

CITY OF MEADOWLAKES, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2020

CITY OF MEADOWLAKES  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report.....	1
	Management's Discussion and Analysis .....	3
	<u>Basic Financial Statements</u>	
	<b>Government Wide Statements:</b>	
A-1	Statement of Net Position.....	9
B-1	Statement of Activities .....	10
	<b>Governmental Fund Financial Statements:</b>	
C-1	Balance Sheet.....	12
C-2	Reconciliation for C-1 .....	13
C-3	Statement of Revenues, Expenditures and Changes in Fund Balance .....	14
C-4	Reconciliation for C-3 .....	15
	<b>Proprietary Fund Financial Statements:</b>	
D-1	Statement of Net Position.....	16
D-2	Statement of Revenues, Expenses and Changes in Fund Net Position .....	18
D-3	Statement of Cash Flows .....	20
	Notes to the Financial Statements.....	22
	<u>Required Supplementary Information</u>	
G-1	Budgetary Comparison Schedule - General Fund .....	37
G-2	Schedule of Changes in Net Pension Liability and Related Ratios.....	38
G-3	Schedule of Employer Contributions.....	40
	Notes to the Schedule of Contributions.....	42
G-4	Schedule of Changes in the Total OPEB Liability and Related Ratios.....	43
	Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios.....	44



# NEFFENDORF & BLOCKER, P.C.

---

## INDEPENDENT AUDITOR'S REPORT

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

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 City of Meadowlakes, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

---

**TEL:** 830 997 3348

**EMAIL:** [info@nb-cpa.com](mailto:info@nb-cpa.com)

P.O. Box 874 · 512 S Adams Street, Fredericksburg, TX 78624

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & TEXAS SOCIETY OF CPAs

## **Opinions**

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, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 3-8 and 38-45 be presented to supplement the basic financial statements. Such information, 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.

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

March 11, 2021



## 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, 2020. Please read it in conjunction with the independent auditors' report on page 1, and City's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,117,073 (net position). Of this amount, \$583,594 (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 \$370,753 as a result of this year's operations.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of \$301,646, a decrease of \$9,354 in comparison with the prior year.
- At September 30, 2020, the City's Enterprise Funds reported unrestricted net position of \$287,637, an increase of \$25,762 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 9 through 11). 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 12) 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 22) 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 38 - 45.

## 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 9. 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 \$1,385,181 to \$1,716,627. 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 \$295,957 at September 30, 2020. This increase in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$9,354. Second, the City paid principal on long-term debt of \$395,000. Third, the City recorded depreciation in the amounts of \$57,814. Fourth, a net decrease of \$1,671 due to required entries of GASB Statement No. 75 accounting and financial reporting for other post-employment benefits and fifth, a net decrease of \$296 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 \$4,361,139 to \$4,400,446. Unrestricted net position was \$287,637 at September 30, 2020. This increase in business-type net position was the result of a net income of \$39,307.

Table I  
City of Meadowlakes

### NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Restricted Assets	\$ 428,270	\$ 397,122	\$ 588,218	\$ 473,258	\$ 1,016,488	\$ 870,380
Capital Assets	2,649,967	2,707,781	4,215,046	4,296,099	6,865,013	7,003,880
Total Assets	\$ 3,078,237	\$ 3,104,903	\$ 4,803,264	\$ 4,769,357	\$ 7,881,501	\$ 7,874,260
Deferred Outflow of Resources						
Deferred Outflow Related to Pension Plan	\$ 5,380	\$ 23,828	\$ 10,443	\$ 50,635	\$ 15,823	\$ 74,463
Deferred Outflow Related to OPEB	2,779	350	5,394	744	8,173	
Total Deferred Outflows of Resources	\$ 8,159	\$ 24,178	\$ 15,837	\$ 51,379	\$ 23,996	\$ 74,463
Long-Term Liabilities	\$ 843,704	\$ 1,245,405	\$ 56,396	\$ 113,681	\$ 900,100	\$ 1,359,086
Other Liabilities	503,467	476,058	332,389	318,667	835,856	794,725
Total Liabilities	\$ 1,347,171	\$ 1,721,463	\$ 388,785	\$ 432,348	\$ 1,735,956	\$ 2,153,811
Deferred Inflow of Resources						
Deferred Inflow Related to Pension Plan	\$ 14,660	\$ 12,000	\$ 28,456	\$ 25,500	\$ 43,116	\$ 37,500
Deferred Inflow Related to OPEB	728	823	1,414	1,749	2,142	
Deferred Inflow Refunding	7,210	9,614	-	-	7,210	9,614
Total Deferred Inflows of Resources	\$ 22,598	\$ 22,437	\$ 29,870	\$ 27,249	\$ 52,468	\$ 47,114
Net Position:						
Net Investment in Capital Assets	\$ 1,409,967	\$ 1,060,764	\$ 4,112,809	\$ 4,099,264	\$ 5,522,776	\$ 5,160,028
Restricted	10,703	11,658			10,703	11,658
Unrestricted	295,957	312,759	287,637	261,875	583,594	574,634
Total Net Position	\$ 1,716,627	\$ 1,385,181	\$ 4,400,446	\$ 4,361,139	\$ 6,117,073	\$ 5,746,320

**Table II**  
**City of Meadowlakes**

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Property Taxes	\$ 795,891	\$ 744,329	\$	\$	\$ 795,891	\$ 744,329
Franchise Tax	58,528	57,179			58,528	57,179
Charges for Services	15,400	14,457	2,184,631	2,114,804	2,200,031	2,129,261
Miscellaneous	117,567	159,565	10,781	14,191	128,348	173,756
Contributions and Donations		1,992			-	1,992
Interest Earnings	3,893	10,526	2,715	6,193	6,608	16,719
Total Revenue	\$ 991,279	\$ 988,048	\$ 2,198,127	\$ 2,135,188	\$ 3,189,406	\$ 3,123,236
Expenses:						
General Government	\$ 492,275	\$ 484,272	\$	\$	\$ 492,275	\$ 484,272
BCAD	12,011	12,070			12,011	12,070
Building Committee					-	-
Flood Plain Administrator		500			-	500
Ordinance Enforcement/Public Safety	104,819	104,328			104,819	104,328
Traffic Control	30,109	30,122			30,109	30,122
Municipal Court	12,119	14,079			12,119	14,079
Animal Control		76			-	76
Water and Sewer			1,066,964	1,090,431	1,066,964	1,090,431
Recreation Fund			1,066,287	1,064,159	1,066,287	1,064,159
Debt Service - Interest	33,150	41,779	919		34,069	41,779
Fiscal Agent's Fees					-	-
Issuance Costs					-	-
Total Expenses	\$ 684,483	\$ 687,226	\$ 2,134,170	\$ 2,154,590	\$ 2,818,653	\$ 2,841,816
Increase (Decrease) in Net Position						
Before Transfers & Capital Contributions	\$ 306,796	\$ 300,822	\$ 63,957	\$ (19,402)	\$ 370,753	\$ 281,420
Grants				8,080	-	8,080
Transfers	24,650	(46,500)	(24,650)	46,500	-	-
Net Change	331,446	254,322	39,307	35,178	370,753	289,500
Net Position - Beginning	1,385,181	1,130,856	4,361,139	4,325,961	5,746,320	5,456,817
Prior Period Adjustment					-	-
Net Position - Ending	\$ 1,716,627	\$ 1,385,181	\$ 4,400,446	\$ 4,361,139	\$ 6,117,073	\$ 5,746,320



The cost of all governmental activities this year was \$684,483. However, as shown in the Statement of Activities on page 10-11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$795,891, because the other costs were paid by franchise tax (\$58,528), user charges (\$15,400), interest (\$3,893) and other miscellaneous (\$116,174).

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$301,646, which is less than last year's total of \$311,000. Included in this year's total change in fund balance is a decrease of \$8,399 in the City's General Fund. This decrease in the General Fund balance was caused by the excess of expenditures over revenues.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the City had the following amounts invested in capital assets, net of depreciation:

### CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		TOTALS	
					Primary Government	
	2020	2019	2020	2019	2020	2019
Land and Improvements	\$ 1,861,410	\$ 1,861,410	\$ 42,334	\$ 42,334	\$ 1,903,744	\$ 1,903,744
Infrastructure			6,705,054	6,568,727	6,705,054	6,568,727
Buildings	1,209,508	1,209,508	422,259	416,459	1,631,767	1,625,967
Improvements	205,724	205,724	486,554	394,413	692,278	600,137
Machinery & Equipment	170,908	170,908	1,115,405	1,029,097	1,286,313	1,200,005
Construction in Progress	-	-	-	93,488	-	93,488
Total Capital Assets	\$ 3,447,550	\$ 3,447,550	\$ 8,771,606	\$ 8,544,518	\$ 12,219,156	\$ 11,992,068
Less: Accumulated Depreciation	(797,583)	(739,769)	(4,556,559)	(4,248,417)	(5,354,142)	(4,988,186)
Capital Assets, Net	\$ 2,649,967	\$ 2,707,781	\$ 4,215,047	\$ 4,296,101	\$ 6,865,014	\$ 7,003,882

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

## DEBT

At September 30, 2020, the City had the following outstanding debt:

### OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2020	2019	2020	2019	2020	2019
Bonds Payable	\$ 1,240,000	\$ 1,635,000	\$ -	\$ -	\$ 1,240,000	\$ 1,635,000
Notes Payable			102,237	197,583	102,237	197,583
Net Pension Liability		896		1,904	-	2,800
Net OPEB Liability	8,704	4,509	16,896	9,582	25,600	14,091
Compensated Absences	22,053	21,566	30,141	26,478	52,194	48,044
Total Outstanding Debt	\$ 1,270,757	\$ 1,661,971	\$ 149,274	\$ 235,547	\$ 1,420,031	\$ 1,897,518

For governmental activities, the City paid \$395,000 in principal payments on long-term debt.

For business-type activities the City paid principal payments in the amount of \$95,346.

More detailed information about the City's long-term liabilities is presented in Notes E, F, and G 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 2021 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 2021. Amounts available for appropriation in the General Fund budget are \$852,150 (including a transfer in from other funds in the amount of \$215,000) and expenditures are estimated to be \$852,150 (including a transfer out to other funds in the amount of \$215,725).

If these estimates are realized, the City's budgetary General fund balance is expected to remain the same by the close of 2021.

## 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, 2020

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 239,572	\$ 469,360	\$ 708,932
Investments - Current	200	-	200
Taxes Receivable, Net	31,949	-	31,949
Accounts Receivable (Net)	3,201	115,183	118,384
Due from Other Funds	130,751	(130,751)	-
Inventories	-	54,826	54,826
Prepaid Items	2,089	39,791	41,880
Capital Assets:			
Land Purchase and Improvements	1,861,410	42,334	1,903,744
Infrastructure, Net	-	3,091,176	3,091,176
Buildings, Net	702,486	194,312	896,798
Improvements other than Buildings, Net	83,215	392,046	475,261
Furniture and Equipment, Net	2,856	495,178	498,034
Net Pension Asset	20,508	39,809	60,317
Total Assets	3,078,237	4,803,264	7,881,501
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	5,380	10,443	15,823
Deferred Resource Outflow Related to OPEB	2,779	5,394	8,173
Total Deferred Outflows of Resources	8,159	15,837	23,996
<b>LIABILITIES</b>			
Accounts Payable	9,251	148,884	158,135
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	22,053	30,141	52,194
Intergovernmental Payable	-	1,235	1,235
Accrued Interest Payable	4,706	-	4,706
Unearned Revenues	26,310	-	26,310
Other Current Liabilities	36,147	87,308	123,455
Noncurrent Liabilities:			
Debt Due Within One Year	405,000	62,737	467,737
Due in More Than One Year	835,000	39,500	874,500
Net OPEB Liability	8,704	16,896	25,600
Total Liabilities	1,347,171	388,785	1,735,956
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	14,660	28,456	43,116
Deferred Resource Inflow for Refunding	7,210	-	7,210
Deferred Resource Inflow OPEB	728	1,414	2,142
Total Deferred Inflows of Resources	22,598	29,870	52,468
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,409,967	4,112,809	5,522,776
Restricted for Debt Service	10,703	-	10,703
Unrestricted Net Position	295,957	287,637	583,594
Total Net Position	\$ 1,716,627	\$ 4,400,446	\$ 6,117,073

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, 2020

		Program Revenues
	Expenses	Charges for Services
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 492,275	\$ 10,240
BCAD	12,011	-
Ordinance Enforcement/Public Safety	104,819	5,160
Traffic Control	30,109	-
Municipal Court	12,119	-
Interest on Debt	33,150	-
Total Governmental Activities	<u>684,483</u>	<u>15,400</u>
BUSINESS-TYPE ACTIVITIES:		
Public Works Fund	1,066,964	1,331,016
Recreation Fund	1,067,206	853,615
Total Business-Type Activities	<u>2,134,170</u>	<u>2,184,631</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 2,818,653</u></u>	<u><u>\$ 2,200,031</u></u>

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

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
\$ (482,035)	\$ -	\$ (482,035)
(12,011)	-	(12,011)
(99,659)	-	(99,659)
(30,109)	-	(30,109)
(12,119)	-	(12,119)
(33,150)	-	(33,150)
<u>(669,083)</u>	<u>-</u>	<u>(669,083)</u>
-	264,052	264,052
-	(213,591)	(213,591)
-	50,461	50,461
<u>(669,083)</u>	<u>50,461</u>	<u>(618,622)</u>
421,822	-	421,822
374,069	-	374,069
58,528	-	58,528
1,393	-	1,393
116,174	10,781	126,955
3,893	2,715	6,608
24,650	(24,650)	-
<u>1,000,529</u>	<u>(11,154)</u>	<u>989,375</u>
331,446	39,307	370,753
1,385,181	4,361,139	5,746,320
<u>\$ 1,716,627</u>	<u>\$ 4,400,446</u>	<u>\$ 6,117,073</u>

CITY OF MEADOWLAKES, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

EXHIBIT C-1

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 228,869	\$ 10,703	\$ 239,572
Investments - Current	200	-	200
Taxes Receivable	16,933	15,016	31,949
Accounts Receivable (Net)	742	-	742
Due from Other Funds	130,751	-	130,751
Prepaid Items	2,089	-	2,089
Total Assets	<u>\$ 379,584</u>	<u>\$ 25,719</u>	<u>\$ 405,303</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 9,251	\$ -	\$ 9,251
Unearned Revenues	26,310	-	26,310
Other Current Liabilities	36,147	-	36,147
Total Liabilities	<u>71,708</u>	<u>-</u>	<u>71,708</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	16,933	15,016	31,949
Total Deferred Inflows of Resources	<u>16,933</u>	<u>15,016</u>	<u>31,949</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	10,703	10,703
Unassigned Fund Balance	290,943	-	290,943
Total Fund Balances	<u>290,943</u>	<u>10,703</u>	<u>301,646</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 379,584</u>	<u>\$ 25,719</u>	<u>\$ 405,303</u>

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

CITY OF MEADOWLAKES, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$ 301,646
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.	1,060,497
Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 debt principal payments is to increase net position.	395,368
The City is required under GASB Statement No. 68 to report their net pension liability/asset in the Government Wide Statement of Net Position. The items reported as a result of this requirement included a net pension asset of \$20,508, a Deferred Resource Outflow of \$5,380 and a Deferred Resource Inflow of \$14,660. The net effect of these was to increase the ending net position by \$11,228.	11,228
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 \$8,704, a Deferred Resource Outflow of \$2,779 and Deferred Resource Inflow of \$728. The net effect of these was to decrease the ending net position by \$6,653.	(6,653)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(57,814)
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.	12,355
<b>Net Position of Governmental Activities</b>	\$ 1,716,627

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

CITY OF MEADOWLAKES, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 421,549	\$ 369,723	\$ 791,272
Franchise Tax	58,528	-	58,528
Other Taxes	1,393	-	1,393
Licenses and Permits	10,240	-	10,240
Fines	5,160	-	5,160
Investment Earnings	2,053	1,840	3,893
Other Revenue	115,685	-	115,685
Total Revenues	614,608	371,563	986,171
<b>EXPENDITURES:</b>			
Current:			
General Government	432,599	-	432,599
BCAD	12,011	-	12,011
Ordinance Enforcement/Public Safety	104,819	-	104,819
Traffic Control	30,109	-	30,109
Municipal Court	12,119	-	12,119
Debt Service:			
Principal on Debt	-	395,000	395,000
Interest on Debt	-	33,518	33,518
Total Expenditures	591,657	428,518	1,020,175
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,951	(56,955)	(34,004)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	75,000	56,000	131,000
Transfers Out (Use)	(106,350)	-	(106,350)
Total Other Financing Sources (Uses)	(31,350)	56,000	24,650
Net Change in Fund Balances	(8,399)	(955)	(9,354)
Fund Balance - October 1 (Beginning)	299,342	11,658	311,000
Fund Balance - September 30 (Ending)	\$ 290,943	\$ 10,703	\$ 301,646

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, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (9,354)
Current year long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of removing the debt principal payments is to increase the change in net position.	395,368
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 an increase in net position.	296
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.	(1,671)
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.	(57,814)
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.	4,621
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 331,446</u>

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, 2020

EXHIBIT D-1 (Cont'd)

Business-Type Activities - Enterprise Funds			
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 415,074	\$ 54,286	\$ 469,360
Accounts Receivable (Net)	115,183	-	115,183
Due from Other Funds	337	-	337
Inventories	37,950	16,876	54,826
Prepaid Items	5,558	34,233	39,791
Total Current Assets	574,102	105,395	679,497
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	42,334	-	42,334
Infrastructure	6,705,053	-	6,705,053
Accumulated Depreciation - Infrastructure	(3,613,877)	-	(3,613,877)
Buildings	410,959	5,500	416,459
Accumulated Depreciation - Buildings	(215,381)	-	(215,381)
Improvements other than Buildings	279,082	221,400	500,482
Accumulated Depreciation - Other Improvements	(90,991)	-	(90,991)
Furniture and Equipment	669,632	437,645	1,107,277
Accumulated Depreciation - Furniture & Equipment	(317,071)	-	(317,071)
Accumulated Depreciation - Capital Assets	-	(319,239)	(319,239)
Net Pension Asset	15,682	24,127	39,809
Total Noncurrent Assets	3,885,422	369,433	4,254,855
Total Assets	4,459,524	474,828	4,934,352
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	4,114	6,329	10,443
Deferred Resource Outflow Related to OPEB	2,125	3,269	5,394
Total Deferred Outflows of Resources	6,239	9,598	15,837

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, 2020

EXHIBIT D-1

Business-Type Activities - Enterprise Funds			
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	63,082	85,802	148,884
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	8,467	21,674	30,141
Intergovernmental Payable	1,235	-	1,235
Due to Other Funds	6,193	124,895	131,088
Notes Payable - Current	-	62,737	62,737
Other Current Liabilities	87,276	32	87,308
Total Current Liabilities	166,253	297,224	463,477
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	-	39,500	39,500
Net OPEB Liability	6,656	10,240	16,896
Total Noncurrent Liabilities	6,656	49,740	56,396
Total Liabilities	172,909	346,964	519,873
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	11,210	17,246	28,456
Deferred Resource Inflow Related to OPEB	557	857	1,414
Total Deferred Inflows of Resources	11,767	18,103	29,870
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,869,740	243,069	4,112,809
Unrestricted Net Position	411,347	(123,710)	287,637
Total Net Position	\$ 4,281,087	\$ 119,359	\$ 4,400,446

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, 2020

EXHIBIT D-2 (Cont'd)

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 1,331,016	\$ 853,615	\$ 2,184,631
Other Revenue	3,184	7,597	10,781
Total Operating Revenues	1,334,200	861,212	2,195,412
<b>OPERATING EXPENSES:</b>			
Proprietary Fund Function - Water			
Personnel Services - Salaries and Wages	259,023	-	259,023
Personnel Services - Employee Benefits	98,325	-	98,325
Purchased Professional & Technical Services	206,557	-	206,557
Purchased Property Services	163,086	-	163,086
Other Operating Costs	56,278	-	56,278
Supplies	62,430	-	62,430
Total Proprietary Fund Function - Water	845,699	-	845,699
Proprietary Fund Function - Golf			
Personnel Services - Salaries and Wages	-	283,486	283,486
Personnel Services - Employee Benefits	-	78,983	78,983
Purchased Property Services	-	78,323	78,323
Other Operating Costs	-	127,474	127,474
Supplies	-	34,088	34,088
Total Proprietary Fund Function - Golf	-	602,354	602,354
Proprietary Fund Function - Tennis			
Personnel Services - Salaries and Wages	-	1,404	1,404
Purchased Property Services	-	1,305	1,305
Total Proprietary Fund Function - Tennis	-	2,709	2,709
Proprietary Fund Function - Swimming			
Purchased Property Services	-	515	515
Proprietary Fund Function - Restaurant & Bar			
Personnel Services - Salaries and Wages	-	186,808	186,808
Personnel Services - Employee Benefits	-	45,211	45,211
Purchased Property Services	-	11,143	11,143
Other Operating Costs	-	6,850	6,850
Supplies	-	117,661	117,661
Total Proprietary Fund Function - Restaurant & Bar	-	367,673	367,673
Depreciation	221,265	88,223	309,488
Total Operating Expenses	1,066,964	1,061,474	2,128,438
Operating Income (Loss)	267,236	(200,262)	66,974
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Earnings	2,514	201	2,715
Interest Expense - Non-Operating	-	(5,732)	(5,732)
Total Nonoperating Revenue (Expenses)	2,514	(5,531)	(3,017)
Income (Loss) Before Transfers	269,750	(205,793)	63,957

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, 2020

EXHIBIT D-2

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
Non-Operating Transfers In	-	198,850	198,850
Transfers Out (Use)	(223,500)	-	(223,500)
Change in Net Position	46,250	(6,943)	39,307
Total Net Position - October 1 (Beginning)	4,234,837	126,302	4,361,139
Total Net Position - September 30 (Ending)	<u>\$ 4,281,087</u>	<u>\$ 119,359</u>	<u>\$ 4,400,446</u>

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

CITY OF MEADOWLAKES, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,347,396	\$ 853,615	\$ 2,201,011
Cash Received from Assessments - Other	3,184	7,597	10,781
Cash Payments to Employees for Services	(354,330)	(591,483)	(945,813)
Cash Payments for Suppliers	(62,430)	(151,749)	(214,179)
Cash Payments for Other Operating Expenses	(421,798)	(173,158)	(594,956)
Net Cash Provided by (Used for) Operating Activities	512,022	(55,178)	456,844
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(223,500)	198,850	(24,650)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(222,635)	(5,800)	(228,435)
Capital Lease Principal Payments	-	(95,346)	(95,346)
Capital Lease Interest Payments	-	(5,732)	(5,732)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(222,635)	(106,878)	(329,513)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	2,514	201	2,715
Net Increase in Cash and Cash Equivalents	68,401	36,995	105,396
Cash and Cash Equivalents at the Beginning of the Year	346,673	17,291	363,964
Cash and Cash Equivalents at the End of the Year	\$ 415,074	\$ 54,286	\$ 469,360

CITY OF MEADOWLAKES, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss)	\$ 267,236	\$ (200,262)	\$ 66,974
Adjustments to Reconcile Operating Income To Net Cash Provided by (Used For) Operating Activities:			
Depreciation	221,265	88,223	309,488
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	16,380	-	16,380
Decrease (Increase) in Inventories	(20,996)	-	(20,996)
Decrease (Increase) in Prepaid Expenses	886	5,061	5,947
Increase (Decrease) in Accounts Payable	22,078	25,343	47,421
Increase (Decrease) in Compensated Absences	566	3,097	3,663
Increase (Decrease) in Intergovernmental	45	-	45
Increase (Decrease) in Due To and Due From	547	28,367	28,914
Increase (Decrease) in Other Current Liabilities	1,563	(2,704)	(1,141)
Increase (Decrease) in Pension Liability	2,452	1,312	3,764
Increase (Decrease) in Unearned Revenue	-	(3,615)	(3,615)
Net Cash Provided by (Used for)			
Operating Activities	<u>\$ 512,022</u>	<u>\$ (55,178)</u>	<u>\$ 456,844</u>

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

CITY OF MEADOWLAKES, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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. The Corporation is empowered with responsibility and authority to finance and manage retail operations and maintenance of the City owned Municipal Golf Complex (MGC). 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.

As of October 1, 2016 the Meadowlakes Public Facility Corporation was no longer operating the City owned Municipal Golf Complex. The Corporation has not been dissolved but it no longer has any operations.

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:

<u>Assets</u>	<u>Years</u>
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. Future Adoption of Accounting Principles – The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2020.

Statement No.	Title	Adoption Required
84	Fiduciary Activities	September 30, 2021
87	Leases	September 30, 2022

## 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, 2020, the carrying amount of the City's deposits was \$708,932 and the bank balance was \$710,808. The City's cash deposits held at September 30, 2020 and during the year ended September 30, 2020 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, 2020, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

#### 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 2019 tax roll, the assessed valuation was \$276,169,085. The tax rate was \$.1529 for maintenance and operations and \$.1341 for interest and sinking. The total tax rate was \$.287 per \$100 valuation.

#### C. Land, Structures and Equipment-Enterprise Funds

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

	Balance 10/1/19	Additions	Deletions	Balance 9/30/20
Land	\$ 42,334	\$	\$	\$ 42,334
Infrastructure	6,568,727	136,327		6,705,054
Buildings	416,459	5,800		422,259
Improvements	393,066	93,488		486,554
Machinery and Equipment	1,029,097	86,308		1,115,405
Construction in Progress	93,488		(93,488)	-
Totals	\$ 8,543,171	\$ 321,923	\$ (93,488)	\$ 8,771,606
Accumulated Depreciation	(4,247,070)	(309,489)		(4,556,559)
Fixed Assets, Net	\$ 4,296,101	\$ 12,434	\$ (93,488)	\$ 4,215,047

#### D. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2020, 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	205,724			205,724
Machinery and Equipment	170,908			170,908
Construction in Progress	-	-	-	-
Totals	3,447,550	-	-	3,447,550
Accumulated Depreciation	(739,769)	(57,814)		(797,583)
Capital Assets, Net	\$ 2,707,781	\$ (57,814)	\$ -	\$ 2,649,967

Depreciation expense was charged to  
governmental functions as follows:  
General Government

\$ (57,814)  
\$ (57,814)

#### E. Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended September 30, 2020 follows:

Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/19	Additions	Deletions	Amounts Outstanding 9/30/20	Due in One Year
<b>Governmental Activities:</b>								
<u>Bonds Payable</u>								
General Obligation								
Refunding Bond - Series 2013	2.05%	\$ 3,340,000	\$ 41,512	\$ 1,635,000	\$	(395,000)	\$ 1,240,000	\$ 405,000
Net Pension Liability	N/A	N/A	N/A	896		(896)	-	N/A
Net OPEB Liability	N/A	N/A	N/A	4,509	4,195		8,704	N/A
Compensated Absences	N/A	N/A	N/A	21,566	487		22,053	N/A
Total		\$ 3,340,000	\$ 41,512	\$ 1,661,971	\$ 4,682	\$ (395,896)	\$ 1,270,757	\$ 405,000
Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/19	Additions	Deletions	Amounts Outstanding 9/30/20	Due in One Year
<b>Business-Type Activities:</b>								
<u>Other Long-Term Debt</u>								
Note Payable								
Meadowlakes POA	2.25%	\$ 223,112	\$ 1,948	\$ 58,147	\$	(46,386)	\$ 11,761	\$ 11,761
First Security State Bank	3.97%	197,001	6,669	139,436		(48,960)	90,476	50,976
Net Pension Liability	N/A	N/A	N/A	1,904		(1,904)	-	N/A
Net OPEB Liability	N/A	N/A	N/A	9,582	7,314		16,896	N/A
Compensated Absences	N/A	N/A	N/A	26,478	3,663		30,141	N/A
Total		\$ 420,113	\$ 8,617	\$ 235,547	\$ 10,977	\$ (97,250)	\$ 149,274	\$ 62,737

#### F. 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.

Debt service requirements are as follows:

Governmental Activities:			
Year Ended	Bonds Payable		
September 30	Principal	Interest	Total
2021	\$ 405,000	\$ 25,420	\$ 430,420
2022	415,000	17,118	432,118
2023	420,000	8,610	428,610
			-
	<u>\$ 1,240,000</u>	<u>\$ 51,148</u>	<u>\$ 1,291,148</u>

G. Capital Lease

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

On October 1, 2015 the City entered into a capital lease-purchase agreement with Meadowlakes Property Owners Association for the purchase of equipment. The capital lease is payable in (20) quarterly payment of \$11,826 (including interest at 2.25%).

A summary of the future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2020 follows:

Year Ended	
September 30	
2021	\$ 65,599
2022	39,500
Total Minimum Lease Payments	\$ 105,099
Less Amount Representing Interest	2,862
Present Value of Lease Payments	<u>\$ 102,237</u>

H. 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 880 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits 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 2018	Plan Year 2019
Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	1 to 1	1 to 1
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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	10
Active employees	26
	<hr/>
	37

### Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Meadowlakes, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Meadowlakes, Texas were 2.41% and 2.38 in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$21,132, and were equal to the required contributions.

### Net Pension Asset

The city's Net Pension Asset (NPA) was measured as of December 31, 2019, 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, 2019 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 health 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	2.48%
Private equity	10.0%	7.75%
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 employee 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 employees. 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	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2018	\$ 594,717	\$ 591,918	\$ 2,799
Changes for the year:			
Service cost	86,804		86,804
Interest	42,874		42,874
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	(14,900)		-
Changes in Assumptions	(2,803)		(2,803)
Contributions - Employer		22,090	(22,090)
Contributions - Employee		64,163	(64,163)
Net investment income		89,371	(89,371)
Benefit Payments, Including Refunds of Employee Contributions	(5,891)	(5,891)	-
Administrative Expense		(517)	517
Other Changes		(16)	16
	-	-	-
Net Changes	106,084	169,200	(48,216)
Balances as of December 31, 2019	\$ 700,801	\$ 761,118	\$ (60,317)

### 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%
\$ 29,252	\$ (60,317)	\$ (134,850)

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$24,271.

At September 30, 2020 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	\$ 22,283	\$ 42
Changes of assumptions	2,278	32
Net difference between projected and actual earnings	18,555	-
Contributions made subsequent to measurement date	-	15,749
Total	<u>\$ 43,116</u>	<u>\$ 15,823</u>

\$15,749 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 liability for the year ending September 30, 2020. 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:	
2020	\$ (16,230)
2021	(10,001)
2022	(2,483)
2023	(13,200)
2024	(1,128)
Thereafter	-
Total	<u>\$ (43,042)</u>

I. Defined Other Post-Employment Benefit Plan

**Benefit Plan Description.** Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The plan is a single employer defined benefit group life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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 2020, 2019 and 2018 were \$1,836, \$1,750 and \$1,218 respectively, which equaled the required contributions each year.

**Employees covered by benefit terms.**

At the December 31, 2019 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	26
Total	<u>28</u>

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The TOL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount rate*	2.75%
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, 2019.

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 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. 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.

**Changes in the City's Total OPEB Liability:**

Covered Payroll	\$	916,621
Total OPEB Liability - beginning of year	\$	14,092
Changes for the year		
Service Cost		2,567
Interest on Total OPEB Liability		569
Changes of benefit terms		-
Differences between expected and actual experience		2,352
Changes in assumptions or other inputs		6,112
Benefit Payments **		(92)
Net changes		<u>11,508</u>
Total OPEB Liability - end of year	\$	<u>25,600</u>
Total OPEB Liability as a Percentage of Covered Payroll		2.79%

\*\*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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

1% Decrease 1.75%	Current Discount Rate 2.75%		1% Increase 3.75%
\$ 31,658	\$	25,600	\$ 20,968

## OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2020, the City recognized OPEB expense of \$5,835.

At September 30, 2020, 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	\$ 1,289	\$ 2,025
Changes in assumptions and other inputs	853	6,082
Contributions made subsequent to measurement date		66
Total (excluding contributions made subsequent to measurement date)	\$ 2,142	\$ 8,173

\$66 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, 2020. 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:

2020	\$ 952
2021	952
2022	952
2023	947
2024	754
Thereafter	1,408
Total	\$ 5,965

## J. Interfund Transfers

During the year ended September 30, 2020, the City's transfers between funds consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Recreation Fund	\$ 124,558
General Fund	Utility Fund	6,193
Utility Fund	Recreation Fund	337
Total		\$ 131,088

		Transfers		Transfers
		In		Out
General Fund	\$	75,000	\$	106,350
Debt Service Fund		56,000		
Enterprise Funds:				
Utility Fund				223,500
Recreation Fund		198,850		
Totals	\$	329,850	\$	329,850

K. 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.

L. Cash Flows Statement - Supplemental Disclosures

Since the City is tax exempt no income tax was paid in 2019 and 2020. The City paid interest in the amount of \$8,690 in 2019 and \$5,732 in 2020.

M. 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.

N. Subsequent Event

The City has evaluated subsequent events through March 11, 2021, the date which the financial statements were available to be issued. In October subsequent to year end the City issued a capital lease in the amount of \$217,321 for the purchase of golf course equipment. The City is not aware of any other subsequent events that materially impact the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MEADOWLAKES, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 420,000	\$ 422,000	\$ 421,549	\$ (451)
Franchise Tax	56,000	57,500	58,528	1,028
Other Taxes	1,500	1,400	1,393	(7)
Licenses and Permits	6,500	10,500	10,240	(260)
Fines	7,500	5,500	5,160	(340)
Investment Earnings	5,000	2,000	2,053	53
Other Revenue	107,400	112,525	115,685	3,160
Total Revenues	603,900	611,425	614,608	3,183
EXPENDITURES:				
Current:				
General Government	447,770	443,325	432,599	10,726
BCAD	13,100	12,100	12,011	89
Ordinance Enforcement/Public Safety	109,660	108,735	104,819	3,916
Traffic Control	43,050	30,725	30,109	616
Municipal Court	12,950	12,050	12,119	(69)
Total Expenditures	626,530	606,935	591,657	15,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,630)	4,490	22,951	18,461
OTHER FINANCING SOURCES (USES):				
Transfers In	75,000	101,860	75,000	(26,860)
Transfers Out (Use)	(50,000)	(106,350)	(106,350)	-
Total Other Financing Sources (Uses)	25,000	(4,490)	(31,350)	(26,860)
Net Change	2,370	-	(8,399)	(8,399)
Fund Balance - October 1 (Beginning)	299,342	299,342	299,342	-
Fund Balance - September 30 (Ending)	\$ 301,712	\$ 299,342	\$ 290,943	\$ (8,399)

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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>A. Total Pension Liability</b>			
Service Cost	\$ 86,804	\$ 71,514	\$ 72,461
Interest (on the Total Pension Liability)	42,874	36,787	32,346
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(14,900)	(2,873)	(5,442)
Changes of Assumptions	(2,803)	-	-
Benefit Payments, Including Refunds of Employee Contributions	(5,891)	(39,905)	(26,289)
Net Change in Total Pension Liability	\$ 106,084	\$ 65,523	\$ 73,076
Total Pension Liability - Beginning	594,717	529,194	456,118
Total Pension Liability - Ending	\$ 700,801	\$ 594,717	\$ 529,194
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 22,090	\$ 17,615	\$ 17,576
Contributions - Employee	64,163	52,695	53,961
Net Investment Income	89,371	(16,897)	63,291
Benefit Payments, Including Refunds of Employee Contributions	(5,891)	(39,905)	(26,289)
Administrative Expense	(517)	(335)	(338)
Other	(16)	(18)	(17)
Net Change in Plan Fiduciary Net Position	\$ 169,200	\$ 13,155	\$ 108,183
Plan Fiduciary Net Position - Beginning	591,918	578,764	470,581
Plan Fiduciary Net Position - Ending	\$ 761,118	\$ 591,919	\$ 578,764
<b>C. Net Pension Liability (Asset)</b>	\$ (60,317)	\$ 2,798	\$ (49,570)
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	108.61%	99.53%	109.37%
<b>E. Covered Payroll</b>	\$ 916,621	\$ 752,781	\$ 770,865
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	(6.58%)	0.37%	(6.43%)

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 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	73,961	\$	48,690	\$	40,640
	29,666		24,109		22,277
	-		-		-
	(33,198)		22,217		(26,644)
	-		15,757		-
	(33,655)		(22,995)		(5,259)
\$	36,774	\$	87,778	\$	31,014
	419,344		331,566		300,552
\$	456,118	\$	419,344	\$	331,566
\$	10,383	\$	8,033	\$	5,271
	55,910		38,512		32,651
	27,644		571		19,188
	(33,655)		(22,995)		(5,259)
	(313)		(348)		(200)
	(17)		(17)		(16)
\$	59,952	\$	23,755	\$	51,635
	410,629		386,874		335,239
\$	470,581	\$	410,629	\$	386,874
\$	(14,463)	\$	8,715	\$	(55,308)
	103.17%		97.92%		116.68%
\$	798,720	\$	550,170	\$	466,448
	(1.81%)		1.58%		(11.86%)

CITY OF MEADOWLAKES, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2020

	2020	2019	2018
Actuarially Determined Contribution	\$ 21,132	\$ 21,705	\$ 17,521
Contributions in Relation to the Actuarially Determined Contributions	21,132	21,705	17,521
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 885,104	\$ 906,812	\$ 754,262
Contributions as a Percentage of Covered Payroll	2.39%	2.39%	2.30%

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.

2017		2016		2015	
\$	14,942	\$	11,087	\$	6,391
	14,942		11,087		6,391
\$	-	\$	-	\$	-
\$	743,196	\$	826,357	\$	466,573
	2.01%		1.35%		1.37%

CITY OF MEADOWLAKES, TEXAS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2020

**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	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.</p> <p>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.</p>

**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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>Total OPEB Liability</b>			
Service Cost	\$ 2,567	\$ 2,334	\$ 2,158
Interest on the Total OPEB Liability	569	510	427
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	2,352	(1,807)	-
Changes of Assumptions	6,112	(1,195)	1,437
Benefit Payments*	(92)	-	-
Net Change in Total OPEB Liability	11,508	(158)	4,022
Total OPEB Liability - Beginning	14,092	14,250	10,228
Total OPEB Liability - Ending	\$ 25,600	\$ 14,092	\$ 14,250
<b>Covered Payroll</b>	\$ 916,621	\$ 752,781	\$ 770,865
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	2.79%	1.87%	1.85%

\*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.



CITY OF MEADOWLAKES, TEXAS  
NOTES TO THE SCHEDULE OF CHANGES IN THE  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
SEPTEMBER 30, 2020

**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 2.75%.
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.

---

March 11, 2021

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, 2020. 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, 2019. 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, 2020. 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.

---

TEL: 830 997 3348

EMAIL: [info@nb-cpa.com](mailto:info@nb-cpa.com)

P.O. Box 874 · 512 S Adams Street, Fredericksburg, TX 78624

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & TEXAS SOCIETY OF CPAs

#### *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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *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 11, 2021.

#### *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.

#### 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