

CITY OF MEADOWS PLACE, TEXAS
FORT BEND COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2011

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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, 2011, 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, 2011, 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.

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

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 38 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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the 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 Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

December 20, 2011

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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, 2011. 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, 2011**

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 restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Governmental funds are reported in the Governmental Funds Balance Sheet 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. The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 14 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 17 explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC 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 36 in this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). The budgetary comparison schedule is included as RSI for the General Fund. See page 38.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 \$21,044,681 as of September 30, 2011. This compares with assets exceeding liabilities by \$19,965,650 as of September 30, 2010.

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, 2011, and September 30, 2010:

	Summary of Changes in the Statement of Net Assets- Governmental Activities		
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 4,941,798	\$ 4,669,713	\$ 272,085
Capital Assets (Net of Accumulated Depreciation)	<u>20,712,832</u>	<u>20,405,178</u>	<u>307,654</u>
Total Assets	<u>\$ 25,654,630</u>	<u>\$ 25,074,891</u>	<u>\$ 579,739</u>
Long-Term Liabilities	\$ 3,759,301	\$ 4,278,491	\$ 519,190
Other Liabilities	<u>850,648</u>	<u>830,750</u>	<u>(19,898)</u>
Total Liabilities	<u>\$ 4,609,949</u>	<u>\$ 5,109,241</u>	<u>\$ 499,292</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 17,338,232	\$ 17,002,090	\$ 336,142
Restricted	618,692	569,072	49,620
Unrestricted	<u>3,087,757</u>	<u>2,394,488</u>	<u>693,269</u>
Total Net Assets	<u>\$ 21,044,681</u>	<u>\$ 19,965,650</u>	<u>\$ 1,079,031</u>

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the City's operations for the years ended September 30, 2011, and September 30, 2010. The City's net assets related to governmental activities increased by \$1,079,031, accounting for a 5.4% increase in net assets. This compares with an increase of \$98,956 in the prior fiscal year.

Summary of Changes in the Statement of Activities- Governmental Activities			
	2011	2010	Change Positive (Negative)
Revenues:			
Charges for Services	\$ 2,229,826	\$ 2,105,556	\$ 124,270
Grant Revenue	393,767	135,726	258,041
General Revenues:			
Property Taxes	2,303,590	2,425,916	(122,326)
Sales Taxes	690,565	738,034	(47,469)
Investment Revenues	7,690	9,465	(1,775)
Other Revenues	1,056,874	261,144	795,730
Total Revenues	\$ 6,682,312	\$ 5,675,841	\$ 1,006,471
Expenses:			
General Government	\$ 733,065	\$ 839,222	\$ 106,157
Municipal Court	99,954	97,602	(2,352)
Public Works	702,541	806,604	104,063
Police Department	1,501,974	1,490,257	(11,717)
Parks and Recreation	385,905	446,709	60,804
Public Utilities	2,043,029	1,704,035	(338,994)
Interest on Long-Term Debt	136,813	192,456	55,643
Total Expenses	\$ 5,603,281	\$ 5,576,885	\$ (26,396)
Change in Net Assets	\$ 1,079,031	\$ 98,956	\$ 980,075
Net Assets, Beginning of Year	19,965,650	19,866,694	98,956
Net Assets, End of Year	\$ 21,044,681	\$ 19,965,650	\$ 1,079,031

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's combined fund balances as of September 30, 2011, were \$4,121,202, an increase of \$319,071 from the prior year.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS (Continued)

The General Fund fund balance increased by \$748,492 primarily due to a transfer from the Economic Development Corporation.

The Debt Service Fund fund balance increased by \$23,905, primarily due to the structure of the debt service requirements.

The Capital Projects Fund fund balance decreased by \$453,326, primarily due to capital asset costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not amend the budget during the current fiscal year. Actual revenue was \$753,249 more than budgeted revenue and actual expenditures were \$761,773 more than budgeted expenditures. See the budget to actual comparison on page 38.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2011, amounts to \$20,712,832 (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:

- License plate readers and digital camera system for interview room project
- Purchase of 2 vehicles and equipment
- Mobile command center
- Wastewater treatment plant rehabilitation
- Park project
- West Airport repair project

Capital Assets at Year-End, Net of Accumulated Depreciation

	2011	2010
Land	\$ 8,363,976	\$ 8,363,976
Construction in Progress	763,253	30,910
Buildings	1,170,568	1,215,019
Machinery and Equipment	189,290	197,239
Park Improvements	337,535	379,879
Vehicles	86,044	81,962
Water System	1,678,734	1,798,896
Wastewater System	5,568,144	5,472,846
Drainage System	682,709	740,349
Streets and Sidewalks	<u>1,872,579</u>	<u>2,124,102</u>
Total Net Capital Assets	<u>\$ 20,712,832</u>	<u>\$ 20,405,178</u>

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

CAPITAL ASSETS (Continued)

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

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the City had total bond debt payable of \$3,645,000. The changes in the debt position of the City during the fiscal year ended September 30, 2011, are summarized as follows:

Bond Debt Payable, October 1, 2010	\$ 4,115,000
Less: Bond Principal Paid	<u>470,000</u>
Bond Debt Payable, September 30, 2011	<u>\$ 3,645,000</u>

The City's outstanding bonds carry an underlying rating issued by S&P of "AA-". In addition, the City's Series 2005 Bonds have Moody's ratings comprised of an underlying rating of "A1" and an insured rating of "Ca" by virtue of bond insurance issued by Syncora. The City's Series 2010 bonds are only rated by S&P. Credit enhancement ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The ratings above include all rating changes of the bond insurers through September 30, 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government	Discretely Presented Component Unit
	Governmental Activities	Meadows Economic Development Corporation
ASSETS		
Cash and Cash Equivalents, Note 5	\$ 4,429,298	\$ 209,080
Receivables:		
Property Taxes	45,259	
Penalty and Interest on Delinquent Taxes	13,374	
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000)	167,841	
Garbage	34,785	
Franchise Fees	25,338	
Liens	12,251	
Grant	114,044	
Other	2,209	
Due from Component Unit	5,693	
Unamortized Bond Issuance Costs	73,828	
Unamortized Bond Discounts	17,878	
Land, Note 6	8,363,976	
Construction in Progress, Note 6	763,253	
Capital Assets (Net of Accumulated Depreciation), Note 6	11,585,603	
TOTAL ASSETS	\$ 25,654,630	\$ 209,080
LIABILITIES		
Accounts Payable	\$ 628,007	\$ 40
Accrued Compensated Absences, Note 4	56,919	
Accrued Bond Interest Payable	5,618	
Due to Primary Government		5,693
Security Deposits	42,250	
Unamortized Bond Premium	117,854	
Long-Term Liabilities:		
Equalization Fee, Note 9	114,301	
Bonds Payable Due After One Year, Note 3	360,000	
Bonds Payable Due Within One Year, Note 3	3,285,000	
TOTAL LIABILITIES	\$ 4,609,949	\$ 5,733
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 17,338,232	\$
Restricted For:		
Debt Service	577,447	
Special Projects	41,245	
Unrestricted	3,087,757	203,347
TOTAL NET ASSETS	\$ 21,044,681	\$ 203,347

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, 2011**

	Program Revenues		
	Expenses	Charges for Services	Grants
GOVERNMENTAL ACTIVITIES			
General Government	\$ 733,065	\$ 103,451	\$ 245,793
Municipal Court	99,954	15,522	
Public Works	702,541		
Police Department	1,501,974	352,585	72,974
Parks and Recreation	385,905	35,773	75,000
Public Utilities	2,043,029	1,722,495	
Interest on Long-Term Debt	136,813		
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,603,281	\$ 2,229,826	\$ 393,767
COMPONENT UNIT	\$ 25,387	\$ -0-	\$ -0-
GENERAL REVENUES:			
Property Taxes			
City Sales Taxes			
Franchise Fees			
Investment Revenues			
Contributions, Note 11			
Other Revenues			
Transfer from Component Unit			
TOTAL GENERAL REVENUES			
CHANGE IN NET ASSETS			
NET ASSETS – OCTOBER 1, 2010			
NET ASSETS – SEPTEMBER 30, 2011			

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>
\$ (383,821)	\$
(84,432)	
(702,541)	
(1,076,415)	
(275,132)	
(320,534)	
<u>(136,813)</u>	<u></u>
<u>\$ (2,979,688)</u>	<u>\$ -0-</u>
<u>\$ -0-</u>	<u>\$ (25,387)</u>
\$ 2,303,590	\$
690,565	229,562
279,682	
7,690	110
168,525	
10,886	
<u>597,781</u>	<u>(597,781)</u>
<u>\$ 4,058,719</u>	<u>\$ (368,109)</u>
\$ 1,079,031	\$ (393,496)
<u>19,965,650</u>	<u>596,843</u>
<u>\$ 21,044,681</u>	<u>\$ 203,347</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, 2011**

	General Fund	Debt Service Fund
ASSETS		
Cash and Cash Equivalents, Note 5	\$ 3,502,942	\$ 570,667
Receivables:		
Property Taxes	34,824	10,435
Penalty and Interest on Delinquent Taxes	10,178	3,196
Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000)	167,841	
Garbage	34,785	
Franchise Fees	25,338	
Liens	12,251	
Grant	39,044	
Other		
Due from Other Funds	62,969	5
Due from Component Unit	5,693	
TOTAL ASSETS	\$ 3,895,865	\$ 584,303
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 626,950	\$ 789
Due to Other Funds	271	449
Due to Primary Government		
Security Deposits	42,250	
Deferred Revenues:		
Property Taxes	34,824	10,435
Penalty and Interest on Delinquent Taxes	10,178	3,196
TOTAL LIABILITIES	\$ 714,473	\$ 14,869
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Future Debt Service		569,434
Restricted for Special Projects, Note 12	41,245	
Unassigned	3,140,147	
TOTAL FUND BALANCES	\$ 3,181,392	\$ 569,434
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,895,865	\$ 584,303

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>
\$ 355,689	\$ 4,429,298	\$ 209,080
	45,259	
	13,374	
	167,841	
	34,785	
	25,338	
	12,251	
75,000	114,044	
2,209	2,209	
266	63,240	
	5,693	
<u>\$ 433,164</u>	<u>\$ 4,913,332</u>	<u>\$ 209,080</u>
\$ 268	\$ 628,007	\$ 40
62,520	63,240	
	42,250	5,693
	45,259	
	13,374	
<u>\$ 62,788</u>	<u>\$ 792,130</u>	<u>\$ 5,733</u>
\$ 370,376	\$ 370,376	\$
	569,434	
	41,245	
	3,140,147	203,347
<u>\$ 370,376</u>	<u>\$ 4,121,202</u>	<u>\$ 203,347</u>
<u>\$ 433,164</u>	<u>\$ 4,913,332</u>	<u>\$ 209,080</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 BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds		\$ 4,121,202
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Unamortized bond issuance costs and bond discounts in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		91,706
Governmental funds do not include capital assets. However, in the Statement of Net Assets, capital assets are included:		
Land	\$ 8,363,976	
Construction in Progress	763,253	
Capital Assets	<u>11,585,603</u>	20,712,832
Deferred tax revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the City.		45,259
Deferred penalty and interest revenues for 2010 and prior tax levies became part of recognized revenue in the governmental activities of the City.		13,374
Governmental funds do not include accrued compensated absences. However, in the Statement of Net Assets, a liability is recorded.		(56,919)
Governmental funds do not include long-term liabilities. However, in the Statement of Net Assets, long-term liabilities are included:		
Equalization Fee	\$ (114,301)	
Bonds Payable Due Within One Year	(360,000)	
Bonds Payable Due After One Year	(3,285,000)	
Accrued Bond Interest Payable	(5,618)	
Unamortized Bond Premium	<u>(117,854)</u>	<u>(3,882,773)</u>
Total Net Assets - Governmental Activities		<u>\$ 21,044,681</u>

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

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CITY OF MEADOWS PLACE, TEXAS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund
REVENUES		
Property Taxes and Penalties	\$ 1,848,126	\$ 541,374
City Sales Taxes	690,565	
Public Utilities	1,722,495	
Franchise Fees	279,682	
Fines and Forfeitures	368,107	
Licenses and Permits	59,371	
Investment Revenues	6,555	234
Other	403,590	5
TOTAL REVENUES	\$ 5,378,491	\$ 541,613
EXPENDITURES		
Service Operations:		
General Government	\$ 443,125	\$ 6,698
Municipal Court	99,854	
Public Works	695,576	
Police Department	1,424,114	
Park and Recreation	335,868	
Public Utilities	1,711,987	
Capital Outlay	416,770	
Debt Service:		
Bond Principal	100,000	370,000
Bond Interest	486	141,010
TOTAL EXPENDITURES	\$ 5,227,780	\$ 517,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 150,711	\$ 23,905
OTHER FINANCING SOURCES (USES)		
Transfer Out to Primary Government	\$	\$
Transfer In From Component Unit	597,781	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 597,781	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 748,492	\$ 23,905
FUND BALANCES – OCTOBER 1, 2010	2,432,900	545,529
FUND BALANCES – SEPTEMBER 30, 2011	\$ 3,181,392	\$ 569,434

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

Capital Projects Fund	Primary Government Total	Discretely Presented Component Unit
\$	\$ 2,389,500	\$
	690,565	229,562
	1,722,495	
	279,682	
	368,107	
	59,371	
901	7,690	110
<u>75,266</u>	<u>478,861</u>	<u> </u>
<u>\$ 76,167</u>	<u>\$ 5,996,271</u>	<u>\$ 229,672</u>
\$	\$ 449,823	\$ 25,387
	99,854	
	695,576	
	1,424,114	
	335,868	
	1,711,987	
529,493	946,263	
	470,000	
	<u>141,496</u>	<u> </u>
<u>\$ 529,493</u>	<u>\$ 6,274,981</u>	<u>\$ 25,387</u>
<u>\$ (453,326)</u>	<u>\$ (278,710)</u>	<u>\$ 204,285</u>
\$	\$	\$ (597,781)
	<u>597,781</u>	<u> </u>
<u>\$ -0-</u>	<u>\$ 597,781</u>	<u>\$ (597,781)</u>
\$ (453,326)	\$ 319,071	\$ (393,496)
<u>823,702</u>	<u>3,802,131</u>	<u>596,843</u>
<u>\$ 370,376</u>	<u>\$ 4,121,202</u>	<u>\$ 203,347</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, 2011

Net Change in Fund Balances – Governmental Funds	\$ 319,071
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.	(85,910)
Governmental funds do not report contributions for non-cash donations. However, in the Statement of Activities, revenue is recorded equal to the value of the donation.	168,525
Governmental funds report penalty and interest revenue on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded in the accounting period in which the penalty and interest are accrued.	13,374
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.	(799,405)
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.	969
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.	(7,729)
Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases.	946,263
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.	49,190
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, these payments are reported as decreases in long-term liabilities.	470,000
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>4,683</u>
Change in Net Assets – Governmental Activities	<u>\$ 1,079,031</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, 2011

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 (GASB). 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 GASB, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

GASB has established the criteria for determining whether or not a given entity is a component unit. The criteria are (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit’s board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The City is an independent political subdivision of the State of Texas and is considered a primary government. Based on these considerations, the City’s 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.

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

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

GASB Codification Section 2200.110 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. GASB Codification Section 2200.117 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 Net 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, 2011

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 restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

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

Basis of Accounting

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

In the government-wide Statement of Net 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, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 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. As of September 30, 2011, the Capital Projects Fund owes the General Fund \$62,520 for park cost; the Debt Service Fund owes the General Fund \$449 for bank fees and General Fund owes the Debt Service Fund \$5 for miscellaneous tax costs and \$266 to the Capital Projects Fund for park costs.

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:

	Years
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, 2011

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 Balance

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, which requires the classification of fund balances in governmental funds using the following hierarchy:

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

Committed: amounts that can be spent only for purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council. The City does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through December 20, 2011, which is the date these statements were available to be issued.

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.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

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

	Series 2005	Series 2010 Refunding
Amount Outstanding – September 30, 2011	\$ 1,025,000	\$ 2,620,000
Interest Rates	3.50% - 5.50%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	March 15, 2012/2025	March 15, 2012/2020
Interest Payment Dates	March 15/ September 15	March 15/ September 15
Callable Dates	March 15, 2015*	N/A

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

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2011:

Bond Debt Payable – October 1, 2010		\$ 4,115,000
Less: Bond Principal Retirement		
Series 1997	\$ 100,000	
Series 2005	50,000	
Series 2010 Refunding	320,000	470,000
Bond Debt Payable - September 30, 2011		\$ 3,645,000
Bond Debt Payable-		
Due Within One Year		\$ 360,000
Due After One Year		3,285,000
Bond Debt Payable-September 30, 2011		\$ 3,645,000

As of September 30, 2011, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 360,000	\$ 128,810	\$ 488,810
2013	360,000	117,247	477,247
2014	360,000	106,085	466,085
2015	355,000	94,910	449,910
2016	355,000	82,293	437,293
2017-2021	1,485,000	206,166	1,691,166
2022-2025	370,000	32,718	402,718
	\$ 3,645,000	\$ 768,229	\$ 4,413,229

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 3. BONDS PAYABLE (Continued)

During the year ended September 30, 2011, the City levied an ad valorem debt service tax at the rate of \$0.20356 per \$100 of assessed valuation, which resulted in a tax levy of \$538,548 on the adjusted taxable valuation of \$264,492,286 for the 2010 tax year. The bond orders require the City to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 related to maintenance and operations tax.

The City's tax calendar is as follows:

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

NOTE 4. ACCRUED COMPENSATED EMPLOYEE ABSENCES

The liability for accrued compensated absences at September 30, 2011, is accounted for in the Statement of Net Assets and is comprised of the following components:

Sick Leave	\$ 56,919
Comp-time	<u>-0-</u>
Total	<u>\$ 56,919</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 a prior 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.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

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 \$892,508 and the bank balance was \$956,181. Of the bank balance, \$421,370 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, 2011, are part of cash and cash equivalents as listed below:

GENERAL FUND		\$ 436,972
DEBT SERVICE FUND		469,876
CAPITAL PROJECTS FUND		<u>(14,340)</u>
TOTAL DEPOSITS		<u>\$ 892,508</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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council.

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, 2011, 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
GENERAL FUND -					
TexPool	\$ 2,291,026	\$ 2,291,026	\$	\$	\$
Lone Star	774,944	774,944			
DEBT SERVICE FUND -					
TexPool	100,791	100,791			

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>CAPITAL PROJECTS</u>					
<u>FUND -</u>					
TexPool	370,029	370,029			
<u>COMPONENT UNIT -</u>					
TexPool	<u>209,080</u>	<u>209,080</u>			
TOTAL INVESTMENTS	<u>\$ 3,745,870</u>	<u>\$ 3,745,870</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2011, the City's investment in TexPool and Lone Star were rated AAAM and AAA, respectively, by Standard and Poor's.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the governmental activities for the year ended September 30, 2011:

	October 1, 2010	Additions	Deductions	September 30, 2011
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 8,363,976	\$	\$	\$ 8,363,976
Construction in Progress	<u>30,910</u>	<u>1,114,788</u>	<u>382,445</u>	<u>763,253</u>
Total Capital Assets Not Being Depreciated	<u>\$ 8,394,886</u>	<u>\$ 1,114,788</u>	<u>\$ 382,445</u>	<u>\$ 9,127,229</u>

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6. CAPITAL ASSETS (Continued)

	<u>October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2011</u>
Capital Assets at Historical Cost Subject to Depreciation				
Buildings	\$ 1,795,537	\$	\$	\$ 1,795,537
Furniture and Fixtures	244,908			244,908
Machinery and Equipment	708,325	38,664		746,989
Park Improvements	643,074			643,074
Vehicles	607,730	51,306	(45,698)	613,338
Water System	4,192,941			4,192,941
Wastewater System	8,715,771	292,475		9,008,246
Drainage	2,593,799			2,593,799
Streets and Sidewalks	<u>12,225,580</u>			<u>12,225,580</u>
Total Capital Assets at Historical Cost Subject to Depreciation	<u>\$ 31,727,665</u>	<u>\$ 382,445</u>	<u>\$ (45,698)</u>	<u>\$ 32,064,412</u>
Less Accumulated Depreciation				
Buildings	\$ 580,518	\$ 44,451	\$	\$ 624,969
Furniture and Fixtures	244,908			244,908
Machinery and Equipment	511,086	46,613		557,699
Park Improvements	263,195	42,344		305,539
Vehicles	525,768	39,495	(37,969)	527,294
Water System	2,394,045	120,162		2,514,207
Wastewater System	3,242,925	197,177		3,440,102
Drainage	1,853,450	57,640		1,911,090
Streets and Sidewalk	<u>10,101,478</u>	<u>251,523</u>		<u>10,353,001</u>
Total Accumulated Depreciation	<u>\$ 19,717,373</u>	<u>\$ 799,405</u>	<u>\$ (37,969)</u>	<u>\$ 20,478,809</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>12,010,292</u>	<u>(416,960)</u>	<u>(7,729)</u>	<u>11,585,603</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 20,405,178</u>	<u>\$ 697,828</u>	<u>\$ 390,174</u>	<u>\$ 20,712,832</u>

The City's capital assets included donations of \$1,029,877, most of which were donated land and improvements for parks and recreational facilities. Remaining amounts have been provided by expenditures of the General and Capital Projects Funds. Depreciation categorized by department at September 30, 2011, follows:

General Government	\$ 283,418
Municipal Court	-0-
Public Works	6,380

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6. CAPITAL ASSETS (Continued)

Police Department	\$ 78,223
Public Utilities Water/Sewer	380,375
Parks and Recreation	<u>51,009</u>
Total Depreciation Expense	<u>\$ 799,405</u>

NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY

During the current fiscal year, the City levied a 2010 maintenance and operations tax at the rate of \$0.69144 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$264,492,286. This tax levy resulted in a total tax amount of \$1,829,305. The revenue derived from this levy is deposited into the combined General Fund and Public Utilities Fund of the City.

NOTE 8. PENSION PLAN

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Benefits

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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PENSION PLAN (Continued)

Benefits (Continued)

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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating,	100%,
Annuity Increase (to retirees)	70% of CPI	70% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocation annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined 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. The annual pension cost and net pension obligation as of September 30, 2011, are as follows:

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PENSION PLAN (Continued)

Contributions (Continued)

Annual Required Contribution (ARC)	\$ 138,660
Actual Contributions Made	138,660
Increase in Net Pension Obligation	\$ -0-
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	\$ -0-

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Actual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 149,257	\$ 149,257	100%	\$ -0-
2010	\$ 188,535	\$ 188,535	100%	\$ -0-
2011	\$ 138,660	\$ 138,660	100%	\$ -0-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008, and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Methods and Assumptions

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining Amortization Period	29 Years- Closed Period	28 Years- Closed Period	14.7 Years- Closed Period
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.5%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 8. PENSION PLAN (Continued)

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 98.3% funded. The actuarial accrued liability for benefits was \$4,179,508 and the actuarial value of the assets was \$4,107,705, resulting in an unfunded actuarial accrued liability (UAAL) of \$71,803. The covered payroll (annual payroll of active employees covered by the plan) was \$1,322,062, and the ratio of the UAAL to the covered payroll was 5.4%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements on page 39, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Plan

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

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

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

The City's contribution for the retirees to the TMRS SBDF for the years ended 2011, 2010 and 2009 were \$2,907, \$2,610 and \$2,603, respectively, which equaled the required contributions each year.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 percent of total plant capacity. During the fiscal year ended September 30, 2011, 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 \$311,090 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

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9. CONTRACTS (Continued)

Fort Bend County Water Control & Improvement District No. 2 (Continued)

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 \$55,553 in equalization payments. Of this amount, \$49,190 was applied to principal leaving a balance in equalization fees of \$114,301. The remaining \$6,363 was recorded as interest expense.

NOTE 10. 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 \$59,967 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 11. GRANT REVENUES

On February 28, 2010, the City received its annual allocation from the Law Enforcement Officer Standards and Education account in the amount of \$1,559. These funds were provided by the Texas Comptroller of Public Accounts to be used to provide necessary training to full-time, fully paid law enforcement support personnel of the City.

On August 14, 2009, the City was awarded a matching grant from the Texas Parks and Wildlife Commission in the amount of up to \$75,000 to further develop a 16.5 acre community park located in the central area of the City. This project is in progress, total engineering and design costs at year end was \$408,705, and \$75,000 has been recorded as receivable. Of these costs, \$168,525 was donated labor and equipment provided by Fort Bend County.

On September 29, 2009, the City received a grant from the State of Texas Division of Emergency Management in the amount of \$47,285. These funds are pass-through funds from FEMA and will be used for the purchase of a mobile command center. Project cost in the amount of \$39,929 is included in the City's capital assets.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 11. GRANT REVENUES (Continued)

In a prior year, the City received a grant from the U.S. Department of Justice in an amount up to \$1,875. These funds were used to purchase three bullet proof vests. During the year, the City received \$974 for 50 percent of the cost of bullet proof vests.

On October 13, 2011, the City received a grant from the U.S. Department of Justice in an amount up to \$1,650. These funds will be used to purchase bullet proof vests before August 31, 2012.

On September 28, 2010, the City received a grant from the State of Texas Office of the Governor Criminal Justice Division in the amount of \$34,796. These funds will be used to purchase a license plate recognition system and construct an interview room. Project costs in the amount of \$33,975 are included in the City's capital assets.

On October 27, 2009, the City received a grant from the Texas Department of Transportation ("TxDOT") in the amount of \$320,000. These funds will be used to finance the design of improvements to West Airport from U.S. 59 to Kirkwood. The City's required match is \$80,000. During the current year, the City recorded \$323,638 as cost of this project. TxDOT has reimbursed the City for \$245,793, of which \$3,400 is recorded as receivable at year end.

On September 26, 2011, the City received a grant from the State of Texas Office of the Governor Criminal Justice Division in the amount of \$14,931. These funds will be used for a fire arms training program.

NOTE 12. RESTRICTED FOR SPECIAL PROJECTS

As of September 30, 2011, the City had \$41,245 restricted by state law for special projects; \$3,255 for Police Department Drug Task Force, \$27,950 for Child Safety Programs and \$10,040 for Children's Programs.

CITY OF MEADOWS PLACE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes and Penalties	\$ 1,763,438	\$ 1,848,126	\$ 84,688
City Sales Taxes	684,000	690,565	6,565
Public Utilities	1,499,004	1,722,495	223,491
Franchise Fees	230,000	279,682	49,682
Fines and Forfeitures	397,000	368,107	(28,893)
Licenses and Permits	4,000	59,371	55,371
Investment Revenue	5,500	6,555	1,055
Other	<u>42,300</u>	<u>403,590</u>	<u>361,290</u>
TOTAL REVENUES	<u>\$ 4,625,242</u>	<u>\$ 5,378,491</u>	<u>\$ 753,249</u>
EXPENDITURES			
General Government	\$ 449,804	\$ 443,125	\$ 6,679
Municipal Court	103,088	99,854	3,234
Public Works	739,732	695,576	44,156
Police Department	1,399,706	1,424,114	(24,408)
Parks and Recreation	344,236	335,868	8,368
Public Utilities Water/Sewer	1,429,441	1,711,987	(282,546)
Capital Outlay		416,770	(416,770)
Bond Principal		100,000	(100,000)
Bond Interest		<u>486</u>	<u>(486)</u>
TOTAL EXPENDITURES	<u>\$ 4,466,007</u>	<u>\$ 5,227,780</u>	<u>\$ (761,773)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 159,235</u>	<u>\$ 150,711</u>	<u>\$ (8,524)</u>
OTHER FINANCING SOURCES (USES)			
Transfer In From Component Unit	<u>\$ -0-</u>	<u>\$ 597,781</u>	<u>\$ 597,781</u>
NET CHANGE IN FUND BALANCE	\$ 159,235	\$ 748,492	\$ 589,527
FUND BALANCE – OCTOBER 1, 2010	<u>2,432,900</u>	<u>2,432,900</u>	
FUND BALANCE – SEPTEMBER 30, 2011	<u>\$ 2,592,135</u>	<u>\$ 3,181,392</u>	<u>\$ 589,257</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
SEPTEMBER 30, 2011

Fiscal Year (1)	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
2008-09	\$ 2,653,643	\$3,637,021	73.0%	\$ 983,378	\$1,272,488	77.3%
2009-10	\$ 3,053,231	\$ 3,320,866	91.90%	\$ 267,635	\$1,356,545	19.7%
2010-11	\$ 4,107,705	\$ 4,179,508	98.30%	\$ 71,803	\$1,322,062	5.4%

(1) Trend data presented is audited information as of December 31 of the previous year, which is the fiscal year of the Texas Municipal Retirement System.

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS

OTHER SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES – BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
Property Taxes and Penalties:			
Taxes – Ad Valorem Current	\$ 1,741,438	\$ 1,815,355	\$ 73,917
Penalty and Interest	<u>22,000</u>	<u>32,771</u>	<u>10,771</u>
Total Property Taxes and Penalties	<u>\$ 1,763,438</u>	<u>\$ 1,848,126</u>	<u>\$ 84,688</u>
City Sales Taxes:			
Sales Tax	\$ 450,000	\$ 459,124	\$ 9,124
½% Ad Valorem Sales Tax	225,000	229,562	4,562
Mixed Beverage Sales Tax	<u>9,000</u>	<u>1,879</u>	<u>(7,121)</u>
Total City Sales Taxes	<u>\$ 684,000</u>	<u>\$ 690,565</u>	<u>\$ 6,565</u>
Public Utilities:			
Service Fees – Water	\$ 648,000	\$ 814,820	\$ 166,820
Service Fees – Sewer	485,000	523,910	38,910
Garbage Fees	325,000	333,163	8,163
City of Houston	18,504	18,504	
Late Fees	<u>22,500</u>	<u>32,098</u>	<u>9,598</u>
Total Public Utilities	<u>\$ 1,499,004</u>	<u>\$ 1,722,495</u>	<u>\$ 223,491</u>
Franchise Fees	<u>\$ 230,000</u>	<u>\$ 279,682</u>	<u>\$ 49,682</u>
Fines and Forfeitures:			
Fines and Forfeitures	\$ 397,000	\$ 352,585	\$ (44,415)
Court Cost 10% Administrative	<u> </u>	<u>15,522</u>	<u>15,522</u>
Total Fines and Forfeitures	<u>\$ 397,000</u>	<u>\$ 368,107</u>	<u>\$ (28,893)</u>
Licenses and Permits	<u>\$ 4,000</u>	<u>\$ 59,371</u>	<u>\$ 55,371</u>
Interest	<u>\$ 5,500</u>	<u>\$ 6,555</u>	<u>\$ 1,055</u>
Other Revenues:			
Newsletter Advertising	\$ 14,000	\$ 13,832	\$ (168)
Miscellaneous Revenue	7,650	30,249	22,599
Rentals	10,650	8,994	(1,656)
Programs	10,000	26,779	16,779
Donations		4,970	4,970
Grant	<u> </u>	<u>318,766</u>	<u>318,766</u>
Total Other Revenues	<u>\$ 42,300</u>	<u>\$ 403,590</u>	<u>\$ 361,290</u>
Total Revenues	<u>\$ 4,625,242</u>	<u>\$ 5,378,491</u>	<u>\$ 753,249</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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
General Government:			
Personnel	\$ 254,445	\$ 238,027	\$ 16,418
Operating and Other	<u>195,359</u>	<u>205,098</u>	<u>(9,739)</u>
Total General Government	<u>\$ 449,804</u>	<u>\$ 443,125</u>	<u>\$ 6,679</u>
Municipal Court:			
Personnel	\$ 89,714	\$ 89,923	\$ (209)
Operating and Other	<u>13,374</u>	<u>9,931</u>	<u>3,443</u>
Total Municipal Court	<u>\$ 103,088</u>	<u>\$ 99,854</u>	<u>\$ 3,234</u>
Public Works:			
Personnel	\$ 192,369	\$ 195,919	\$ (3,550)
Operating and Other	<u>547,363</u>	<u>499,657</u>	<u>47,706</u>
Total Public Works	<u>\$ 739,732</u>	<u>\$ 695,576</u>	<u>\$ 44,156</u>
Police Department:			
Personnel	\$ 1,128,507	\$ 1,160,790	\$ (32,283)
Operating and Other	<u>271,199</u>	<u>263,324</u>	<u>7,875</u>
Total Police Department	<u>\$ 1,399,706</u>	<u>\$ 1,424,114</u>	<u>\$ (24,408)</u>
Parks and Recreation:			
Personnel	\$ 156,145	\$ 176,365	\$ (20,220)
Operating and Other	<u>188,091</u>	<u>159,503</u>	<u>28,588</u>
Total Parks and Recreation	<u>\$ 344,236</u>	<u>\$ 335,868</u>	<u>\$ 8,368</u>
Public Utilities Water/Sewer:			
Personnel	\$ 92,188	\$ 88,606	\$ 3,582
Operating and Other	<u>1,337,253</u>	<u>1,623,381</u>	<u>(286,128)</u>
Total Public Utilities Water/Sewer	<u>\$ 1,429,441</u>	<u>\$ 1,711,987</u>	<u>\$ (282,546)</u>
Capital Outlay	<u>\$ -0-</u>	<u>\$ 416,770</u>	<u>\$ (416,770)</u>
Debt Service			
Principal	\$	\$ 100,000	\$ (100,000)
Interest	<u></u>	<u>486</u>	<u>(486)</u>
Total Parks and Recreation	<u>\$ -0-</u>	<u>\$ 100,486</u>	<u>\$ (100,486)</u>
Total Expenditures	<u>\$ 4,466,007</u>	<u>\$ 5,227,780</u>	<u>\$ (761,773)</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes and Penalties	\$ 520,750	\$ 541,374	\$ 20,624
Investment Revenue	100	234	134
Other	<u>5</u>	<u>5</u>	<u>5</u>
TOTAL REVENUES	<u>\$ 520,850</u>	<u>\$ 541,613</u>	<u>\$ 20,763</u>
EXPENDITURES			
General Government	\$ 7,450	\$ 6,698	\$ 752
Bond Principal	370,000	370,000	
Bond Interest	<u>141,010</u>	<u>141,010</u>	
TOTAL EXPENDITURES	<u>\$ 518,460</u>	<u>\$ 517,708</u>	<u>\$ 752</u>
NET CHANGE IN FUND BALANCE	\$ 2,390	\$ 23,905	\$ 21,515
FUND BALANCE – OCTOBER 1, 2010	<u>545,529</u>	<u>545,529</u>	
FUND BALANCE – SEPTEMBER 30, 2011	<u>\$ 547,919</u>	<u>\$ 569,434</u>	<u>\$ 51,515</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, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
City Sales Taxes	\$ 56,250	\$ 229,562	\$ 173,312
Investment Revenue	<u>300</u>	<u>110</u>	<u>(190)</u>
TOTAL REVENUES	<u>\$ 56,550</u>	<u>\$ 229,672</u>	<u>\$ 173,122</u>
EXPENDITURES			
General Government	\$ 12,835	\$ 25,387	\$ (12,552)
Bond Principal	100,000		100,000
Bond Interest	<u>2,500</u>	<u> </u>	<u>2,500</u>
TOTAL EXPENDITURES	<u>\$ 115,335</u>	<u>\$ 25,387</u>	<u>\$ 89,948</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (58,785)</u>	<u>\$ 204,285</u>	<u>\$ 263,070</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out to Primary Government	<u>\$ -0-</u>	<u>\$ (597,781)</u>	<u>\$ (597,781)</u>
NET CHANGE IN FUND BALANCE	\$ (58,785)	\$ (393,496)	\$ (334,711)
FUND BALANCE – OCTOBER 1, 2010	<u>596,843</u>	<u>596,843</u>	<u> </u>
FUND BALANCE – SEPTEMBER 30, 2011	<u>\$ 538,058</u>	<u>\$ 203,347</u>	<u>\$ (334,711)</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

GENERAL OBLIGATION BONDS
SERIES - 2005

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
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>
TOTAL	<u>\$ 1,025,000</u>	<u>\$ 331,179</u>	<u>\$ 1,356,179</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

GENERAL OBLIGATION BONDS
REFUNDING SERIES - 2010

Due During Fiscal Years Ending September 30	Principal Due March 15	Interest Due March 15/ September 15	Total
2012	\$ 310,000	\$ 88,050	\$ 398,050
2013	305,000	78,825	383,825
2014	300,000	69,750	369,750
2015	295,000	60,825	355,825
2016	290,000	50,600	340,600
2017	285,000	39,100	324,100
2018	280,000	27,800	307,800
2019	280,000	16,600	296,600
2020	275,000	5,500	280,500
2021			
2022			
2023			
2024			
2025			
TOTAL	<u>\$ 2,620,000</u>	<u>\$ 437,050</u>	<u>\$ 3,057,050</u>

See accompanying independent auditor's report.

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CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2011

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2012	\$ 360,000	\$ 128,810	\$ 488,810
2013	360,000	117,247	477,247
2014	360,000	106,085	466,085
2015	355,000	94,910	449,910
2016	355,000	82,293	437,293
2017	350,000	68,257	418,257
2018	350,000	54,290	404,290
2019	355,000	40,190	395,190
2020	350,000	26,053	376,053
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>
TOTAL	<u>\$ 3,645,000</u>	<u>\$ 768,229</u>	<u>\$ 4,413,229</u>

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Description	Original Bonds Issued	Bonds Outstanding October 1, 2010
City of Meadows Place, Texas General Obligation Bonds - Series 1997	\$ 1,275,000	\$ 100,000
City of Meadows Place, Texas General Obligation Bonds - Series 2005	1,295,000	1,075,000
City of Meadows Place, Texas General Obligation Refunding Bonds - Series 2010	<u>2,940,000</u>	<u>2,940,000</u>
TOTAL	<u>\$ 5,510,000</u> *	<u>\$ 4,115,000</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, the Series 1993 in the amount of \$3,050,000 and the Series 2000 in the amount of \$6,000,000.

See accompanying independent auditor's report.

Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2011</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 100,000	\$ 486	\$ -0-	Bank of New York Jacksonville, FL
	50,000	43,510	1,025,000	Bank of New York Jacksonville, FL
<u> </u>	<u>320,000</u>	<u>97,500</u>	<u>2,620,000</u>	The Bank of New York Mellon Trust Company, NA Dallas, TX
<u>\$ -0-</u>	<u>\$ 470,000</u>	<u>\$ 141,496</u>	<u>\$ 3,645,000</u>	

See accompanying independent auditor's report.