CITY OF MEADOWLAKES, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

CITY OF MEADOWLAKES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

Exhibit		Page
	Independent Auditors' Report	1
	Management's Discussion and Analysis	4
	Basic Financial Statements	
	Government Wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	12
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	14
C-2	Reconciliation for C-1	15
C-3	Statement of Revenues, Expenditures and Changes in Fund Balance	16
C-4	Reconciliation for C-3	17
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	18
D-2	Statement of Revenues, Expenses and Changes in Fund Net Position	20
D-3	Statement of Cash Flows	22
	Notes to the Financial Statements	24
	Required Supplementary Information	
G-1	Budgetary Comparison Schedule - General Fund	41
G-2	Schedule of Changes in Net Pension Liability and Related Ratios	42
G-3	Schedule of Employer Contributions	44
	Notes to the Schedule of Contributions	46
G-4	Schedule of Changes in the Total OPEB Liability and Related Ratios	47
	Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios	49
	Report on Internal Control and Compliance	
	Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*	50
	Schedule of Status of Prior Year Findings/Corrective Action Plan	52

NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Aldermen
City of Meadowlakes, Texas
Meadowlakes, TX 78654

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Meadowlakes, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Meadowlakes, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Meadowlakes, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Meadowlakes, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Meadowlakes, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Meadowlakes, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Meadowlakes, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 4-9 and 41-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024, on our consideration of the City of Meadowlakes, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Meadowlakes, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Meadowlakes, Texas's internal control over financial reporting and compliance.

Neffendorf & Blocker, P.C.
NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

March 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Meadowlakes, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2023. Please read it in conjunction with the independent auditors' report on page 1, and City's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $7,834,970 (net position). Of this amount, $1,362,216 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net position increased by $558,744 as a result of this year's operations.
- At September 30, 2023, the City's governmental funds reported combined ending fund balances of $406,455, an increase of $54,248 in comparison with the prior year.
- At September 30, 2023, the City's Enterprise Funds reported unrestricted net position of $893,766, an increase of $117,013 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 through 12). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 14) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund), Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, the Notes to the Schedule of Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios and the Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios are presented as required supplementary information on pages 41 - 49.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.

- Business-type activity - The City's water and sewer system, sanitation and recreation are reported as a business-type activity since the fees charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.

- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's utility fund (Water, Sewer, Sanitation and Recreation) is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from $2,560,594 to $2,997,324. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was $468,450 at September 30, 2023. This increase in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by $54,248. Second, the City paid principal on long-term debt of $420,000. Third, the City recorded depreciation in the amounts of $53,914. Fourth, a net decrease of $3,289 due to required entries of GASB Statement No. 75 accounting and financial reporting for other post-employment benefits and fifth, a net decrease of $1,834 due to recognition of deferred inflows, outflows and pension liability related to GASB 68 accounting and financial reporting for pensions.

Net position of the City's business-type activities increased from $4,670,138 to $4,837,646. Unrestricted net position was $893,766 at September 30, 2023. This increase in business-type net position was the result of a net income of $122,014.

Table I
City of Meadowlakes

NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Current and Restricted Assets	$ 554,579	$ 549,616	$ 1,751,192	$ 1,443,603	$ 2,305,771	$ 1,993,219
Capital Assets	2,528,701	2,567,294	4,068,635	4,057,584	6,597,336	6,624,878
Total Assets	$ 3,083,280	$ 3,116,910	$ 5,819,827	$ 5,501,187	$ 8,903,107	$ 8,618,097
Deferred Outflow of Resources						
Deferred Outflow Related to Pension Plan	$ 34,189	$ 11,411	$ 58,008	$ 18,619	$ 92,197	$ 30,030
Deferred Outflow Related to OPEB	2,673	3,647	4,534	5,950	7,207	
Total Deferred Outflows of Resources	$ 36,862	$ 15,058	$ 62,542	$ 24,569	$ 99,404	$ 30,030
Long-Term Liabilities	$ 12,089	$ 13,840	$ 104,771	$ 147,336	$ 116,860	$ 161,176
Other Liabilities	90,229	513,205	885,964	620,502	976,193	1,133,707
Total Liabilities	$ 102,318	$ 527,045	$ 990,735	$ 767,838	$ 1,093,053	$ 1,294,883
Deferred Inflow of Resources						
Unavailable Revenue -Property Tax	$	$ 2,376	$	$	$ -	$ 2,376
Deferred Inflow Related to Pension Plan	8,500	32,205	14,420	52,543	22,920	84,748
Deferred Inflow Related to OPEB	12,000	7,346	20,361	11,987	32,361	
Deferred Inflow Refunding		2,402		-	-	2,402
Deferred Inflow for Leases			19,207	23,250	19,207	23,250
Total Deferred Inflows of Resources	$ 20,500	$ 44,329	$ 53,988	$ 64,530	$ 55,281	$ 89,526
Net Position:						
Net Investment in Capital Assets	$ 2,528,701	$ 2,147,294	$ 3,943,880	$ 3,893,385	$ 6,472,581	$ 6,040,679
Restricted	173	23,285			173	23,285
Unrestricted	468,450	390,015	893,766	776,753	1,362,216	1,166,768
Total Net Position	$ 2,997,324	$ 2,560,594	$ 4,837,646	$ 4,670,138	$ 7,834,970	$ 7,230,732

Table II
City of Meadowlakes

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Property Taxes	$ 883,945	$ 852,857	$	$	$ 883,945	$ 852,857
Franchise Tax	61,673	54,173			61,673	54,173
Charges for Services	4,862	7,499	2,403,278	2,321,749	2,408,140	2,329,248
Miscellaneous	125,489	135,406	57,640	11,416	183,129	146,822
Contributions and Donations					-	-
Interest Earnings	3,248	3,799	5,481	8,629	8,729	12,428
Total Revenue	$ 1,079,217	$ 1,053,734	$ 2,466,399	$ 2,341,794	$ 3,545,616	$ 3,395,528
Expenses:						
General Government	$ 561,571	$ 529,953	$	$	$ 561,571	$ 529,953
BCAD	12,336	13,136			12,336	13,136
Ordinance Enforcement/Public Safety	130,783	115,387			130,783	115,387
Traffic Control	27,735	33,878			27,735	33,878
Municipal Court	6,586	7,789			6,586	7,789
Water and Sewer			1,283,478	1,254,489	1,283,478	1,254,489
Recreation Fund			969,277	833,585	969,277	833,585
Debt Service - Interest	5,518	14,033	3,934	9,882	9,452	23,915
Fiscal Agent's Fees					-	-
Issuance Costs					-	-
Total Expenses	$ 744,529	$ 714,176	$ 2,256,689	$ 2,097,956	$ 3,001,218	$ 2,812,132
Increase (Decrease) in Net Position Before Transfers & Capital Contributions	$ 334,688	$ 339,558	$ 209,710	$ 243,838	$ 544,398	$ 583,396
Capital Contributions			11,622			
Grants			2,724		2,724	-
Transfers	102,042	105,500	(102,042)	(105,500)	-	
Net Change	436,730	445,058	122,014	138,338	547,122	583,396
Net Position - Beginning	2,560,594	2,115,536	4,670,138	4,531,800	7,230,732	6,647,336
Prior Period Adjustment			45,494		45,494	-
Net Position - Ending	$ 2,997,324	$ 2,560,594	$ 4,837,646	$ 4,670,138	$ 7,823,348	$ 7,230,732

The cost of all governmental activities this year was $744,529. However, as shown in the Statement of Activities on page 12-13, the amount that our taxpayers ultimately financed for these activities through City taxes was only $503,849 because the other costs were paid by franchise tax ($61,673), user charges ($4,862), interest ($3,248) and other miscellaneous ($123,000).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a fund balance of $460,455, which is more than last year's total of $406,207. Included in this year's total change in fund balance is an increase of $77,360 in the City's General Fund. This increase in the General Fund balance was caused by the excess of revenues over expenditures.

The City adopted the General Fund Budget. Actual revenues were less than budgeted amounts and actual expenditures were less than the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2023, the City had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Land and Improvements	$ 1,861,410	$ 1,861,410	$ 42,334	$ 42,334	$ 1,903,744	$ 1,903,744
Infrastructure			6,729,303	6,729,303	6,729,303	6,729,303
Buildings	1,209,508	1,209,508	422,259	422,259	1,631,767	1,631,767
Improvements	229,071	220,950	552,719	552,719	781,790	773,669
Machinery & Equipment	186,558	179,258	1,810,129	1,461,705	1,996,687	1,640,963
Construction in Progress	-		72,573	49,951	72,573	49,951
Total Capital Assets	$ 3,486,547	$ 3,471,126	$ 9,629,317	$ 9,258,271	$ 13,115,864	$ 12,729,397
Less: Accumulated Depreciation	(957,846)	(903,932)	(5,560,681)	(5,200,686)	(6,518,527)	(6,104,618)
Capital Assets, Net	$ 2,528,701	$ 2,567,194	$ 4,068,636	$ 4,057,585	$ 6,597,337	$ 6,624,779

More detailed information about the City's capital assets is presented in Note D and E to the financial statements.

DEBT

At September 30, 2023, the City had the following outstanding debt:

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2023	2022	2023	2022	2023	2022
Bonds Payable	$ -	$ 420,000	$ -	$ -	$ -	$ 420,000
Finance Purchases Payable			124,755	164,199	124,755	164,199
Net Pension Liability	588		998		1,586	-
Net OPEB Liability	11,501	13,840	19,514	22,581	31,015	36,421
Compensated Absences	29,187	26,388	28,799	25,715	57,986	52,103
Total Outstanding Debt	$ 41,276	$ 460,228	$ 174,066	$ 212,495	$ 215,342	$ 672,723

For governmental activities, the City paid $420,000 in principal payments on long-term debt.

For business-type activities the City paid principal payments in the amount of $39,444.

More detailed information about the City's long-term liabilities is presented in Notes G, H, and I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget and tax rates. The major factors are the assessed property valuation and population growth. These indicators were taken into account when adopting the General Fund budget for 2024. Amounts available for appropriation in the General Fund budget are $929,800 (including a transfer in from other funds in the amount of $215,000) and expenditures are estimated to be $929,800 (including a transfer out to other funds in the amount of $50,000).

If these estimates are realized, the City's budgetary General fund balance is expected to remain the same by the close of 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Meadowlakes, Texas.

BASIC

FINANCIAL STATEMENTS

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1 (Cont'd)

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 282,529	$ 992,216	$ 1,274,745
Investments - Current	100,000	600,000	700,000
Taxes Receivable, Net	23,093	-	23,093
Accounts Receivable (Net)	9,988	129,572	139,560
Lease Receivable, Net	-	16,583	16,583
Due from Other Funds	135,210	(135,210)	-
Inventories	-	125,751	125,751
Prepaid Items	3,559	22,280	25,839
Capital Assets:			
Land Purchase and Improvements	1,861,410	42,334	1,903,744
Infrastructure, Net	-	2,612,888	2,612,888
Buildings, Net	581,583	163,586	745,169
Improvements other than Buildings, Net	73,918	392,422	466,340
Furniture and Equipment, Net	11,790	784,832	796,622
Construction in Progress	-	72,573	72,573
Other Assets	200	-	200
Total Assets	3,083,280	5,819,827	8,903,107
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	34,189	58,008	92,197
Deferred Resource Outflow Related to OPEB	2,673	4,534	7,207
Total Deferred Outflows of Resources	36,862	62,542	99,404

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
LIABILITIES			
Accounts Payable	3,259	290,799	294,058
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	29,187	28,799	57,986
Intergovernmental Payable	-	1,472	1,472
Unearned Revenues	16,708	413,813	430,521
Notes Payable - Current	-	40,496	40,496
Other Current Liabilities	41,075	108,501	149,576
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	-	84,259	84,259
Net Pension Liability	588	998	1,586
Net OPEB Liability	11,501	19,514	31,015
Total Liabilities	102,318	990,735	1,093,053
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	8,500	14,420	22,920
Deferred Resource Inflow Related to OPEB	12,000	20,361	32,361
Deferred Resource Inflow for Leases	-	19,207	19,207
Total Deferred Inflows of Resources	20,500	53,988	74,488
NET POSITION			
Net Investment in Capital Assets and Lease Assets	2,528,701	3,943,880	6,472,581
Restricted for Debt Service	173	-	173
Unrestricted Net Position	468,450	893,766	1,362,216
Total Net Position	$ 2,997,324	$ 4,837,646	$ 7,834,970

The notes to the financial statements are an integral part of this statement.

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	$ 561,571	$ 3,209	$ -	$ -
BCAD	12,336	-	-	-
Flood Plain Administrator	5,000	-	-	-
Ordinance Enforcement/Public Safety	125,271	1,653	-	-
Traffic Control	27,735	-	-	-
Municipal Court	6,586	-	-	-
Animal Control	512	-	-	-
Interest on Debt	5,518	-	-	-
Total Governmental Activities	744,529	4,862	-	-
BUSINESS-TYPE ACTIVITIES:				
Major Fund Public Works Fund	1,283,478	1,498,788	2,724	11,622
Major Fund Recreation Fund	973,211	904,490	-	-
Total Business-Type Activities	2,256,689	2,403,278	2,724	11,622
TOTAL PRIMARY GOVERNMENT	$ 3,001,218	$ 2,408,140	$ 2,724	$ 11,622

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Franchise Tax
Other Taxes
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (558,362)	$ -	$ (558,362)
(12,336)	-	(12,336)
(5,000)	-	(5,000)
(123,618)	-	(123,618)
(27,735)	-	(27,735)
(6,586)	-	(6,586)
(512)	-	(512)
(5,518)	-	(5,518)
(739,667)	-	(739,667)
-	229,655	229,655
-	(68,721)	(68,721)
-	160,934	160,934
(739,667)	160,934	(578,733)
503,849	-	503,849
380,096	-	380,096
61,673	-	61,673
2,489	-	2,489
123,000	57,640	180,640
3,248	5,482	8,730
102,042	(102,042)	-
1,176,397	(38,920)	1,137,477
436,730	122,014	558.744
2,560,594	4,670,138	7,230,732
-	45,494	45,494
$ 2,997,324	$ 4,837,646	$ 7,834,970

EXHIBIT C-1

CITY OF MEADOWLAKES, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Major Fund Debt Service	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 282,356	$ 173	$ 282,529
Investments - Current	100,000	-	100,000
Taxes Receivable	13,163	9,930	23,093
Due from Other Funds	153,127	-	153,127
Prepaid Items	3,559	-	3,559
Other Assets	200	-	200
Total Assets	$ 552,405	$ 10,103	$ 562,508
LIABILITIES			
Accounts Payable	$ 3,260	$ -	$ 3,260
Due to Other Funds	17,917	-	17,917
Unearned Revenues	16,708	-	16,708
Other Current Liabilities	41,075	-	41,075
Total Liabilities	78,960	-	78,960
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	13,163	9,930	23,093
Total Deferred Inflows of Resources	13,163	9,930	23,093
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	173	173
Unassigned Fund Balance	460,282	-	460,282
Total Fund Balances	460,282	173	460,455
Total Liabilities, Deferred Inflows & Fund Balances	$ 552,405	$ 10,103	$ 562,508

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-2

CITY OF MEADOWLAKES, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	$	460,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		2,144,202
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements,but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays and debt principal payments is to increase net position.		438,413
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this requirement included a net pension liability of $588, a Deferred Resource Outflow of $34,189 and a Deferred Resource Inflow of $8,500. The net effect of these was to increase net position.		25,101
The City is required under GASB Statement No. 75 to report their OPEB benefit plan through TMRS. The requirement resulted in an OPEB liability of $11,501, a Deferred Resource Outflow of $2,673 and a Deferred Resource Inflow of $12,000. The net effect of these was to decrease net position.		(20,828)
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(53,914)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		3,895
Net Position of Governmental Activities	$	2,997,324

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-3

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Major Fund Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Property Taxes	$ 502,326	$ 377,531	$ 879,857
Franchise Tax	61,673	-	61,673
Other Taxes	2,489	-	2,489
Licenses and Permits	3,575	-	3,575
Fines	1,286	-	1,286
Investment Earnings	2,165	1,083	3,248
Other Revenue	121,184	-	121,184
Total Revenues	694,698	378,614	1,073,312
EXPENDITURES:			
Current:			
General Government	499,735	-	499,735
BCAD	12,336	-	12,336
Flood Plain Administrator	5,000	-	5,000
Ordinance Enforcement/Public Safety	125,271	-	125,271
Traffic Control	27,735	-	27,735
Municipal Court	6,586	-	6,586
Animal Control	512	-	512
Debt Service:			
Principal on Debt	-	420,000	420,000
Interest on Debt	-	8,610	8,610
Capital Outlay:			
Capital Outlay	15,321	-	15,321
Total Expenditures	692,496	428,610	1,121,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,202	(49,996)	(47,794)
OTHER FINANCING SOURCES (USES):			
Transfers In	215,158	27,042	242,200
Transfers Out (Use)	(140,000)	(158)	(140,158)
Total Other Financing Sources (Uses)	75,158	26,884	102,042
Net Change in Fund Balances	77,360	(23,112)	54,248
Fund Balance - October 1 (Beginning)	382,922	23,285	406,207
Fund Balance - September 30 (Ending)	$ 460,282	$ 173	$ 460,455

The notes to the financial statements are an integral part of this statement.

EXHIBIT C-4

CITY OF MEADOWLAKES, 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, 2023

Total Net Change in Fund Balances - Governmental Funds	$	54,248
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays and debt principal payments is to increase the change in net position.		438,413
The entries required by GASB Statement No. 68 did require that some expenses on B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is a decrease in net position.		(1,834)
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.		(3,289)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(53,914)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		3,106
Change in Net Position of Governmental Activities	$	436,730

The notes to the financial statements are an integral part of this statement.

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 666,309	$ 325,907	$ 992,216
Investments - Current	600,000	-	600,000
Accounts Receivable (Net)	128,928	644	129,572
Lease Receivable, Net	-	16,583	16,583
Due from Other Funds	22,172	-	22,172
Inventories	36,951	88,800	125,751
Prepaid Items	6,526	15,754	22,280
Total Current Assets	1,460,886	447,688	1,908,574
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	42,334	-	42,334
Infrastructure, net	2,612,888	-	2,612,888
Buildings, net	170,090	-	170,090
Improvements other than Buildings, net	176,115	209,803	385,918
Furniture and Equipment, net	425,059	359,773	784,832
Construction in Progress, net	72,573	-	72,573
Total Noncurrent Assets	3,499,059	569,576	4,068,635
Total Assets	4,959,945	1,017,264	5,977,209
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	28,315	29,693	58,008
Deferred Resource Outflow Related to OPEB	2,213	2,321	4,534
Total Deferred Outflows of Resources	30,528	32,014	62,542

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-1

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	80,135	210,663	290,798
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	13,772	15,027	28,799
Intergovernmental Payable	1,472	-	1,472
Due to Other Funds	704	156,679	157,383
Unearned Revenues	411,192	2,621	413,813
Notes Payable - Current	-	40,496	40,496
Other Current Liabilities	90,516	17,985	108,501
Total Current Liabilities	597,791	445,555	1,043,346
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	-	84,259	84,259
Net Pension Liability	487	511	998
Net OPEB Liability	9,525	9,989	19,514
Total Noncurrent Liabilities	10,012	94,759	104,771
Total Liabilities	607,803	540,314	1,148,117
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	7,039	7,381	14,420
Deferred Resource Inflow Related to OPEB	9,939	10,422	20,361
Deferred Resource Inflow for Leases	-	19,207	19,207
Total Deferred Inflows of Resources	16,978	37,010	53,988
NET POSITION			
Net Investment in Capital Assets and Lease Assets	3,499,059	444,821	3,943,880
Unrestricted Net Position	866,633	27,133	893,766
Total Net Position	$ 4,365,692	$ 471,954	$ 4,837,646

The notes to the financial statements are an integral part of this statement.

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	$ 1,498,788	$ 904,490	$ 2,403,278
Interest Revenue - Leases	-	15,488	15,488
Rents and Royalties	-	900	900
Other Revenue	39,321	1,931	41,252
Total Operating Revenues	1,538,109	922,809	2,460,918
OPERATING EXPENSES:			
Proprietary Fund Function - Water			
Personnel Services - Salaries and Wages	327,424	-	327,424
Personnel Services - Employee Benefits	120,909	-	120,909
Purchased Professional & Technical Services	241,665	-	241,665
Purchased Property Services	213,130	-	213,130
Other Operating Costs	48,185	-	48,185
Supplies	83,219	-	83,219
Total Proprietary Fund Function - Water	1,034,532	-	1,034,532
Proprietary Fund Function - Golf			
Personnel Services - Salaries and Wages	-	396,517	396,517
Personnel Services - Employee Benefits	-	76,617	76,617
Purchased Property Services	-	100,577	100,577
Other Operating Costs	-	229,567	229,567
Supplies	-	51,015	51,015
Total Proprietary Fund Function - Golf	-	854,293	854,293
Proprietary Fund Function - Tennis			
Purchased Property Services	-	3,598	3,598
Proprietary Fund Function - Swimming			
Purchased Property Services	-	337	337
Depreciation	248,946	111,049	359,995
Total Operating Expenses	1,283,478	969,277	2,252,755
Operating Income (Loss)	254,631	(46,468)	208,163
NONOPERATING REVENUES (EXPENSES):			
Grants (Not Capital Grants)	2,724	-	2,724
Investment Earnings	4,709	772	5,481
Interest Expense - Non-Operating	-	(3,934)	(3,934)
Total Nonoperating Revenue (Expenses)	7,433	(3,162)	4,271
Income (Loss) Before Contributions & Transfers	262,064	(49,630)	212,434
Capital Contributions	11,622	-	11,622
Non-Operating Transfers In	-	140,000	140,000
Transfers Out (Use)	(242,042)	-	(242,042)

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities - Enterprise Funds		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
Change in Net Position	31,644	90,370	122,014
Total Net Position - October 1 (Beginning)	4,334,048	336,090	4,670,138
Prior Period Adjustment	-	45,494	45,494
Total Net Position - September 30 (Ending)	$ 4,365,692	$ 471,954	$ 4,837,646

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-3 (Cont'd)

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from User Charges	$ 1,485,029	$ 904,172	$ 2,389,201
Cash Received from Assessments - Other	39,321	44,082	83,403
Cash Payments to Employees for Services	(440,680)	(492,871)	(933,551)
Cash Payments for Suppliers	(83,219)	(51,015)	(134,234)
Cash Payments for Other Operating Expenses	(520,982)	(260,181)	(781,163)
Net Cash Provided by Operating Activities	479,469	144,187	623,656
Cash Flows from Non-Capital Financing Activities:			
Operating Transfer Out	(242,042)	140,000	(102,042)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(156,336)	(214,710)	(371,046)
Capital Contributed by Other Funds	11,622	-	11,622
Financing Purchase Payments	-	(39,444)	(39,444)
Financing Purchase Interest	-	(3,934)	(3,934)
Unearned Capital Grant Revenue	199,785	-	199,785
Net Cash Provided by (Used for) Capital and Related Financing Activities	55,071	(258,088)	(203,017)
Cash Flows from Investing Activities:			
Grants Non-Capital	2,724	-	2,724
Interest and Dividends on Investments	4,709	772	5,481
Net Cash Provided by Investing Activities	7,433	772	8,205
Net Increase in Cash and Cash Equivalents	299,931	26,871	326,802
Cash and Cash Equivalents at Beginning of Year	966,378	253,542	1,219,920
Prior Period Adjustment	-	45,494	45,494
Cash and Cash Equivalents at End of Year	$ 1,266,309	$ 325,907	$ 1,592,216

EXHIBIT D-3

CITY OF MEADOWLAKES, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-Type Activities		
	Major Fund Public Works Fund	Major Fund Recreation Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ 254,631	$ (46,468)	$ 208,163
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	248,946	111,049	359,995
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(13,759)	(318)	(14,077)
Decrease (Increase) in Due From Other Funds	(17,778)	-	(17,778)
Decrease (Increase) in Prepaid Expenses	(1,623)	5,327	3,704
Increase (Decrease) in Accounts Payable	669	59,055	59,724
Increase (Decrease) in Compensated Absences	3,279	(194)	3,085
Increase (Decrease) in Due To Other Funds	259	52,202	52,461
Increase (Decrease) in Deferred Inflow	(16,328)	(17,464)	(33,792)
(Increase) Decrease in Net Pension Asset	40,192	37,680	77,872
(Increase) Decrease in Deferred Outflow	(17,847)	(20,126)	(37,973)
(Increase) Decrease in Pension/OPEB Liability	(1,643)	(426)	(2,069)
Increase (Decrease) in Intergovernmental	129	-	129
Increase (Decrease) in Other Current Liabilities	342	316	658
Increase (Decrease) in Unearned Revenue	-	1,028	1,028
(Increase) Decrease in Inventories	-	(44,030)	(44,030)
Increase (Decrease) in Lease Receivable	-	6,556	6,556
Net Cash Provided by Operating Activities	$ 479,469	$ 144,187	$ 623,656

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Meadowlakes, Texas conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity - The Mayor and City Council is the level of government which has governance responsibilities over all activities within the jurisdiction of the City of Meadowlakes. The City is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Mayor and Aldermen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

On March 1, 2007, the Meadowlakes Municipal Utility District was annexed into the City. The City has assumed all the assets, liabilities and debt obligations of the District as of that date and the District was abolished.

Hidden Falls Golf Club – Public Facilities Corporation - On October 1, 2009 the City established The Meadowlakes Public Facility Corporation (the Corporation) under the Public Facility Corporation Act Chapter 303 (the Act) of the Texas Local Government Code. The Corporation is legally separate from the City, but the City appoints all of the board members and has the ability to remove those board members at will. Since the Corporation is financially accountable to the City, it is treated as a component unit of the City and is reported as part of the overall financial reporting entity of the City.

The Corporation leased the restaurant from the City in June of 2021(see note O).

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Meadowlakes nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **The Debt Service Fund** – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Fund:

1. **Public Works Fund** - The City accounts for the sales and related costs of its water, sewer utility operations, and sanitation in the Public Works Fund.
2. **Recreation Fund** – The City accounts for golf course related assets and operations not accounted for in the General Fund in the Recreation Fund.

E. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

   In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Water & Sewer Plant & Facilities	30-50
Buildings and Improvements	30
Furniture	7-10
Machinery and Equipment	5-7
Automotive Equipment	3-5

   Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

3. Vacation leave and sick leave is earned by each full-time employee. Vacation leave is earned at the rate of 10 days per year for employees with less than ten years of service, 15 days per year from ten to fifteen years of service and 20 days after fifteen years of service. Vacation leave must be taken within one year after it is earned. Sick leave is earned at a rate of 12 days per year but is not paid upon termination.

4. Beginning with fiscal year end September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

5. Implementation of GASB Accounting Standard:

   The City has implemented GASB Statement NO. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

6. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

7. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

   Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

8. Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Other Post Employment Benefit (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and

OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For purposes of calculating the total OPEB liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

10. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

11. Implementation of GASB Statement No. 87. As of October 1, 2021, the City adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law.** The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2023, the carrying amount of the City's deposits was $1,273,084 and the bank balance was $1,293,207. The City's cash deposits held at September 30, 2023 and during the year ended September 30, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

The City's temporary investments at year end are shown below:

Investment	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
First United Bank:				
Certificates of Deposit	$ 700,000	$ 700,000	$ -	$ 700,000
Total	$ 700,000	$ 700,000	$ -	$ 700,000

B. Property Taxes

Property taxes are levied by October 1 and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City contracted with the Burnet County Appraisal District for the appraisal and collection of taxes. For the 2022 tax roll, the assessed valuation was $369,707,472. The tax rate was $.1365 for maintenance and operations and $.1031 for interest and sinking. The total tax rate was $.2396 per $100 valuation.

C. Lease Receivable

In June 2021 the City entered into a Restaurant Lease Agreement with the Meadowlakes Public Facility Corporation. The lease term is 72 months and the monthly rent schedule is as follows: months 13-24 $1,000, months 25-36 $3,000, months 37-48 $3,500, months 48-60 $4,000 and months 61-72 to be determined, however it shall not be less than $2,000 per month. The lease has an interest rate of 2.64%. The value of the lease receivable at year end was $16,583 and the deferred inflow of resources related to the lease were $19,207 at September 30, 2023.

D. Land, Structures and Equipment-Enterprise Funds

A summary of changes in fixed assets for the enterprise funds appears below:

	Balance 10/1/22	Additions	Deletions	Balance 09/30/2023
Land	$ 42,334	$ -	$	42,334
Infrastructure	6,729,303	-		6,729,303
Buildings	422,259	-		422,259
Improvements	552,719	-		552,719
Machinery and Equipment	1,461,705	348,424		1,810,129
Construction in Progress	49,951	22,622		72,573
Totals	$ 9,258,271	$ 371,046	$ -	$ 9,629,317
Accumulated Depreciation	(5,200,686)	(359,995)		(5,560,681)
Fixed Assets, Net	$ 4,057,585	$ 11,051	$ -	$ 4,068,636

E. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2023, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	$ 1,861,410	$	$	$ 1,861,410
Buildings	1,209,508			1,209,508
Improvements	220,950	8,121		229,071
Machinery and Equipment	179,358	7,200		186,558
Construction in Progress	-	-	-	-
Totals	3,471,226	15,321	-	3,486,547
Accumulated Depreciation	(903,932)	(53,914)		(957,846)
Capital Assets, Net	$ 2,567,294	$ (38,593)	$ -	$ 2,528,701

Depreciation expense was charged to governmental functions a follows:	
General Government	$ 53,914
	$ 53,914

F. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources(expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resource(revenue) until that time.

Deferred outflows on the Statement of Net Position consists of the TMRS pension deferred outflow of $92,197 (see note K) and the TMRS OPEB deferred outflow of $7,207 (see note L).

Deferred inflows on the Statement of Net Position consists of the TMRS pension deferred inflow of $22,920 (see note K), the TMRS OPEB deferred inflow of $32,361 (see note L), and the deferred inflow of $19,207 related to the lease receivable.

Deferred inflows on the Balance Sheet – Governmental Funds consist of:

	General Fund	Debt Service Fund	Total
Delinquent Property Tax	13,164	9,930	23,094
Deferred Inflows - Exhibit C-1	13,164	9,930	23,094

G. Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended September 30, 2023 follows:

Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/22	Additions	Deletions	Amounts Outstanding 9/30/23	Due In One Year
Governmental Activities:								
Bonds Payable								
General Obligation Refunding Bond - Series 2013	2.05%	$ 3,340,000	$ 17,118	$ 420,000	$ -	$ (420,000)	$ -	$ -
Net Pension Liability	N/A	N/A	N/A	-	588		588	N/A
Net OPEB Liability	N/A	N/A	N/A	13,840	-	(2,339)	11,501	N/A
Compensated Absences	N/A	N/A	N/A	26,388	2,799		29,187	N/A
Total		$ 3,340,000	$ 17,118	$ 460,228	$ 3,387	$ (422,339)	$ 41,276	$ -

Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/21	Additions	Deletions	Amounts Outstanding 9/30/22	Due in One Year
Business-Type Activities:								
Other Long-Term Debt								
Finance Purchase Agreements:								
First Security State Bank	3.97%	$ 197,001	$ 758	$ -	$ -	$	$ -	$
Citizens First Bank	2.64%	198,456	9,124	164,199		(39,444)	124,755	40,496
Net Pension Liability	N/A	N/A	N/A	-	998		998	N/A
Net OPEB Liability	N/A	N/A	N/A	22,581	-	(3,067)	19,514	N/A
Compensated Absences	N/A	N/A	N/A	25,715	3,085	-	28,800	N/A
Total		$ 395,457	$ 9,882	$ 212,495	$ 4,083	$ (42,511)	$ 174,067	$ 40,496

H. Revenue Bonds and Certificates of Obligation

The City issued $3,340,000 General Obligation Refunding Bonds, Series 2013 for the purpose of providing funds to refund part of the outstanding Combination Tax & Revenue Certificates of Obligation Bonds, Series 2008. The refunded bonds consist of $2,940,000 of Series 2008 bonds. These bonds were called and were redeemed on July 18, 2013 by depositing $2,915,665 into an escrow account. The portions of the Series 2008 bonds have been defeased and have been removed as a liability of the City. The General Obligation Refunding Bonds, Series 2013 mature on September 1, in each year of the years 2013 through 2023, bearing interest at 2.050%. The financial gain on these refunding bonds was $179,029 and the economic gain was $163,435.

I. Finance Purchase Agreements

On October 16, 2020 the City entered into a finance purchase agreement in the amount of $198,456 with Government Capital Corporation for the purchase of golf maintenance equipment. The finance purchase agreement is payable in (20) quarterly payments in the amount of $10,848 (including interest at 2.64%). Government Capital Corporation sold the capital lease to Citizens 1st Bank.

On February 20, 2018 the City entered into a finance purchase agreement in the amount of $197,001 with Government Capital Corporation for the purchase of a fleet of golf carts. The finance purchase agreement is payable in (16) quarterly payments in the amount of $13,443 (including interest at 3.97%). Government Capital Corporation sold the finance purchase agreement to First Security State Bank.

A schedule of changes in finance purchase agreements payable is as follows:

Finance Purchase Agreement	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Citizens First Bank	2.64%	$ 164,199	$	$ (39,444)	$ 124,755	$ 40,496
		$ 164,199	$ -	$ (39,444)	$ 124,755	$ 40,496

Finance purchase agreement payable requirements are as follows:

Year Ended September 30,	Principal	Interest	Total Requirements
2024	$ 40,496	$ 2,895	$ 43,391
2025	41,576	1,815	43,391
2026	42,683	707	43,390
	$ 124,755	$ 5,417	$ 130,172

J. Unearned Revenue

Unspent Coronavirus Local Fiscal Recovery Funds (federal grant) in the amount of $411,192 are classified as unearned revenue in the Public Works Fund. The funds will be utilized for improvements to the utility system assets.

K. Retirement Plan

The City joined the Texas Municipal Retirement System on March 1, 2007 upon the annexation of the Meadowlakes Municipal Utility District.

Plan Description

The City of Meadowlakes, Texas participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8 Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *www.tmrs.com*.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well. Plan provisions for the City were as follows:

	Plan Year 2022	Plan Year 2023
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	1 to1	1 to1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.
At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	13
Active employees	21
	37

Contributions
Member contribution rates in TMRS are either 5%, 6%, or 7% of Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Meadowlakes, Texas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Meadowlakes, Texas were 2.49% and 2.21% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were $17,054, and were equal to the required contributions.

Net Pension Asset
The city's Net Pension Asset (NPA) was measured as of December 31, 2022, and the Total Pension Asset (TPA) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Asset in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10)mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	7.70%
Core fixed income	6.0%	4.90%
Non-core fixed income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private equity	10.0%	11.80%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2021	$ 859,626	$ 985,225	$ (125,599)
Changes for the year:			
Service cost	83,259		83,259
Interest	60,496		60,496
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	(2,763)		-
Changes in Assumptions			-
Contributions - Employer		22,173	(22,173)
Contributions - Employee		62,333	(62,333)
Net investment income		(70,819)	70,819
Benefit Payments, Including Refunds of Employee Contributions	(10,028)	(10,028)	-
Administrative Expense		(622)	622
Other Changes		743	(743)
Net Changes	130,964	3,779	129,947
Balances as of December 31,2022	$ 990,590	$ 989,004	$ 1,586

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 118,559	$ 1,586	$ (96,546)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of $26,007.

At September 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 22,215	$ 8,173
Changes of assumptions	703	-
Net difference between projected and actual earnings	-	66,969
Contributions made subsequent to measurement date	-	17,054
Total	$ 22,918	$ 92,196

$17,054 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	$ 492
2024	9,839
2025	14,431
2026	27,462
2027	-
Thereafter	-
Total	$ 52,224

L. Defined Other Post-Employment Benefit Plan

The City participates as one of 800 cities in the Texas Municipal Retirement System ("TMRS") optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active Members, with optional coverage for their retirees. A city may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefit. Benefits payable from the SDBF become due after the death of a covered active Member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Member's actual earning for the 12-month period preceding the month of death). The death benefit for retirees is an "other post-employment benefit" and is a fixed amount of $7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund.

Contributions. Contributions to the SDBF are made monthly based on the payroll of covered Members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each city participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires allocation from the Interest Reserve Account to the SDBF on an annual basis. The funding policy of this supplemental death benefit plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

All eligible employees of the city are required to participate in the SDBF.

The City's contributions to the TMRS SDBF for the year ended 2023, 2022 and 2021 were $4,800, $2,031 and $1,925 respectively, which equaled the required contributions each year.

Employees covered by benefit terms.
At the December 31, 2022 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	21
Total	25

Total OPEB Liability
The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate 2.00% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020. At transition, GASB No. 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index.

Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Changes in the City's Total OPEB Liability:

Covered Payroll	$	890,467
Total OPEB Liability - beginning of year	$	36,421
Changes for the year		
Service Cost		14,693
Interest on Total OPEB Liability		805
Changes of benefit terms		
Differences between expected and actual experience		(5,770)
Changes in assumptions or other inputs		(15,045)
Benefit Payments **		(89)
Net changes		(5,406)
Total OPEB Liability - end of year	$	31,015
Total OPEB Liability as a Percentage of Covered Payroll		3.48%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 4.05%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
$ 36,905	$ 31,015	$ 26,294

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2023, the City recognized OPEB expense of $14,813.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 19,456	$ 1,044
Changes in assumptions and other inputs	12,906	6,086
Contributions made subsequent to measurement date	-	77
Total (excluding contributions made subsequent to measurement date)	$ 32,362	$ 7,207

$77 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	$ (5,389)
2024	(5,582)
2025	(5,153)
2026	(5,443)
2027	(3,430)
Thereafter	(235)
Total	$ (25,232)

M. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2023, is as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Recreation Fund	$	152,423
General Fund	Utility Fund		704
Utility Fund	Recreation Fund		4,256
Total		$	157,383

	Transfers In	Transfers Out
General Fund	$ 215,158	$ 140,000
Debt Service Fund	27,042	158
Enterprise Funds:		
Utility Fund		242,042
Recreation Fund	140,000	
Totals	$ 382,199	$ 382,199

N. Employee Insurance Benefits

All regular full time employees of the City are eligible for coverage under the group hospitalization, medical and life insurance program provided by the City through the TML Intergovernmental Benefits Pool. The City pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

O. Cash Flows Statement - Supplemental Disclosures

Since the City is tax exempt no income tax was paid in 2022 and 2023. The City paid interest in the amount of $9,882 in 2022 and $3,934 in 2023.

P. Contingencies and Contracts

On September 30, 2019 the City entered into a contract with the Meadowlakes Property Owners' Association, Inc. (POA) to provide services to the POA. The term of the contract is for three (3) years beginning October 1, 2019 and ending September 30, 2023. The contract states the cost for services will be $104,130 paid monthly for the first twelve (12) months and adjusted in the following (2) years by amounts equal to the changes in the Consumer Price Index. The POA paid the City $110,350 for the year ended September 30, 2023.

On June 11, 2021 the City entered into a lease agreement with the Meadowlakes Public Facility Corporation to lease the restaurant building, restaurant equipment, restaurant furniture and the surrounding grounds and buildings located at 220 Meadowlakes Drive (owned by the City) to the Meadowlakes Public Facility Corporation. The term of the lease is 60 months beginning June 13, 2021. The lease document states no rent is due for the first twelve months. After the first twelve months rent is due monthly according to the following schedule: months 12-24 $2,000, months 25-36 $3,000, months 37-48 $3,500 and months 48-60 $4,000.

May 18, 2022 an addendum was entered into amending the Restaurant Lease Agreement. The lease term was extended to 72 months and the monthly rent schedule was amended as follows: months 13-24 $1,000, months 25-36 $3,000, months 37-48 $3,500, months 48-60 $4,000 and months 61-72 to be determined, however it shall not be less than $2,000 per month.

Q. Risk Management

The City's risk management program includes coverage for property, general liability, automobile liability, public officials' liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

R. Prior Period Adjustment

A prior period adjustment was necessary in the Recreation Fund to correct payables from previous years.

	Recreation Fund
Net Position as previously reported	$ 336,090
Accounts Payable Correction	45,494
Net Position at October 1, 2022, restated	$ 381,584

S. Subsequent Event

The City has evaluated subsequent events through March 18, 2024, the date which the financial statements were available to be issued. The City intends to issue $7.5 million in Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2024 during the summer of 2024. The debt issue will be used to construct a new restaurant, pool and other improvements. The City is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

CITY OF MEADOWLAKES, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	$ 498,000	$ 505,900	$ 502,326	$ (3,574)
Franchise Tax	55,200	61,700	61,673	(27)
Other Taxes	3,500	2,500	2,489	(11)
Licenses and Permits	10,200	4,050	3,575	(475)
Fines	5,000	1,225	1,286	61
Investment Earnings	3,000	2,200	2,165	(35)
Other Revenue	113,350	120,450	121,184	734
Total Revenues	688,250	698,025	694,698	(3,327)
EXPENDITURES:				
Current:				
General Government	526,050	576,900	499,735	77,165
BCAD	14,200	12,350	12,336	14
Flood Plain Administrator	-	5,000	5,000	-
Ordinance Enforcement/Public Safety	125,250	126,825	125,271	1,554
Traffic Control	47,900	28,575	27,735	840
Municipal Court	13,300	7,500	6,586	914
Animal Control	550	550	512	38
Capital Outlay:				
Capital Outlay	36,000	15,325	15,321	4
Total Expenditures	763,250	773,025	692,496	80,529
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,000)	(75,000)	2,202	77,202
OTHER FINANCING SOURCES (USES):				
Transfers In	215,000	215,000	215,158	158
Transfers Out (Use)	(140,000)	(140,000)	(140,000)	-
Total Other Financing Sources (Uses)	75,000	75,000	75,158	158
Net Change	-	-	77,360	77,360
Fund Balance - October 1 (Beginning)	382,922	382,922	382,922	-
Fund Balance - September 30 (Ending)	$ 382,922	$ 382,922	$ 460,282	$ 77,360

The notes to the financial statements are an integral part of this statement.

CITY OF MEADOWLAKES, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
A. Total Pension Liability			
Service Cost	$ 83,259	$ 83,179	$ 83,000
Interest (on the Total Pension Liability)	60,496	55,323	48,334
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(2,763)	(30,735)	24,517
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(10,028)	(52,299)	(52,494)
Net Change in Total Pension Liability	$ 130,964	$ 55,468	$ 103,357
Total Pension Liability - Beginning	859,626	804,158	700,801
Total Pension Liability - Ending	$ 990,590	$ 859,626	$ 804,158
B. Total Fiduciary Net Position			
Contributions - Employer	$ 22,173	$ 21,036	$ 20,815
Contributions - Employee	62,333	61,355	61,222
Net Investment Income	(70,819)	108,561	56,807
Benefit Payments, Including Refunds of Employee Contributions	(10,028)	(52,299)	(52,494)
Administrative Expense	(622)	(511)	(374)
Other	743	4	(15)
Net Change in Plan Fiduciary Net Position	$ 3,780	$ 138,146	$ 85,961
Plan Fiduciary Net Position - Beginning	985,225	847,081	761,118
Plan Fiduciary Net Position - Ending	$ 989,005	$ 985,227	$ 847,079
C. Net Pension Liability (Asset)	$ 1,585	$ (125,601)	$ (42,921)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.84%	114.61%	105.34%
E. Covered Payroll	$ 890,467	$ 876,493	$ 874,601
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.18%	(14.33%)	(4.91%)

Note: GASB Codification, Vol. 2. P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
$ 86,804	$ 71,514	$ 72,461	$ 73,961	$ 48,690	$ 40,640
42,874	36,787	32,346	29,666	24,109	22,277
-	-	-	-	-	-
(14,900)	(2,873)	(5,442)	(33,198)	22,217	(26,644)
(2,803)	-	-	-	15,757	-
(5,891)	(39,905)	(26,289)	(33,655)	(22,995)	(5,259)
$ 106,084	$ 65,523	$ 73,076	$ 36,774	$ 87,778	$ 31,014
594,717	529,194	456,118	419,344	331,566	300,552
$ 700,801	$ 594,717	$ 529,194	$ 456,118	$ 419,344	$ 331,566
$ 22,090	$ 17,615	$ 17,576	$ 10,383	$ 8,033	$ 5,271
64,163	52,695	53,961	55,910	38,512	32,651
89,371	(16,897)	63,291	27,644	571	19,188
(5,891)	(39,905)	(26,289)	(33,655)	(22,995)	(5,259)
(517)	(335)	(338)	(313)	(348)	(200)
(16)	(18)	(17)	(17)	(17)	(16)
$ 169,200	$ 13,155	$ 108,183	$ 59,952	$ 23,755	$ 51,635
591,918	578,764	470,581	410,629	386,874	335,239
$ 761,118	$ 591,919	$ 578,764	$ 470,581	$ 410,629	$ 386,874
$ (60,317)	$ 2,798	$ (49,570)	$ (14,463)	$ 8,715	$ (55,308)
108.61%	99.53%	109.37%	103.17%	97.92%	116.68%
$ 916,621	$ 752,781	$ 770,865	$ 798,720	$ 550,170	$ 466,448
(6.58%)	0.37%	(6.43%)	(1.81%)	1.58%	(11.86%)

CITY OF MEADOWLAKES, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2023

	2023	2022	2021
Actuarially Determined Contribution	$ 22,818	$ 21,316	$ 21,195
Contributions in Relation to the Actuarially Determined Contributions	22,818	21,316	21,195
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 1,003,147	$ 863,467	$ 884,897
Contributions as a Percentage of Covered Payroll	2.27%	2.47%	2.39%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

2020	2019	2018	2017	2016	2015
$ 21,132	$ 21,705	$ 17,521	$ 14,942	$ 11,087	$ 6,391
21,132	21,705	17,521	14,942	11,087	6,391
$ -	$ -	$ -	$ -	$ -	$ -
$ 885,104	$ 906,812	$ 754,262	$ 743,196	$ 826,357	$ 466,573
2.39%	2.39%	2.30%	2.01%	1.35%	1.37%

CITY OF MEADOWLAKES, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2023

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

CITY OF MEADOWLAKES, TEXAS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
Total OPEB Liability			
Service Cost	$ 14,693	$ 14,462	$ 11,720
Interest on the Total OPEB Liability	805	886	864
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(5,770)	(17,005)	(5,976)
Changes of Assumptions	(15,045)	1,070	4,975
Benefit Payments*	(89)	(88)	(86)
Net Change in Total OPEB Liability	(5,406)	(675)	11,497
Total OPEB Liability - Beginning	36,421	37,096	25,600
Total OPEB Liability - Ending	$ 31,015	$ 36,421	$ 37,097
Covered Payroll	$ 890,467	$ 876,493	$ 874,601
Total OPEB Liability as a Percentage of Covered Payroll	3.48%	4.16%	4.24%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
$ 2,567	$ 2,334	$ 2,158
569	510	427
-	-	-
2,352	(1,807)	-
6,112	(1,195)	1,437
(92)	-	-
11,508	(158)	4,022
14,092	14,250	10,228
$ 25,600	$ 14,092	$ 18,272
$ 916,621	$ 752,781	$ 770,865
2.79%	1.87%	1.85%

CITY OF MEADOWLAKES, TEXAS
NOTES TO THE SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2023

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31, And become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Inflation	2.5%
Salary increases	Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by 3.50% to 11.5% including inflation
Actuarial Cost Method:	Entry Age Normal
Valuation of Assets:	For purposes of calculating the Total OPEB Liability, The plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Discount Rate	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. Discount rate is 4.05%.
Supplemental Death Benefit	The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

Other Information:

Notes	There were no benefit changes during the year

NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Aldermen
City of Meadowlakes, Texas
Meadowlakes, TX 78654

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Meadowlakes, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Meadowlakes, Texas's basic financial statements and have issued our report thereon dated March 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Meadowlakes, Texas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Meadowlakes, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Meadowlakes, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Meadowlakes, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.

Fredericksburg, Texas
March 18, 2024

CITY OF MEADOWLAKES
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS/
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Current Year's Findings/Noncompliance and Corrective Action Plan:

None

See District's response to findings after the Notes to The Supplementary Schedule of Expenditures of Federal Awards

Prior Year's Finding/Noncompliance and Status:

2022-001

Type of Finding:	Significant Deficiency
Criteria:	Compliance with the assertion that all transactions have been classified properly and fairly presented in the financial statements.
Condition:	The City did not classify and record the Municipal Court fines and fees revenue properly in the financial statements.
Cause:	The City did not utilize the reports from the Municipal Court software to properly classify and record the court fines and fees.
Effect:	The revenue account for Municipal Court fines was overstated and the liability accounts for the court costs were understated.
Questioned Costs:	None
Recommendation:	The City should utilize the reports from the Municipal Court software monthly to properly classify and record the court fines and fees.
Current Year Status:	Corrective action was taken by the City.

2022-002

Type of Finding:	Significant Deficiency
Criteria:	Compliance with the assertion that all transactions are complete and recorded on the proper financial statements.
Condition:	The general ledger accounts for Municipal Court revenue did not reconcile to the Office of Court Administration. July, August and September reports were filed with zero dollar amounts.
Cause:	The City did not reconcile the Office of Court Administration reports to the general ledger accounts for Municipal Court revenue.
Effect:	The Office of Court Administration reports were incorrect.

Questioned Costs:	None
Recommendation:	The City should reconcile the general ledger accounts to the Office of Court Administration reports monthly.
Current Year Status:	Corrective action was taken by the City.

2022-003

Type of Finding:	Material Weakness
Criteria:	The City was required to adopt and implement GASB Statement No. 87 *Leases* for the fiscal year ended September 30, 2022. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liabilty and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistancy of information about the governments' leasing activities.
Condition:	The City did not evaluate the City's leases for the requirement to implement GASB Statement No. 87 *Leases.* The City did not adopt and implement GASB Statement 87 *Leases.* The City was not in compliance with Governmental Accounting Standards.
Cause:	The City did not evaluate the leases of the City to determine materiality.
Effect:	Audit procedures were performed with regard to the City's lease assets that met the definition of the Standard. The results of the procedures determined the lease receivable was material to the financial statements.
Questioned Cost:	None
Recommendation:	The City should review, obtain the necessary education and implement the requirements of GASB Statement No. 87 *Leases* as well as any new GASB Statements that apply to the City.
Current Year Status:	Corrective action was taken by the City.

NEFFENDORF & BLOCKER, P.C.

March 18, 2024

Honorable Mayor and Aldermen
City of Meadowlakes, Texas
Meadowlakes, TX 78654

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Meadowlakes, Texas for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Meadowlakes, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 18, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Recommendations

Payroll Overtime

During our testing of the controls over payroll we noted overtime was not being approved on the employee time sheets. The City's employee personnel manual states "all overtime requires authorization even after the fact". Subsequent to our testing the City addressed this issue with the department heads in the form of a memo. We recommend the City Manager and the City Treasurer periodically review the time sheets for the proper authorizations.

Restriction on Use

This information is intended solely for the use of the City Council and management of City of Meadowlakes and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Neffendorf & Blocker, P.C.

NEFFENDORF & BLOCKER, P.C.
Fredericksburg, Texas

City of Meadowlakes, Texas
For The Year Ended September 30, 2023
PASS JOURNAL ENTRIES

JE NO.	DESCRIPTION	ACCT NO.	DEBIT	CREDIT
1	A/R	02-1510		4,589.43
	WATER REVENUE	02-5010	4,589.43	
	SEE W/P M-E-05			
2	DEPOSITS	02-3010		4,066.39
	SEWER REVENUE	02-5020	4,066.39	
	SEE W/P U-02			
3	Cash - Payroll Acct	01-1022	4,482.09	
	Cash - Payroll Acct	02-1022	3,713.72	
	Cash - Payroll Acct	03-1022	4,610.15	
	Prior Period Adjustment	01-3145		4,482.09
	Prior Period Adjustment	02-3700		3,713.72
	Prior Period Adjustment	03-3700		4,610.15
	To record payroll clearing account.			
4	Bank RCC Operating	03-1011	2,219.35	
	Miscellaneous Revenue	03-5080		2,219.35
	To record miscellaneous revenue.			
5	Inventory Purchases	02	4,428.94	
	Inventory Materials	02-1820		2,404.82
	Inventory Meters	02-1810		2,024.12
	To adjust inventory to physical count. N-02			