

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2010

CITY OF MEADOWS PLACE, TEXAS

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2010

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-8 |
| STATEMENT OF NET ASSETS | 9 |
| STATEMENT OF ACTIVITIES | 10-11 |
| GOVERNMENTAL FUNDS BALANCE SHEET | 12-13 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS | 14 |
| GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES | 15-16 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 17-18 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 19-38 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND | 40 |
| TEXAS MUNICIPAL RETIREMENT SYSTEM ANALYSIS OF FUNDING PROGRESS | 41 |
| OTHER SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND | 43 |
| SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND | 44 |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-DEBT SERVICE FUND | 45 |
| SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-COMPONENT UNIT | 46 |
| LONG-TERM DEBT SERVICE REQUIREMENTS | 47-50 |
| CHANGE IN LONG-TERM BOND DEBT | 51-52 |

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

7801 N. Capital of Texas Hwy.
Suite 350
Austin, Texas 78731-1169
(512) 418-2358
Fax: (512) 340-0604
www.mgsbpllc.com

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, 2010, 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, 2010, 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 40 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
Certified Public Accountants

December 21, 2010

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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, 2010. 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, 2010**

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. 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 pages 17 and 18 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 19 through 38 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 40.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 \$19,965,650 as of September 30, 2010. This compares with assets exceeding liabilities by \$19,866,694 as of September 30, 2009.

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, 2010, and September 30, 2009:

| | Summary of Changes in the Statement of Net Assets- Governmental Activities | | |
|---|---|----------------------|----------------------------------|
| | 2010 | 2009 | Change Positive (Negative) |
| Current and Other Assets | \$ 4,669,713 | \$ 4,144,443 | \$ 525,270 |
| Capital Assets (Net of Accumulated Depreciation) | <u>20,405,178</u> | <u>21,023,375</u> | <u>(618,197)</u> |
| Total Assets | <u>\$ 25,074,891</u> | <u>\$ 25,167,818</u> | <u>\$ (92,927)</u> |
| Long-Term Liabilities | \$ 4,278,491 | \$ 4,837,938 | \$ 559,447 |
| Other Liabilities | <u>830,750</u> | <u>463,186</u> | <u>(367,564)</u> |
| Total Liabilities | <u>\$ 5,109,241</u> | <u>\$ 5,301,124</u> | <u>\$ 191,883</u> |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 17,002,090 | \$ 17,402,154 | \$ (400,064) |
| Restricted | 569,072 | 609,130 | (40,058) |
| Unrestricted | <u>2,394,488</u> | <u>1,855,410</u> | <u>539,078</u> |
| Total Net Assets | <u>\$ 19,965,650</u> | <u>\$ 19,866,694</u> | <u>\$ 98,956</u> |

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the City's operations for the years ended September 30, 2010, and September 30, 2009. The City's net assets related to governmental activities increased by \$98,956, accounting for a 0.5% increase in net assets. This compares with an increase of \$106,665 in the prior fiscal year.

| | Summary of Changes in the Statement of Activities- Governmental Activities | | |
|-------------------------------|---|---------------|----------------------------------|
| | 2010 | 2009 | Change Positive (Negative) |
| Revenues: | | | |
| Charges for Services | \$ 2,105,556 | \$ 2,347,847 | \$ (242,291) |
| Grant Revenue | 135,726 | 76,794 | 58,932 |
| General Revenues: | | | |
| Property Taxes | 2,425,916 | 2,304,091 | 121,825 |
| Sales Taxes | 738,034 | 804,273 | (66,239) |
| Investment Revenues | 9,465 | 29,069 | (19,604) |
| Other Revenues | 261,144 | 263,438 | (2,294) |
| Total Revenues | \$ 5,675,841 | \$ 5,825,512 | \$ (149,671) |
| Expenses: | | | |
| General Government | \$ 839,222 | \$ 870,147 | \$ 30,925 |
| Municipal Court | 97,602 | 112,894 | 15,292 |
| Public Works | 806,604 | 732,231 | (74,373) |
| Police Department | 1,490,257 | 1,459,919 | (30,338) |
| Parks and Recreation | 446,709 | 504,668 | 57,959 |
| Public Utilities | 1,704,035 | 1,809,585 | 105,550 |
| Interest on Long-Term Debt | 192,456 | 229,403 | 36,947 |
| Total Expenses | \$ 5,576,885 | \$ 5,718,847 | \$ 141,962 |
| Change in Net Assets | \$ 98,956 | \$ 106,665 | \$ (7,709) |
| Net Assets, Beginning of Year | 19,866,694 | 19,760,029 | 106,665 |
| Net Assets, End of Year | \$ 19,965,650 | \$ 19,866,694 | \$ 98,956 |

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's combined fund balances as of September 30, 2010, were \$3,802,131, an increase of \$165,839 from the prior year.

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

The General Fund fund balance increased by \$370,563 primarily due to a decrease in operating costs.

The Debt Service Fund fund balance decreased by \$53,113, primarily due to the structure of the debt service requirements.

The Capital Projects Fund fund balance decreased by \$151,611, 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 \$261,517 more than budgeted revenue and actual expenditures were \$27,609 more than budgeted expenditures. See the budget to actual comparison on page 40.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2010, amounts to \$20,405,178 (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:

- Purchase of a vehicle and equipment
- Mobile command center
- Air conditioning system
- Park project

| Capital Assets at Year-End, Net of Accumulated Depreciation | | | |
|---|----|------------|---------------|
| | | 2010 | 2009 |
| Land | \$ | 8,363,976 | \$ 8,363,976 |
| Construction in Progress | | 30,910 | |
| Buildings | | 1,215,019 | 1,208,596 |
| Machinery and Equipment | | 197,239 | 154,984 |
| Park Improvements | | 379,879 | 422,223 |
| Vehicles | | 81,962 | 108,675 |
| Water System | | 1,798,896 | 1,919,058 |
| Wastewater System | | 5,472,846 | 5,669,453 |
| Drainage System | | 740,349 | 797,989 |
| Streets and Sidewalks | | 2,124,102 | 2,378,421 |
| Total Net Capital Assets | \$ | 20,405,178 | \$ 21,023,375 |

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

**CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the City had total bond debt payable of \$4,115,000. The changes in the debt position of the City during the fiscal year ended September 30, 2010, are summarized as follows:

| | |
|---------------------------------------|---------------------|
| Bond Debt Payable, October 1, 2009 | \$ 4,625,000 |
| Add: Refunding Bonds, Series 2010 | 2,940,000 |
| Less: Bonds Refunded | 3,000,000 |
| Less: Bond Principal Paid | <u>450,000</u> |
| Bond Debt Payable, September 30, 2010 | <u>\$ 4,115,000</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, 2010.

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, 2010

| | Primary Government | Discretely Presented Component Unit |
|---|----------------------------|--|
| | Governmental Activities | Meadows Economic Development Corporation |
| ASSETS | | |
| Cash and Cash Equivalents, Note 5 | \$ 4,169,655 | \$ 608,877 |
| Receivables: | | |
| Property Taxes | 131,169 | |
| Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-) | 112,073 | |
| Garbage | 34,882 | |
| Franchise Fees | 102,414 | |
| Mixed Beverages Taxes | 2,805 | |
| Liens | 12,251 | |
| Due from Component Unit | 3,000 | |
| Unamortized Bond Issuance Costs | 81,474 | |
| Unamortized Bond Discounts | 19,990 | |
| Land, Note 6 | 8,363,976 | |
| Construction in Progress, Note 6 | 30,910 | |
| Capital Assets (Net of Accumulated Depreciation), Note 6 | 12,010,292 | |
| TOTAL ASSETS | \$ 25,074,891 | \$ 608,877 |
| LIABILITIES | | |
| Accounts Payable | \$ 598,649 | \$ 9,034 |
| Due to Primary Government | | 3,000 |
| Accrued Compensated Absences, Note 4 | 57,888 | |
| Accrued Bond Interest Payable | 6,133 | |
| Security Deposits | 36,300 | |
| Unamortized Bond Premium | 131,780 | |
| Long-Term Liabilities: | | |
| Equalization Fee, Note 9 | 163,491 | |
| Bonds Payable Due Within One Year, Note 3 | 470,000 | |
| Bonds Payable Due After One Year, Note 3 | 3,645,000 | |
| TOTAL LIABILITIES | \$ 5,109,241 | \$ 12,034 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | \$ 17,002,090 | \$ |
| Restricted For: | | |
| Debt Service | 569,072 | |
| Unrestricted | 2,394,488 | 596,843 |
| TOTAL NET ASSETS | \$ 19,965,650 | \$ 596,843 |

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

| | Program Revenues | | |
|--|----------------------------|----------------------------|--------------------------|
| Expenses | Charges for Services | Grants | |
| GOVERNMENTAL ACTIVITIES | | | |
| General Government | \$ 839,222 | \$ 218,351 | \$ 72,708 |
| Municipal Court | 97,602 | 15,029 | |
| Public Works | 806,604 | | |
| Police Department | 1,490,257 | 322,489 | 63,018 |
| Parks and Recreation | 446,709 | 33,899 | |
| Public Utilities | 1,704,035 | 1,515,788 | |
| Interest on Long-Term Debt | 192,456 | | |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 5,576,885</u> | <u>\$ 2,105,556</u> | <u>\$ 135,726</u> |
| COMPONENT UNIT | <u>\$ 135,910</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| GENERAL REVENUES: | | | |
| Property Taxes | | | |
| Sales Taxes | | | |
| Franchise Fees | | | |
| Investment Revenues | | | |
| Other | | | |
| TOTAL GENERAL REVENUES | | | |
| CHANGE IN NET ASSETS | | | |
| NET ASSETS – OCTOBER 1, 2009 | | | |
| NET ASSETS – SEPTEMBER 30, 2010 | | | |

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> |
| \$ (548,163) | \$ |
| (82,573) | |
| (806,604) | |
| (1,104,750) | |
| (412,810) | |
| (188,247) | |
| (192,456) | |
| <u>\$ (3,335,603)</u> | <u>\$ -0-</u> |
| <u>\$ -0-</u> | <u>\$ (135,910)</u> |
| | |
| \$ 2,425,916 | \$ |
| 738,034 | 241,994 |
| 259,644 | |
| 9,465 | 1,058 |
| 1,500 | |
| <u>\$ 3,434,559</u> | <u>\$ 243,052</u> |
| | |
| \$ 98,956 | \$ 107,142 |
| <u>19,866,694</u> | <u>489,701</u> |
| <u>\$ 19,965,650</u> | <u>\$ 596,843</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, 2010**

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| ASSETS | | |
| Cash and Cash Equivalents, Note 5 | \$ 2,694,385 | \$ 545,571 |
| Receivables: | | |
| Property Taxes | 101,493 | 29,676 |
| Service Accounts (Net of Allowance for Doubtful Accounts of \$3,000) | 112,073 | |
| Garbage | 34,882 | |
| Franchise Fees | 102,414 | |
| Mixed Beverage Taxes | 2,805 | |
| Liens | 12,251 | |
| Due from Other Funds | 42 | |
| Due from Component Unit | 3,000 | |
| TOTAL ASSETS | \$ 3,063,345 | \$ 575,247 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts Payable | \$ 492,652 | \$ |
| Due to Other Funds | | 42 |
| Due to Primary Government | | |
| Security Deposits | 36,300 | |
| Deferred Property Tax Revenue | 101,493 | 29,676 |
| TOTAL LIABILITIES | \$ 630,445 | \$ 29,718 |
| FUND BALANCES | | |
| Reserved for Authorized Construction | \$ | \$ |
| Reserved for Future Debt Service | | 545,529 |
| Unreserved/Undesignated | 2,432,900 | |
| TOTAL FUND BALANCES | \$ 2,432,900 | \$ 545,529 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,063,345 | \$ 575,247 |

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> |
|----------------------------------|---|--|
| \$ 929,699 | \$ 4,169,655 | \$ 608,877 |
| | 131,169 | |
| | 112,073 | |
| | 34,882 | |
| | 102,414 | |
| | 2,805 | |
| | 12,251 | |
| | 42 | |
| | <u>3,000</u> | |
| <u>\$ 929,699</u> | <u>\$ 4,568,291</u> | <u>\$ 608,877</u> |
| \$ 105,997 | \$ 598,649 | \$ 9,034 |
| | 42 | |
| | | 3,000 |
| | 36,300 | |
| | <u>131,169</u> | |
| <u>\$ 105,997</u> | <u>\$ 766,160</u> | <u>\$ 12,034</u> |
| \$ 823,702 | \$ 823,702 | \$ |
| | 545,529 | |
| | <u>2,432,900</u> | <u>596,843</u> |
| <u>\$ 823,702</u> | <u>\$ 3,802,131</u> | <u>\$ 596,843</u> |
| <u>\$ 929,699</u> | <u>\$ 4,568,291</u> | <u>\$ 608,877</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, 2010

| | | |
|---|--------------|---------------|
| Total Fund Balances - Governmental Funds | | \$ 3,802,131 |
| 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. | | 101,464 |
| 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 | 30,910 | |
| Capital Assets | 12,010,292 | 20,405,178 |
| Deferred tax revenues for the 2009 and prior tax levies became part of recognized revenue in the governmental activities of the District. | | 131,169 |
| Governmental funds do not include accrued compensated absences. However, in the Statement of Net Assets, a liability is recorded. | | (57,888) |
| Governmental funds do not include long-term liabilities. However, in the Statement of Net Assets, long-term liabilities are included: | | |
| Equalization Fee | \$ (163,491) | |
| Bonds Payable Due Within One Year | (470,000) | |
| Bonds Payable Due After One Year | (3,645,000) | |
| Accrued Bond Interest Payable | (6,133) | |
| Unamortized Bond Premium | (131,780) | (4,416,404) |
| Total Net Assets - Governmental Activities | | \$ 19,965,650 |

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MEADOWS PLACE, TEXAS
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| | General Fund | Debt Service Fund |
|--|---------------------|----------------------|
| REVENUES | | |
| Property Taxes and Penalties | \$ 1,875,700 | \$ 500,269 |
| City Sales Taxes | 738,034 | |
| Public Utilities | 1,515,788 | |
| Franchise Fees | 259,644 | |
| Fines and Forfeitures | 337,518 | |
| Licenses and Permits | 68,640 | |
| Investment Revenues | 7,264 | 351 |
| Other | 212,894 | |
| TOTAL REVENUES | \$ 5,015,482 | \$ 500,620 |
| EXPENDITURES | | |
| Service Operations: | | |
| General Government | \$ 546,072 | \$ 7,145 |
| Municipal Court | 98,575 | |
| Public Works | 667,845 | |
| Police Department | 1,392,867 | |
| Park and Recreation | 397,701 | |
| Public Utilities | 1,375,041 | |
| Capital Outlay | 166,818 | |
| Debt Service: | | |
| Bond Principal | | 350,000 |
| Bond Interest | | 158,006 |
| Bond Issuance Costs | | 56,778 |
| Payment to Refunding Bond Escrow Agent | | 45,447 |
| TOTAL EXPENDITURES | \$ 4,644,919 | \$ 617,376 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 370,563 | \$ (116,756) |
| OTHER FINANCING SOURCES (USES) | | |
| Long-Term Debt Issued | \$ | \$ 2,940,000 |
| Payment to Refunding Bond Escrow Agent | | (2,992,063) |
| Bond Discount | | (20,690) |
| Bond Premium | | 136,396 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ -0- | \$ 63,643 |
| NET CHANGE IN FUND BALANCES | \$ 370,563 | \$ (53,113) |
| FUND BALANCES – OCTOBER 1, 2009 | 2,062,337 | 598,642 |
| FUND BALANCES – SEPTEMBER 30, 2010 | \$ 2,432,900 | \$ 545,529 |

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

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Discretely Presented Component Unit</u> |
|----------------------------------|---------------------|--|
| \$ | \$ 2,375,969 | \$ |
| | 738,034 | 241,994 |
| | 1,515,788 | |
| | 259,644 | |
| | 337,518 | |
| | 68,640 | |
| 1,850 | 9,465 | 1,058 |
| | <u>212,894</u> | |
| <u>\$ 1,850</u> | <u>\$ 5,517,952</u> | <u>\$ 243,052</u> |
| \$ 591 | \$ 553,808 | \$ 19,146 |
| | 98,575 | |
| 131,640 | 799,485 | |
| | 1,392,867 | |
| | 397,701 | |
| | 1,375,041 | |
| 21,230 | 188,048 | 9,681 |
| | 350,000 | 100,000 |
| | 158,006 | 7,500 |
| | 56,778 | |
| | <u>45,447</u> | |
| <u>\$ 153,461</u> | <u>\$ 5,415,756</u> | <u>\$ 136,327</u> |
| \$ (151,611) | \$ 102,196 | \$ 106,725 |
| \$ | \$ 2,940,000 | \$ |
| | (2,992,063) | |
| | (20,690) | |
| | <u>136,396</u> | |
| <u>\$ -0-</u> | <u>\$ 63,643</u> | <u>\$ -0-</u> |
| \$ (151,611) | \$ 165,839 | \$ 106,725 |
| <u>975,313</u> | <u>3,636,292</u> | <u>490,118</u> |
| <u>\$ 823,702</u> | <u>\$ 3,802,131</u> | <u>\$ 596,843</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, 2010

Net Change in Fund Balances – Governmental Funds \$ 165,839

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. 49,947

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. (814,187)

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. (2,212)

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. (1,739)

Governmental funds report capital expenditures in the period purchased. However, in the Statement of Net Assets, capital assets are increased by new purchases. 197,729

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. 49,447

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. 450,000

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. (34,450)

Governmental funds report bond issuance costs as expenditures in the year paid. However, in the Statement of Net Assets, bond issuance costs is recorded as an asset and amortized over the life of the bonds. 56,778

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, 2010

| | |
|---|------------------|
| Governmental funds report payments to the refunding bond escrow agent from funds on hand as an expenditure in the year paid. However, in the Statement of Net Assets, long-term liabilities are decreased. | 45,447 |
| Governmental funds report proceeds from the sale of bonds as other financing sources. However, in the Statement of Net Assets long-term liabilities are increased by the sale of bonds and the Statement of Activities is not affected. | (2,940,000) |
| Governmental funds report payments to the refunding bond escrow agent from bond proceeds as an other financing use. However, in the Statement of Net Assets, long-term liabilities are decreased. | 2,992,063 |
| Governmental funds report bond discounts as other financing uses. However, in the Statement of Net Assets, bond discounts are recorded as an asset and amortized over the life of the bonds. | 20,690 |
| Governmental funds report bond premiums as other financing sources. However, in the Statement of Net Assets, bond premiums are recorded as a liability and amortized over the life of the bonds. | <u>(136,396)</u> |
| Change in Net Assets – Governmental Activities | <u>\$ 98,956</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, 2010

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.

During the current 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, 2010

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 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, 2010

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 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, 2010

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.

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, 2010

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, 2010

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.

Subsequent Events

In preparing these financial statements management has evaluated and disclosed all material subsequent events through December 21, 2010; 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.

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

| | Series 1997 | Series 2005 | Series 2010 Refunding |
|---|---------------------------|---------------------------|---------------------------|
| Amount Outstanding – September 30, 2010 | \$ 100,000 | \$ 1,075,000 | \$ 2,940,000 |
| Interest Rates | 5.0% | 3.50% - 5.50% | 3.00% - 4.00% |
| Maturity Dates – Serially Beginning/Ending | March 15, 2011 | March 15, 2011/2025 | March 15, 2011/2020 |
| Interest Payment Dates | March 15/ September 15 | March 15/ September 15 | March 15/ September 15 |
| Callable Dates | March 15, 2004* | 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, 2010:

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 3. BONDS PAYABLE (Continued)

| | | |
|--|---------------|-------------------------|
| Bond Debt Payable – October 1, 2009 | | \$ 4,625,000 |
| Add: Refunding Bonds – Series 2010 | | 2,940,000 |
| Less: Bonds Refunded | | 3,000,000 |
| Less: Bond Principal Retirement | | |
| Series 1997 | \$ 100,000 | |
| Series 2000 | 300,000 | |
| Series 2005 | <u>50,000</u> | <u>450,000</u> |
| Bond Debt Payable - September 30, 2010 | | <u>\$ 4,115,000</u> |
| Bond Debt Payable- | | |
| Due Within One Year | | \$ 470,000 |
| Due After One Year | | <u>3,645,000</u> |
| Bond Debt Payable-September 30, 2010 | | <u>\$ 4,115,000</u> |

As of September 30, 2010, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|-------------------|---------------------|
| 2011 | \$ 470,000 | \$ 143,510 | \$ 613,510 |
| 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 |
| 2016-2020 | 1,760,000 | 271,083 | 2,031,083 |
| 2021-2025 | <u>450,000</u> | <u>50,094</u> | <u>500,094</u> |
| | <u>\$ 4,115,000</u> | <u>\$ 911,739</u> | <u>\$ 5,026,739</u> |

During the year ended September 30, 2010, the City levied an ad valorem debt service tax at the rate of \$0.1754 per \$100 of assessed valuation, which resulted in a tax levy of \$503,499 on the adjusted taxable valuation of \$287,041,687 for the 2009 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, 2010

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, 2010, is accounted for in the Statement of Net Assets and is comprised of the following components:

| | |
|------------|------------------|
| Sick Leave | \$ 57,888 |
| Comp-time | <u>-0-</u> |
| Total | <u>\$ 57,888</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.

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, 2010

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 \$570,795 and the bank balance was \$644,668. Of the bank balance, \$252,229 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, 2010, are part of cash and cash equivalents as listed below:

| | |
|-------------------|-------------------|
| GENERAL FUND | \$ 100,045 |
| DEBT SERVICE FUND | 471,050 |
| COMPONENT UNIT | <u>(300)</u> |
| TOTAL DEPOSITS | <u>\$ 570,795</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, 2010

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, 2010, 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 | \$ 1,820,447 | \$ 1,820,447 | \$ | \$ | \$ |
| Lone Star | 773,893 | 773,893 | | | |
| <u>DEBT SERVICE FUND -</u> | | | | | |
| TexPool | 74,521 | 74,521 | | | |
| <u>CAPITAL PROJECTS FUND -</u> | | | | | |
| TexPool | 929,699 | 929,699 | | | |
| <u>COMPONENT UNIT -</u> | | | | | |
| TexPool | 609,177 | 609,177 | | | |
| TOTAL INVESTMENTS | <u>\$ 4,207,737</u> | <u>\$ 4,207,737</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6. CAPITAL ASSETS (Continued)

| | <u>October 1, 2009</u> | <u>Additions</u> | <u>Deductions</u> | <u>September 30, 2010</u> |
|-------------------------------------|------------------------|---------------------|-----------------------------|---------------------------|
| Less Accumulated | | | | |
| Depreciation | | | | |
| Buildings | \$ 538,489 | \$ 42,029 | \$ | \$ 580,518 |
| Furniture and Fixtures | 244,908 | | | 244,908 |
| Machinery and Equipment | 455,641 | 55,445 | | 511,086 |
| Park Improvements | 220,851 | 42,344 | | 263,195 |
| Vehicles | 501,217 | 45,641 | (21,090) | 525,768 |
| Water System | 2,273,883 | 120,162 | | 2,394,045 |
| Wastewater System | 3,046,318 | 196,607 | | 3,242,925 |
| Drainage | 1,795,810 | 57,640 | | 1,853,450 |
| Streets and Sidewalk | <u>9,847,159</u> | <u>254,319</u> | <u> </u> | <u>10,101,478</u> |
| Total Accumulated | | | | |
| Depreciation | <u>\$ 18,924,276</u> | <u>\$ 814,187</u> | <u>\$ (21,090)</u> | <u>\$ 19,717,373</u> |
| Total Depreciable Capital | | | | |
| Assets, Net of | | | | |
| Accumulated | | | | |
| Depreciation | <u>12,659,399</u> | <u>(647,368)</u> | <u>(1,739)</u> | <u>12,010,292</u> |
| Total Capital Assets, Net of | | | | |
| Accumulated | | | | |
| Depreciation | <u>\$ 21,023,375</u> | <u>\$ (449,639)</u> | <u>\$ 168,558</u> | <u>\$ 20,405,178</u> |

The City's capital assets included donations of \$861,352, 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, 2010, follows:

| | |
|------------------------------|-------------------|
| General Government | \$ 285,352 |
| Municipal Court | -0- |
| Public Works | 6,380 |
| Police Department | 93,201 |
| Public Utilities Water/Sewer | 378,245 |
| Parks and Recreation | <u>51,009</u> |
| Total Depreciation Expense | <u>\$ 814,187</u> |

NOTE 7. MAINTENANCE AND OPERATIONS TAX LEVY

During the current fiscal year, the City levied a 2009 maintenance and operations tax at the rate of \$0.6546 per \$100 of valuation. The levy was based upon a total adjusted property valuation of \$287,041,687. This tax levy resulted in a total tax amount of \$1,879,077. The revenue derived from this levy is deposited into the combined General Fund and Public Utilities Fund of the City.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 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.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8. PENSION PLAN (Continued)

Benefits (Continued)

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 2009</u> | <u>Plan Year 2010</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 Repeating | 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, 2010, are as follows:

| | |
|---|-------------------|
| Annual Required Contribution (ARC) | \$ 188,535 |
| Actual Contributions Made | <u>188,535</u> |
| Increase in Net Pension Obligation | \$ -0- |
| Net Pension Obligation, beginning of year | <u> </u> |
| Net Pension Obligation, end of year | <u>\$ -0-</u> |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8. PENSION PLAN (Continued)

Contributions (Continued)

Three Year Trend Information

| Fiscal Year | Annual Pension Cost (APC) | Actual Contributions Made | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------------|---------------------------------|-------------------------------------|---------------------------|
| 2008 | \$ 133,640 | \$ 133,640 | 100% | \$ -0- |
| 2009 | \$ 149,257 | \$ 149,257 | 100% | \$ -0- |
| 2010 | \$ 188,535 | \$ 188,535 | 100% | \$ -0- |

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007, and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Methods and Assumptions

| Actuarial Valuation Date | 12/31/07 | 12/31/08 | 12/31/09 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| 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 | 30 Years- Closed Period | 29 Years- Closed Period | 28 Years- Closed Period |
| Asset Valuation Method | Amortized Cost | Amortized Cost | 10-year Smoothed Market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return * | 7.0% | 7.5% | 7.5% |
| 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, 2010

NOTE 8. PENSION PLAN (Continued)

Funding Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 91.9% funded. The actuarial accrued liability for benefits was \$3,320,866 and the actuarial value of the assets was \$3,053,231, resulting in an unfunded actuarial accrued liability (UAAL) of \$267,635. The covered payroll (annual payroll of active employees covered by the plan) was \$1,356,546, and the ratio of the UAAL to the covered payroll was 19.7%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements on page 41, 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 2010, 2009 and 2008 were \$2,610, \$2,603 and \$2,480, respectively, which equaled the required contributions each year.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, 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 \$175,992 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, 2010

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 \$60,798 in equalization payments. Of this amount, \$49,447 was applied to principal leaving a balance in equalization fees of \$163,491. The remaining \$11,351 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 \$64,376 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

During the current year, the City was awarded \$287, from the Texas Department of Public Safety's Division of Emergency Management. These funds were pass-through funds from the Federal Emergency Management Agency ("FEMA") to reimburse the City for costs associated with damage caused by Hurricane Ike on September 13, 2008.

On February 28, 2010, the City received its annual allocation from the Law Enforcement Officer Standards and Education account in the amount of \$1,522. 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 \$75,000 to further develop a 16.5 acre community park located in the central area of the City. This project is in progress, engineering and design costs at year end total \$21,230.

On September 1, 2009, the City was awarded a grant from the State of Texas, State Criminal Justice Planning (421) Fund in the amount of \$61,496 for digital camera and equipment

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 11. GRANT REVENUES (Continued)

upgrades. During the current year, the City received \$61,496 upon completion of the project. The project has been recorded in the City's capital assets.

On December 9, 2009, the City received a grant from the State of Texas Division of Emergency Management. These funds were pass-through funds from FEMA to reimburse the City for its share of the cost of preparation of a regional continuity of operations plan. This project was completed, and \$32,405 has been recorded as receivable at year end.

On September 14, 2009, the City was awarded an Energy Efficiency and Conservation Block Grant from the U.S. Department of Energy in the amount of \$40,303. These funds were used to replace the air conditioning system in the City's Administration Building. This project was completed during the current year and has been recorded in the City's assets. These funds have been recorded as receivable at year end.

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 \$35,015 is included in the City's capital assets.

NOTE 12. CURRENT REFUNDING BOND ISSUE

On June 10, 2010, the City closed on the sale of its \$2,940,000 Series 2010 General Obligation Refunding Bonds with interest rates of 3.00% to 4.00% to refund \$3,000,000 of Series 2000 Bonds. The net proceeds of \$2,992,063 (after payment of underwriting fees and other issuance costs of \$56,778) net a premium of \$136,396 and a discount of \$20,690 were used to call the bonds being refunded. In addition, \$45,447 of the City's existing Debt Service monies was used to call the bonds being refunded.

The District refunded the following bonds to restructure its total outstanding debt; the effect of which was to decrease its total debt service requirement over ten years by \$275,450 and at the same time obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$231,126.

REFUNDED BONDS

| | <u>Interest Rates</u> | <u>Maturities</u> | <u>Callable Dates</u> | <u>Outstanding at September 30, 2010</u> |
|------|-----------------------|-------------------|-----------------------|--|
| 2000 | 5.00% | 2011/2020 | March 15, 2010 | \$ <u>-0-</u> |

CITY OF MEADOWS PLACE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 13. SUBSEQUENT EVENT

Subsequent to year end, the City advance defeased \$100,000 of Series 1997 Bonds, paying off these bonds in full.

CITY OF MEADOWS PLACE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2010

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, 2010

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|----------------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes and Penalties | \$ 1,810,211 | \$ 1,875,700 | \$ 65,489 |
| City Sales Taxes | 722,500 | 738,034 | 15,534 |
| Public Utilities | 1,518,504 | 1,515,788 | (2,716) |
| Franchise Fees | 230,000 | 259,644 | 29,644 |
| Fines and Forfeitures | 400,000 | 337,518 | (62,482) |
| Licenses and Permits | 20,000 | 68,640 | 48,640 |
| Investment Revenue | 13,000 | 7,264 | (5,736) |
| Other | <u>39,750</u> | <u>212,894</u> | <u>173,144</u> |
| TOTAL REVENUES | \$ 4,753,965 | \$ 5,015,482 | \$ 261,517 |
| EXPENDITURES | | | |
| General Government | \$ 492,475 | \$ 546,072 | \$ (53,597) |
| Municipal Court | 106,437 | 98,575 | 7,862 |
| Public Works | 736,538 | 667,845 | 68,693 |
| Police Department | 1,449,218 | 1,392,867 | 56,351 |
| Parks and Recreation | 374,790 | 397,701 | (22,911) |
| Public Utilities Water/Sewer | 1,457,852 | 1,375,041 | 82,811 |
| Capital Outlay | <u> </u> | <u>166,818</u> | <u>(166,818)</u> |
| TOTAL EXPENDITURES | \$ 4,617,310 | \$ 4,644,919 | \$ (27,609) |
| NET CHANGE IN FUND BALANCE | \$ 136,655 | \$ 370,563 | \$ 233,908 |
| FUND BALANCE – OCTOBER 1, 2009 | <u>2,062,337</u> | <u>2,062,337</u> | <u> </u> |
| FUND BALANCE – SEPTEMBER 30, 2010 | <u>\$ 2,198,992</u> | <u>\$ 2,432,900</u> | <u>\$ 233,908</u> |

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
SEPTEMBER 30, 2010

| 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 |
|------------------------|----------------------------------|------------------------------------|--------------------------|---|-------------------------------|---|
| 2007-08 | \$ 2,329,450 | \$3,258,881 | 71.50% | \$ 929,431 | \$1,260,175 | 73.8% |
| 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% |

(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, 2010

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES – BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|---------------------|------------------------------------|
| Property Taxes and Penalties: | | | |
| Taxes – Ad Valorem Current | \$ 1,800,211 | \$ 1,841,863 | \$ 41,652 |
| Penalty and Interest | <u>10,000</u> | <u>33,837</u> | <u>23,837</u> |
| Total Property Taxes and Penalties | <u>\$ 1,810,211</u> | <u>\$ 1,875,700</u> | <u>\$ 65,489</u> |
| City Sales Taxes: | | | |
| Sales Tax | \$ 475,000 | \$ 483,988 | \$ 8,988 |
| ½% Ad Valorem Sales Tax | 237,500 | 241,994 | 4,494 |
| Mixed Beverage Sales Tax | <u>10,000</u> | <u>12,052</u> | <u>2,052</u> |
| Total City Sales Taxes | <u>\$ 722,500</u> | <u>\$ 738,034</u> | <u>\$ 15,534</u> |
| Public Utilities: | | | |
| Service Fees – Water | \$ 650,000 | \$ 629,063 | \$ (20,937) |
| Service Fees – Sewer | 505,000 | 502,969 | (2,031) |
| Garbage Fees | 325,000 | 335,189 | 10,189 |
| City of Houston | 18,504 | 18,504 | |
| Late Fees | <u>20,000</u> | <u>30,063</u> | <u>10,063</u> |
| Total Public Utilities | <u>\$ 1,518,504</u> | <u>\$ 1,515,788</u> | <u>\$ (2,716)</u> |
| Franchise Fees | <u>\$ 230,000</u> | <u>\$ 259,644</u> | <u>\$ 29,644</u> |
| Fines and Forfeitures: | | | |
| Fines and Forfeitures | \$ 400,000 | \$ 322,489 | \$ (77,511) |
| Court Cost 10% Administrative | <u></u> | <u>15,029</u> | <u>15,029</u> |
| Total Fines and Forfeitures | <u>\$ 400,000</u> | <u>\$ 337,518</u> | <u>\$ (62,482)</u> |
| Licenses and Permits | <u>\$ 20,000</u> | <u>\$ 68,640</u> | <u>\$ 48,640</u> |
| Interest | <u>\$ 13,000</u> | <u>\$ 7,264</u> | <u>\$ (5,736)</u> |
| Other Revenues: | | | |
| Newsletter Advertising | \$ 10,000 | \$ 13,786 | \$ 3,786 |
| Miscellaneous Revenue | 7,750 | 27,983 | 20,233 |
| Rentals | 10,500 | 9,828 | (672) |
| Programs | 10,000 | 24,071 | 14,071 |
| Donations | 1,500 | 1,500 | |
| Grant | <u></u> | <u>135,726</u> | <u>135,726</u> |
| Total Other Revenues | <u>\$ 39,750</u> | <u>\$ 212,894</u> | <u>\$ 173,144</u> |
| Total Revenues | <u>\$ 4,753,965</u> | <u>\$ 5,015,482</u> | <u>\$ 261,517</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, 2010

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|---------------------|------------------------------------|
| General Government: | | | |
| Personnel | \$ 300,675 | \$ 289,465 | \$ 11,210 |
| Operating and Other | <u>191,800</u> | <u>256,607</u> | <u>(64,807)</u> |
| Total General Government | <u>\$ 492,475</u> | <u>\$ 546,072</u> | <u>\$ (53,597)</u> |
| Municipal Court: | | | |
| Personnel | \$ 58,347 | \$ 90,629 | \$ (32,282) |
| Operating and Other | <u>48,090</u> | <u>7,946</u> | <u>40,144</u> |
| Total Municipal Court | <u>\$ 106,437</u> | <u>\$ 98,575</u> | <u>\$ 7,862</u> |
| Public Works: | | | |
| Personnel | \$ 188,669 | \$ 175,415 | \$ 13,254 |
| Operating and Other | <u>547,869</u> | <u>492,430</u> | <u>55,439</u> |
| Total Public Works | <u>\$ 736,538</u> | <u>\$ 667,845</u> | <u>\$ 68,693</u> |
| Police Department: | | | |
| Personnel | \$ 1,176,503 | \$ 1,184,215 | \$ (7,712) |
| Operating and Other | <u>272,715</u> | <u>208,652</u> | <u>64,063</u> |
| Total Police Department | <u>\$ 1,449,218</u> | <u>\$ 1,392,867</u> | <u>\$ 56,351</u> |
| Parks and Recreation: | | | |
| Personnel | \$ 191,140 | \$ 205,088 | \$ (13,948) |
| Operating and Other | <u>183,650</u> | <u>192,613</u> | <u>(8,963)</u> |
| Total Parks and Recreation | <u>\$ 374,790</u> | <u>\$ 397,701</u> | <u>\$ (22,911)</u> |
| Public Utilities Water/Sewer: | | | |
| Personnel | \$ 96,777 | \$ 95,213 | \$ 1,564 |
| Operating and Other | <u>1,361,075</u> | <u>1,279,828</u> | <u>81,247</u> |
| Total Public Utilities Water/Sewer | <u>\$ 1,457,852</u> | <u>\$ 1,375,041</u> | <u>\$ 82,811</u> |
| Capital Outlay | <u>\$ -0-</u> | <u>\$ 166,818</u> | <u>\$ (166,818)</u> |
| Total Expenditures | <u>\$ 4,617,310</u> | <u>\$ 4,644,919</u> | <u>\$ (27,609)</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, 2010

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes and Penalties | \$ 487,250 | \$ 500,269 | \$ 13,019 |
| Investment Revenue | 1,000 | 351 | (649) |
| Other | <u>5,000</u> | <u> </u> | <u>(5,000)</u> |
| TOTAL REVENUES | <u>\$ 493,250</u> | <u>\$ 500,620</u> | <u>\$ 7,370</u> |
| EXPENDITURES | | | |
| General Government | \$ 8,100 | \$ 7,145 | \$ 955 |
| Bond Principal | 350,000 | 350,000 | |
| Bond Interest | 206,010 | 158,006 | 48,004 |
| Bond Issuance Costs | | 56,778 | (56,778) |
| Payment to Refunding Bond Escrow | <u> </u> | <u>45,447</u> | <u>(45,447)</u> |
| TOTAL EXPENDITURES | <u>\$ 564,110</u> | <u>\$ 617,376</u> | <u>\$ (53,266)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (70,860)</u> | <u>\$ (116,756)</u> | <u>\$ (45,896)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issue | \$ | \$ 2,940,000 | \$ 2,940,000 |
| Payment to Refunding Bond Escrow | | (2,992,063) | (2,992,063) |
| Bond Discount | | (20,690) | (20,690) |
| Bond Premium | <u> </u> | <u>136,396</u> | <u>136,396</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ -0-</u> | <u>\$ 63,643</u> | <u>\$ 63,643</u> |
| NET CHANGE IN FUND BALANCE | \$ (70,860) | \$ (53,113) | \$ 17,747 |
| FUND BALANCE – OCTOBER 1, 2009 | <u>598,642</u> | <u>598,642</u> | <u> </u> |
| FUND BALANCE – SEPTEMBER 30, 2010 | <u>\$ 527,782</u> | <u>\$ 545,529</u> | <u>\$ 17,747</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, 2010

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|-------------------|------------------------------------|
| REVENUES | | | |
| City Sales Taxes | \$ 225,000 | \$ 241,994 | \$ 16,994 |
| Investment Revenue | <u>10,000</u> | <u>1,058</u> | <u>(8,942)</u> |
| TOTAL REVENUES | <u>\$ 235,000</u> | <u>\$ 243,052</u> | <u>\$ 8,052</u> |
| EXPENDITURES | | | |
| General Government | \$ 57,500 | \$ 19,146 | \$ 38,354 |
| Capital Outlay | | 9,681 | (9,681) |
| Bond Principal | 100,000 | 100,000 | |
| Bond Interest | <u>7,500</u> | <u>7,500</u> | |
| TOTAL EXPENDITURES | <u>\$ 165,000</u> | <u>\$ 136,327</u> | <u>\$ 28,673</u> |
| NET CHANGE IN FUND BALANCE | \$ 70,000 | \$ 106,725 | \$ 36,725 |
| FUND BALANCE – OCTOBER 1, 2009 | <u>490,118</u> | <u>490,118</u> | |
| FUND BALANCE – SEPTEMBER 30, 2010 | <u>\$ 560,118</u> | <u>\$ 596,843</u> | <u>\$ 36,725</u> |

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010

GENERAL OBLIGATION BONDS
 SERIES - 1997

| Due During Fiscal Years Ending September 30 | Principal Due March 15 | Interest Due March 15/ September 15 | Total |
|---|---------------------------|---|-------------------|
| 2011 | \$ 100,000 | \$ 2,500 | \$ 102,500 |
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| TOTAL | <u>\$ 100,000</u> | <u>\$ 2,500</u> | <u>\$ 102,500</u> |

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010

GENERAL OBLIGATION BONDS
SERIES - 2005

| Due During Fiscal Years Ending September 30 | Principal Due March 15 | Interest Due March 15/ September 15 | Total |
|---|---------------------------|---|---------------------|
| 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> |
| TOTAL | <u>\$ 1,075,000</u> | <u>\$ 374,689</u> | <u>\$ 1,449,689</u> |

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010

GENERAL OBLIGATION BONDS
REFUNDING SERIES - 2010

| Due During Fiscal Years Ending September 30 | Principal Due March 15 | Interest Due March 15/ September 15 | Total |
|---|----------------------------|---|----------------------------|
| 2011 | \$ 320,000 | \$ 97,500 | \$ 417,500 |
| 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>\$ 2,940,000</u> | <u>\$ 534,550</u> | <u>\$ 3,474,550</u> |

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF MEADOWS PLACE, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2010

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending September 30 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|---|------------------------|-----------------------|--|
| 2011 | \$ 470,000 | \$ 143,510 | \$ 613,510 |
| 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 | 100,000 | 2,150 | 102,150 |
| TOTAL | \$ 4,115,000 | \$ 911,739 | \$ 5,026,739 |

See accompanying independent auditor's report.

CITY OF MEADOWS PLACE, TEXAS
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

| Description | Original Bonds Issued | Bonds Outstanding October 1, 2009 |
|--|-------------------------------|---|
| City of Meadows Place, Texas General Obligation Bonds - Series 1997 | \$ 1,275,000 | \$ 200,000 |
| City of Meadows Place, Texas General Obligation Bonds - Series 2000 | 6,000,000 | 3,300,000 |
| City of Meadows Place, Texas General Obligation Bonds - Series 2005 | 1,295,000 | 1,125,000 |
| City of Meadows Place, Texas General Obligation Refunding Bonds - Series 2010 | <u>2,940,000</u> | <u> </u> |
| TOTAL | <u><u>\$ 11,510,000</u></u> * | <u><u>\$ 4,625,000</u></u> |

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

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

See accompanying independent auditor's report.

Current Year Transactions

| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding September 30, 2010</u> | <u>Paying Agent</u> |
|---------------------|--------------------|-------------------|---|--|
| | <u>Principal</u> | <u>Interest</u> | | |
| \$ | \$ 100,000 | \$ 7,500 | \$ 100,000 | Bank of New York Jacksonville, FL |
| | 3,300,000 | 84,750 | -0- | Bank of New York Jacksonville, FL |
| | 50,000 | 46,260 | 1,075,000 | Bank of New York Jacksonville, FL |
| <u>2,940,000</u> | | <u>26,996</u> | <u>2,940,000</u> | The Bank of New York Mellon Trust Company, NA Dallas, TX |
| <u>\$ 2,940,000</u> | <u>\$3,450,000</u> | <u>\$ 165,506</u> | <u>\$ 4,115,000</u> | |

See accompanying independent auditor's report.