information.

See accompanying independent auditor's report.

<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>
\$ 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%
\$ 951,902	12.5%	\$ 73,620	7.54%
\$ 972,927	36.9%	\$ 101,949	10.13%
\$ 1,013,849	35.7%	\$ 122,344	11.17%
\$ 981,129	33.9%	\$ 128,769	11.32%
\$ 1,085,378	35.1%	\$ 129,152	10.67%
\$ 1,280,175	73.8%	\$ 136,120	10.43%

See accompanying independent auditor's report.