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CITY OF MEADOWLAKES, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2021

CITY OF MEADOWLAKES  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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# NEFFENDORF & BLOCKER, P.C.

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## 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, 2021, 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.

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## **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, 2021, 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

February 11, 2022

## 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, 2021. 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 \$6,647,336 (net position). Of this amount, \$909,517 (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 \$530,263 as a result of this year's operations.
- At September 30, 2021, the City's governmental funds reported combined ending fund balances of \$344,890, an increase of \$43,244 in comparison with the prior year.
- At September 30, 2021, the City's Enterprise Funds reported unrestricted net position of \$592,554, an increase of \$131,354 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 \$1,716,627 to \$2,115,536. 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 \$316,963 at September 30, 2021. This increase in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$43,244. Second, the City paid principal on long-term debt of \$405,000. Third, the City recorded depreciation in the amounts of \$53,467. Fourth, a net decrease of \$4,844 due to required entries of GASB Statement No. 75 accounting and financial reporting for other post-employment benefits and fifth, a net increase of \$5,209 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 \$4,400,446 to \$4,531,800. Unrestricted net position was \$592,554 at September 30, 2021. This increase in business-type net position was the result of a net income of \$131,354.

**Table I**  
**City of Meadowlakes**

### NET POSITION

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Restricted Assets	\$ 459,550	\$ 428,270	\$ 1,113,792	\$ 588,218	\$ 1,573,342	\$ 1,016,488
Capital Assets	2,611,281	2,649,967	4,177,047	4,215,046	6,788,328	6,865,013
Total Assets	\$ 3,070,831	\$ 3,078,237	\$ 5,290,839	\$ 4,803,264	\$ 8,361,670	\$ 7,881,501
Deferred Outflow of Resources						
Deferred Outflow Related to Pension Plan	\$ 12,319	\$ 5,380	\$ 22,878	\$ 10,443	\$ 35,197	\$ 15,823
Deferred Outflow Related to OPEB	3,826	2,779	7,105	5,394	10,931	
Total Deferred Outflows of Resources	\$ 16,145	\$ 8,159	\$ 29,983	\$ 15,837	\$ 46,128	\$ 15,823
Long-Term Liabilities	\$ 432,984	\$ 843,704	\$ 188,312	\$ 56,396	\$ 621,296	\$ 900,100
Other Liabilities	520,405	503,467	576,113	332,389	1,096,518	835,856
Total Liabilities	\$ 953,389	\$ 1,347,171	\$ 764,425	\$ 388,785	\$ 1,717,814	\$ 1,735,956
Deferred Inflow of Resources						
Deferred Inflow Related to Pension Plan	\$ 10,906	\$ 14,660	\$ 20,253	\$ 28,456	\$ 31,159	\$ 43,116
Deferred Inflow Related to OPEB	2,339	728	4,344	1,414	6,683	
Deferred Inflow Refunding	4,806	7,210	-	-	4,806	7,210
Total Deferred Inflows of Resources	\$ 18,051	\$ 22,598	\$ 24,597	\$ 29,870	\$ 42,648	\$ 50,326
Net Position:						
Net Investment in Capital Assets	\$ 1,776,281	\$ 1,409,967	\$ 3,939,246	\$ 4,112,809	\$ 5,715,527	\$ 5,522,776
Restricted	22,292	10,703			22,292	10,703
Unrestricted	316,963	295,957	592,554	287,637	909,517	583,594
Total Net Position	\$ 2,115,536	\$ 1,716,627	\$ 4,531,800	\$ 4,400,446	\$ 6,647,336	\$ 6,117,073

Table II  
City of Meadowlakes

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Property Taxes	\$ 838,485	\$ 795,891	\$	\$	\$ 838,485	\$ 795,891
Franchise Tax	55,730	58,528			55,730	58,528
Charges for Services	7,502	15,400	2,383,746	2,184,631	2,391,248	2,200,031
Miscellaneous	119,997	117,567	42,026	10,781	162,023	128,348
Contributions and Donations					-	-
Interest Earnings	3,128	3,893	3,276	2,715	6,404	6,608
Total Revenue	\$ 1,024,842	\$ 991,279	\$ 2,429,048	\$ 2,198,127	\$ 3,453,890	\$ 3,189,406
Expenses:						
General Government	\$ 505,636	\$ 492,275	\$	\$	\$ 505,636	\$ 492,275
BCAD	12,919	12,011			12,919	12,011
Building Committee					-	-
Flood Plain Administrator					-	-
Ordinance Enforcement/Public Safety	124,915	104,819			124,915	104,819
Traffic Control	31,739	30,109			31,739	30,109
Municipal Court	9,543	12,119			9,543	12,119
Animal Control					-	-
Water and Sewer			1,188,735	1,066,964	1,188,735	1,066,964
Recreation Fund			1,038,790	1,066,287	1,038,790	1,066,287
Debt Service - Interest	19,681	33,150	5,287	919	24,968	34,069
Fiscal Agent's Fees					-	-
Issuance Costs					-	-
Total Expenses	\$ 704,433	\$ 684,483	\$ 2,232,812	\$ 2,134,170	\$ 2,937,245	\$ 2,818,653
Increase (Decrease) in Net Position						
Before Transfers & Capital Contributions	\$ 320,409	\$ 306,796	\$ 196,236	\$ 63,957	\$ 516,645	\$ 370,753
Grants			13,618		13,618	-
Transfers	78,500	24,650	(78,500)	(24,650)	-	-
Net Change	398,909	331,446	131,354	39,307	530,263	370,753
Net Position - Beginning	1,716,627	1,385,181	4,400,446	4,361,139	6,117,073	5,746,320
Prior Period Adjustment					-	-
Net Position - Ending	\$ 2,115,536	\$ 1,716,627	\$ 4,531,800	\$ 4,400,446	\$ 6,647,336	\$ 6,117,073

The cost of all governmental activities this year was \$704,433. 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 \$838,485 because the other costs were paid by franchise tax (\$55,730), user charges (\$7,502), interest (\$3,128) and other miscellaneous (\$118,015).

## 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 \$344,890, which is more than last year's total of \$301,646. Included in this year's total change in fund balance is an increase of \$31,655 in the City's General Fund. This increase in the General Fund balance was caused by the excess of revenues over expenditures.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2021, the City had the following amounts invested in capital assets, net of depreciation:

### CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2021	2020	2021	2020	2021	2020
Land and Improvements	\$ 1,861,410	\$ 1,861,410	\$ 42,334	\$ 42,334	\$ 1,903,744	\$ 1,903,744
Infrastructure			6,729,303	6,705,054	6,729,303	6,705,054
Buildings	1,209,508	1,209,508	422,259	422,259	1,631,767	1,631,767
Improvements	220,505	205,724	486,554	486,554	707,059	692,278
Machinery & Equipment	170,808	170,908	1,328,745	1,115,405	1,499,553	1,286,313
Construction in Progress	-	-	-	-	-	-
Total Capital Assets	\$ 3,462,231	\$ 3,447,550	\$ 9,009,195	\$ 8,771,606	\$ 12,471,426	\$ 12,219,156
Less: Accumulated Depreciation	(851,050)	(797,583)	(4,832,148)	(4,556,559)	(5,683,198)	(5,354,142)
Capital Assets, Net	\$ 2,611,181	\$ 2,649,967	\$ 4,177,047	\$ 4,215,047	\$ 6,788,228	\$ 6,865,014

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

## DEBT

At September 30, 2021, the City had the following outstanding debt:

### OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2021	2020	2021	2020	2021	2020
Bonds Payable	\$ 835,000	\$ 1,240,000	\$ -	\$ -	\$ 835,000	\$ 1,240,000
Notes Payable			237,801	102,237	237,801	102,237
Net Pension Liability					-	-
Net OPEB Liability	12,984	8,704	24,112	16,896	37,096	25,600
Compensated Absences	24,722	22,053	24,164	30,141	48,886	52,194
Total Outstanding Debt	<u>\$ 872,706</u>	<u>\$ 1,270,757</u>	<u>\$ 286,077</u>	<u>\$ 149,274</u>	<u>\$ 1,158,783</u>	<u>\$ 1,420,031</u>

For governmental activities, the City paid \$405,000 in principal payments on long-term debt.

For business-type activities the City paid principal payments in the amount of \$62,892.

More detailed information about the City's long-term liabilities is presented in Notes F, G, and H 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 2022 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 2022. Amounts available for appropriation in the General Fund budget are \$876,050 (including a transfer in from other funds in the amount of \$215,000) and expenditures are estimated to be \$876,050 (including a transfer out to other funds in the amount of \$165,500).

If these estimates are realized, the City's budgetary General fund balance is expected to remain the same by the close of 2022.

## 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, 2021

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 274,974	\$ 1,003,997	\$ 1,278,971
Investments - Current	200	-	200
Taxes Receivable, Net	17,255	-	17,255
Accounts Receivable (Net)	3,682	134,264	137,946
Due from Other Funds	144,137	(144,137)	-
Inventories	-	57,557	57,557
Prepaid Items	4,278	34,211	38,489
Capital Assets:			
Land Purchase and Improvements	1,861,410	42,334	1,903,744
Infrastructure, Net	-	2,955,403	2,955,403
Buildings, Net	662,185	178,073	840,258
Improvements other than Buildings, Net	87,587	376,015	463,602
Furniture and Equipment, Net	99	625,222	625,321
Net Pension Asset	15,024	27,900	42,924
Total Assets	3,070,831	5,290,839	8,361,670
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	12,319	22,878	35,197
Deferred Resource Outflow Related to OPEB	3,826	7,105	10,931
Total Deferred Outflows of Resources	16,145	29,983	46,128
<b>LIABILITIES</b>			
Accounts Payable	7,742	163,309	171,051
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	24,722	24,164	48,886
Intergovernmental Payable	-	1,304	1,304
Accrued Interest Payable	1,371	-	1,371
Unearned Revenues	36,283	210,990	247,273
Other Current Liabilities	35,287	100,660	135,947
Noncurrent Liabilities:			
Debt Due Within One Year	415,000	73,602	488,602
Due in More Than One Year:			
Due in More Than One Year	420,000	164,199	584,199
Net OPEB Liability	12,984	24,113	37,097
Total Liabilities	953,389	764,425	1,717,814
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	10,906	20,253	31,159
Deferred Resource Inflow Related to OPEB	2,339	4,344	6,683
Deferred Resource Inflow for Refunding	4,806	-	4,806
Total Deferred Inflows of Resources	18,051	24,597	42,648
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,776,281	3,939,246	5,715,527
Restricted for Debt Service	22,292	-	22,292
Unrestricted Net Position	316,963	592,554	909,517
Total Net Position	\$ 2,115,536	\$ 4,531,800	\$ 6,647,336

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	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 505,636	\$ 4,951	\$ -
BCAD	12,919	-	-
Ordinance Enforcement/Public Safety	124,915	2,551	-
Traffic Control	31,739	-	-
Municipal Court	9,543	-	-
Interest on Debt	19,681	-	-
Total Governmental Activities	704,433	7,502	-
BUSINESS-TYPE ACTIVITIES:			
Public Works Fund	1,188,735	1,467,721	13,619
Recreation Fund	1,044,077	916,025	-
Total Business-Type Activities	2,232,812	2,383,746	13,619
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,937,245</b>	<b>\$ 2,391,248</b>	<b>\$ 13,619</b>

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
\$ (500,685)	\$ -	\$ (500,685)
(12,919)	-	(12,919)
(122,364)	-	(122,364)
(31,739)	-	(31,739)
(9,543)	-	(9,543)
(19,681)	-	(19,681)
(696,931)	-	(696,931)
-	292,605	292,605
-	(128,052)	(128,052)
-	164,553	164,553
(696,931)	164,553	(532,379)
461,167	-	461,167
377,318	-	377,318
55,730	-	55,730
1,982	-	1,982
118,015	42,026	160,041
3,128	3,275	6,403
78,500	(78,500)	-
1,095,840	(33,199)	1,062,641
398,909	131,354	530,263
1,716,627	4,400,446	6,117,073
\$ 2,115,536	\$ 4,531,800	\$ 6,647,336

CITY OF MEADOWLAKES, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021

EXHIBIT C-1

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 252,682	\$ 22,292	\$ 274,974
Investments - Current	200	-	200
Taxes Receivable	9,433	7,822	17,255
Accounts Receivable (Net)	613	-	613
Due from Other Funds	144,137	-	144,137
Prepaid Items	4,278	-	4,278
Total Assets	<u>\$ 411,343</u>	<u>\$ 30,114</u>	<u>\$ 441,457</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,742	\$ -	\$ 7,742
Unearned Revenues	36,283	-	36,283
Other Current Liabilities	35,287	-	35,287
Total Liabilities	<u>79,312</u>	<u>-</u>	<u>79,312</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	9,433	7,822	17,255
Total Deferred Inflows of Resources	<u>9,433</u>	<u>7,822</u>	<u>17,255</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	22,292	22,292
Unassigned Fund Balance	322,598	-	322,598
Total Fund Balances	<u>322,598</u>	<u>22,292</u>	<u>344,890</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 411,343</u>	<u>\$ 30,114</u>	<u>\$ 441,457</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, 2021

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 344,890</b>
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.	1,398,051
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase net position.	425,520
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 \$15,023, a Deferred Resource Outflow of \$12,319 and a Deferred Resource Inflow of \$10,905. The net effect of these was to increase net position.	16,437
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 \$12,984, a Deferred Resource Outflow of \$3,826 and a Deferred Resource Inflow of \$2,339. The net effect of these was to decrease net position.	(11,497)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(53,467)
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 decrease net position.	(4,398)
<b>Net Position of Governmental Activities</b>	<b>\$ 2,115,536</b>

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, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 468,505	\$ 384,674	\$ 853,179
Franchise Tax	55,730	-	55,730
Other Taxes	1,982	-	1,982
Licenses and Permits	4,875	-	4,875
Fines	2,626	-	2,626
Investment Earnings	1,793	1,335	3,128
Other Revenue	117,406	-	117,406
Total Revenues	652,917	386,009	1,038,926
<b>EXPENDITURES:</b>			
Current:			
General Government	449,865	-	449,865
BCAD	12,919	-	12,919
Ordinance Enforcement/Public Safety	124,915	-	124,915
Traffic Control	31,739	-	31,739
Municipal Court	9,543	-	9,543
Debt Service:			
Principal on Debt	-	405,000	405,000
Interest on Debt	-	25,420	25,420
Capital Outlay:			
Capital Outlay	14,781	-	14,781
Total Expenditures	643,762	430,420	1,074,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,155	(44,411)	(35,256)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	215,000	56,000	271,000
Transfers Out (Use)	(192,500)	-	(192,500)
Total Other Financing Sources (Uses)	22,500	56,000	78,500
Net Change in Fund Balances	31,655	11,589	43,244
Fund Balance - October 1 (Beginning)	290,943	10,703	301,646
Fund Balance - September 30 (Ending)	\$ 322,598	\$ 22,292	\$ 344,890

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

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, 2021

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 43,244
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase the change in net position.	425,520
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.	5,209
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.	(4,844)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(53,467)
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 decrease the change in net position.	(16,753)
<b>Change in Net Position of Governmental Activities</b>	\$ 398,909

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, 2021

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	\$ 832,921	\$ 171,076	\$ 1,003,997
Accounts Receivable (Net)	133,103	1,161	134,264
Due from Other Funds	198	-	198
Inventories	32,945	24,612	57,557
Prepaid Items	6,924	27,287	34,211
Total Current Assets	1,006,091	224,136	1,230,227
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	42,334	-	42,334
Infrastructure	6,729,302	-	6,729,302
Accumulated Depreciation - Infrastructure	(3,773,899)	-	(3,773,899)
Buildings	410,959	5,500	416,459
Accumulated Depreciation - Buildings	(229,874)	-	(229,874)
Improvements other than Buildings	279,082	221,400	500,482
Accumulated Depreciation - Other Improvements	(91,971)	-	(91,971)
Furniture and Equipment	690,831	629,786	1,320,617
Accumulated Depreciation - Furniture & Equipment	(339,176)	-	(339,176)
Accumulated Depreciation - Capital Assets	-	(397,227)	(397,227)
Net Pension Asset	12,448	15,452	27,900
Total Noncurrent Assets	3,730,036	474,911	4,204,947
Total Assets	4,736,127	699,047	5,435,174
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	10,207	12,671	22,878
Deferred Resource Outflow Related to OPEB	3,170	3,935	7,105
Total Deferred Outflows of Resources	13,377	16,606	29,983

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, 2021

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	73,257	90,052	163,309
Wages and Salaries Payable	-	2,084	2,084
Compensated Absences Payable	8,273	15,891	24,164
Intergovernmental Payable	1,304	-	1,304
Due to Other Funds	15,969	128,366	144,335
Unearned Revenues	210,990	-	210,990
Notes Payable - Current	-	73,602	73,602
Other Current Liabilities	89,160	11,500	100,660
Total Current Liabilities	398,953	321,495	720,448
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	-	164,199	164,199
Net OPEB Liability	10,758	13,355	24,113
Total Noncurrent Liabilities	10,758	177,554	188,312
Total Liabilities	409,711	499,049	908,760
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	9,036	11,217	20,253
Deferred Resource Inflow Related to OPEB	1,938	2,406	4,344
Total Deferred Inflows of Resources	10,974	13,623	24,597
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,717,588	221,658	3,939,246
Unrestricted Net Position	611,231	(18,677)	592,554
Total Net Position	\$ 4,328,819	\$ 202,981	\$ 4,531,800

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, 2021

EXHIBIT D-2 (Cont'd)

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 1,467,721	\$ 916,025	\$ 2,383,746
Other Revenue	23,451	18,575	42,026
Total Operating Revenues	1,491,172	934,600	2,425,772
OPERATING EXPENSES:			
Proprietary Fund Function - Water			
Personnel Services - Salaries and Wages	282,965	-	282,965
Personnel Services - Employee Benefits	113,124	-	113,124
Purchased Professional & Technical Services	219,321	-	219,321
Purchased Property Services	204,856	-	204,856
Other Operating Costs	70,421	-	70,421
Supplies	61,746	-	61,746
Total Proprietary Fund Function - Water	952,433	-	952,433
Proprietary Fund Function - Golf			
Personnel Services - Salaries and Wages	-	289,415	289,415
Personnel Services - Employee Benefits	-	83,314	83,314
Purchased Property Services	-	70,743	70,743
Other Operating Costs	-	147,593	147,593
Supplies	-	46,591	46,591
Total Proprietary Fund Function - Golf	-	637,656	637,656
Proprietary Fund Function - Tennis			
Personnel Services - Salaries and Wages	-	1,433	1,433
Purchased Property Services	-	655	655
Total Proprietary Fund Function - Tennis	-	2,088	2,088
Proprietary Fund Function - Swimming			
Purchased Property Services	-	330	330
Proprietary Fund Function - Restaurant & Bar			
Personnel Services - Salaries and Wages	-	146,906	146,906
Personnel Services - Employee Benefits	-	36,001	36,001
Purchased Property Services	-	6,907	6,907
Other Operating Costs	-	3,955	3,955
Supplies	-	86,337	86,337
Total Proprietary Fund Function - Restaurant & Bar	-	280,106	280,106
Depreciation	236,302	118,610	354,912
Total Operating Expenses	1,188,735	1,038,790	2,227,525
Operating Income (Loss)	302,437	(104,190)	198,247
NONOPERATING REVENUES (EXPENSES):			
Grants (Not Capital Grants)	13,618	-	13,618
Investment Earnings	2,677	599	3,276
Interest Expense - Non-Operating	-	(5,287)	(5,287)
Total Nonoperating Revenue (Expenses)	16,295	(4,688)	11,607

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, 2021

	Business-Type Activities - Enterprise Funds		
	Public Works Fund	Recreation Fund	Total Enterprise Funds
Income (Loss) Before Transfers	318,732	(108,878)	209,854
Non-Operating Transfers In	-	192,500	192,500
Transfers Out (Use)	(271,000)	-	(271,000)
Change in Net Position	47,732	83,622	131,354
Total Net Position - October 1 (Beginning)	4,281,087	119,359	4,400,446
Total Net Position - September 30 (Ending)	<u>\$ 4,328,819</u>	<u>\$ 202,981</u>	<u>\$ 4,531,800</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, 2021

	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	\$ 1,449,801	\$ 914,864	\$ 2,364,665
Cash Received from Assessments - Other	234,440	18,574	253,014
Cash Payments to Employees for Services	(396,877)	(562,551)	(959,428)
Cash Payments for Suppliers	(61,746)	(132,928)	(194,674)
Cash Payments for Other Operating Expenses	(468,916)	(211,782)	(680,698)
Net Cash Provided by Operating Activities	<u>756,702</u>	<u>26,177</u>	<u>782,879</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	<u>(271,000)</u>	<u>192,500</u>	<u>(78,500)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(84,149)	(239,475)	(323,624)
Grant Revenue	13,618	-	13,618
Disposal of Assets	-	6,712	6,712
Capital Lease Proceeds	-	198,456	198,456
Capital Lease Payments	-	(62,892)	(62,892)
Interest Paid - Capital Lease	-	(5,287)	(5,287)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(70,531)</u>	<u>(102,486)</u>	<u>(173,017)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>2,676</u>	<u>599</u>	<u>3,275</u>
Net Increase in Cash and Cash Equivalents	417,847	116,790	534,637
Cash and Cash Equivalents at the Beginning of the Year	<u>415,074</u>	<u>54,286</u>	<u>469,360</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 832,921</u>	<u>\$ 171,076</u>	<u>\$ 1,003,997</u>

CITY OF MEADOWLAKES, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	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 Operating Activities:</u>			
Operating Income (Loss)	\$ 302,437	\$ (104,190)	\$ 198,247
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	236,302	118,610	354,912
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(17,921)	(1,162)	(19,083)
Decrease (Increase) in Inventories	5,005	(7,736)	(2,731)
Decrease (Increase) in Prepaid Expenses	(1,366)	6,946	5,580
Increase (Decrease) in Accounts Payable	10,175	4,252	14,427
Increase (Decrease) in Compensated Absences	(194)	(5,783)	(5,977)
Increase (Decrease) in Due To/Due From	9,915	3,471	13,386
Increase (Decrease) in Other Current Liabilities	1,884	11,468	13,352
Increase (Decrease) in Unearned Revenue	210,990	-	210,990
Increase (Decrease) in Pension and OPEB Accounts	(594)	301	(293)
Increase (Decrease) in Intergovernmental Payable	69	-	69
Net Cash Provided by Operating Activities	<u>\$ 756,702</u>	<u>\$ 26,177</u>	<u>\$ 782,879</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, 2021

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Corporation leased the restaurant from the City in June of 2021(see note O) but had no transactions for the year ended September 30, 2021.

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, 2021.

Statement No.	Title	Adoption Required
87	Leases Component Unit and 457	September 30, 2022
97	Deferred Compensation Plans	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, 2021, the carrying amount of the City's deposits was \$1,277,710 and the bank balance was \$1,256,443. The City's cash deposits held at September 30, 2021 and during the year ended September 30, 2021 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, 2021, 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 2020 tax roll, the assessed valuation was \$287,240,035. The tax rate was \$.1569 for maintenance and operations and \$.1301 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 10/1/20	Additions	Deletions	Balance 9/30/21
Land	\$ 42,334	\$	\$	\$ 42,334
Infrastructure	6,705,054	24,249		6,729,303
Buildings	422,259			422,259
Improvements	486,554			486,554
Machinery and Equipment	1,115,405	299,375	(86,035)	1,328,745
Totals	\$ 8,771,606	\$ 323,624	\$ (86,035)	\$ 9,009,195
Accumulated Depreciation	(4,556,559)	(354,912)	79,323	(4,832,148)
Fixed Assets, Net	\$ 4,215,047	\$ (31,288)	\$ (6,712)	\$ 4,177,047

D. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2021, 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	14,781		220,505
Machinery and Equipment	170,808			170,808
Construction in Progress	-	-	-	-
Totals	3,447,450	14,781	-	3,462,231
Accumulated Depreciation	(797,583)	(53,467)		(851,050)
Capital Assets, Net	\$ 2,649,867	\$ (38,686)	\$ -	\$ 2,611,181

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

\$ (53,467)  
\$ (53,467)

#### E. Deferred Outflows and Inflows of Resources

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

Deferred outflows on the Statement of Net Position consists of the TMRS pension deferred outflow of \$35,197 (see note J) and the TMRS OPEB deferred outflow of \$10,931 (see note K).

Deferred inflows on the Statement of Net Position consists of the TMRS pension deferred inflow of \$31,159 (see note J), the TMRS OPEB deferred inflow of \$6,683 (see note K) and the deferred charge for refunding, which is amortized over the life of the refunding bond of \$4,806.

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

	General Fund	Debt Service Fund	Total
Delinquent Property Tax	9,433	7,822	17,255
Deferred Inflows - Exhibit C-1	9,433	7,822	17,255

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

A summary of changes in long-term debt for the year ended September 30, 2021 follows:

Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/20	Additions	Deletions	Amounts Outstanding 9/30/21	Due in One Year
Governmental Activities:								
<u>Bonds Payable</u>								
General Obligation								
Refunding Bond - Series 2013	2.05%	\$ 3,340,000	\$ 41,512	\$ 1,240,000	\$	(405,000)	\$ 835,000	\$ 415,000
Net Pension Liability	N/A	N/A	N/A	0			-	N/A
Net OPEB Liability	N/A	N/A	N/A	8,704	4,280		12,984	N/A
Compensated Absences	N/A	N/A	N/A	22,053	2,669		24,722	N/A
Total		\$ 3,340,000	\$ 41,512	\$ 1,270,757	\$ 6,949	\$ (405,000)	\$ 872,706	\$ 415,000

Description	Interest Rate	Amounts Original Issue	Interest Paid	Amounts Outstanding 10/1/20	Additions	Deletions	Amounts Outstanding 9/30/21	Due in One Year
<b>Business-Type Activities:</b>								
<u>Other Long-Term Debt</u>								
Note Payable								
Meadowlakes POA	2.25%	\$ 223,112	\$ 66	\$ 11,761	\$	(11,761)	\$ -	
First Security State Bank	3.97%	197,001	5,158	90,476	-	(51,131)	39,345	39,345
Citizens First Bank	2.64%	198,456			198,456		198,456	34,257
Net Pension Liability	N/A	N/A	N/A	-			-	N/A
Net OPEB Liability	N/A	N/A	N/A	16,896	7,216		24,112	N/A
Compensated Absences	N/A	N/A	N/A	30,141		(5,977)	24,164	N/A
Total		\$ 618,569	\$ 5,224	\$ 149,274	\$ 205,672	\$ (68,869)	\$ 286,077	\$ 73,602

**G. 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:

<b>Governmental Activities:</b>			
Year Ended	Bonds Payable		
September 30	Principal	Interest	Total
2022	\$ 415,000	\$ 17,118	\$ 432,118
2023	420,000	8,610	428,610
	\$ 835,000	\$ 25,728	\$ 860,728

**H. Capital Lease**

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

On February 20, 2018 the City entered into a 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, 2021 follows:

Year Ended <u>September 30</u>		
2022	\$	83,721
2023		43,391
2024		43,391
2025		43,391
2026		43,390
Total Minimum Lease Payments	\$	257,284
Less Amount Representing Interest		19,483
Present Value of Lease Payments	\$	<u>237,801</u>

I. Unearned Revenue

Unspent Coronavirus Local Fiscal Recovery Funds (federal grant) in the amount of \$210,990 are classified as unearned revenue in the Public Works Fund. The funds will be utilized for improvements to the utility system assets.

J. 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 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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

	Plan Year 2019	Plan Year 2020
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	10
Active employees	26
	<hr/> 38

**Contributions**

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

Employees for the City of Meadowlakes, Texas were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Meadowlakes, Texas were 2.38% and 2.40% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$21,195, and were equal to the required contributions.

**Net Pension Asset**

The city's Net Pension Asset (NPA) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 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%	3.48%
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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2019	\$ 700,801	\$ 761,118	\$ (60,317)
Changes for the year:			
Service cost	83,000		83,000
Interest	48,334		48,334
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	24,517		-
Changes in Assumptions	-		-
Contributions - Employer		20,815	(20,815)
Contributions - Employee		61,222	(61,222)
Net investment income		56,807	(56,807)
Benefit Payments, Including Refunds of Employee Contributions	(52,494)	(52,494)	-
Administrative Expense		(374)	374
Other Changes		(15)	15
	-		-
Net Changes	103,357	85,961	(7,121)
Balances as of December 31, 2020	\$ 804,158	\$ 847,082	\$ (42,924)

#### 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%
\$ 57,132	\$ (42,923)	\$ (126,501)

#### *Pension Plan Fiduciary Net Position*

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$13,937.

At September 30, 2021 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	\$ 11,486	\$ 19,069
Changes of assumptions	1,753	-
Net difference between projected and actual earnings	17,919	-
Contributions made subsequent to measurement date	-	16,128
Total	<u>\$ 31,158</u>	<u>\$ 35,197</u>

\$16,128 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset for the year ending September 30, 2021. 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:	
2021	\$ (5,639)
2022	1,879
2023	(8,838)
2024	509
2025	-
Thereafter	-
Total	<u>\$ (12,089)</u>

K. Defined Other Post-Employment Benefit Plan

The City participates as one of 777 cities in the Texas Municipal Retirement System ("TMRS") optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active Members, with optional coverage for their retirees. A city may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

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

The City's contributions to the TMRS SDBF for the year ended 2021, 2020 and 2019 were \$1,925, \$1,836 and \$1,750 respectively, which equaled the required contributions each year.

#### Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	26
Total	<u>28</u>

#### Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

#### *Actuarial assumptions:*

The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount rate*	2.00%
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, 2020.

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

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

Covered Payroll	\$	874,601
Total OPEB Liability - beginning of year	\$	25,600
Changes for the year		
Service Cost		11,720
Interest on Total OPEB Liability		864
Changes of benefit terms		-
Differences between expected and actual experience		(5,976)
Changes in assumptions or other inputs		4,975
Benefit Payments **		(87)
Net changes		<u>11,496</u>
Total OPEB Liability - end of year	\$	<u>37,096</u>
Total OPEB Liability as a Percentage of Covered Payroll		4.24%

\*\*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 2.0%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease 1.00%	Current Discount Rate		1% Increase 3.00%
\$ 45,337		\$ 37,096	\$ 30,532

### OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2021, the City recognized OPEB expense of \$13,280.

At September 30, 2021, 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	\$ 6,002	\$ 1,698
Changes in assumptions and other inputs	682	9,166
Contributions made subsequent to measurement date		67
Total (excluding contributions made subsequent to measurement date)	\$ 6,684	\$ 10,931

\$67 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, 2021. 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:

2021	\$ 784
2022	784
2023	779
2024	586
2025	1,015
Thereafter	232
Total	\$ 4,180

### L. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Recreation Fund	\$ 128,168
General Fund	Utility Fund	15,969
Utility Fund	Recreation Fund	198
Total		\$ 144,335

		Transfers In		Transfers Out
General Fund	\$	215,000	\$	192,500
Debt Service Fund		56,000		
Enterprise Funds:				
Utility Fund				271,000
Recreation Fund		192,500		
Totals	\$	463,500	\$	463,500

M. 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.

N. Cash Flows Statement - Supplemental Disclosures

Since the City is tax exempt no income tax was paid in 2020 and 2021. The City paid interest in the amount of \$5,732 in 2020 and \$5,287 in 2021.

O. Contingencies and Contracts

On September 30, 2019 the City entered into a contract with the Meadowlakes Property Owners' Association, Inc. (POA) to provide services to the POA. The term of the contract is for three (3) years beginning October 1, 2019 and ending September 30, 2022. The contract states the cost for services will be \$104,130 paid monthly for the first twelve (12) months and adjusted in the following (2) years by amounts equal to the changes in the Consumer Price Index. The POA paid the City \$107,120 for the year ended September 30, 2021.

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

P. 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.

Q. Subsequent Event

The City has evaluated subsequent events through February 11, 2022, the date which the financial statements were available to be issued. In September 2021 the City was awarded a Coronavirus Local Fiscal Recovery Funds federal grant in the amount of \$210,990. The City plans to use the funds in the subsequent year to make improvements to the utility system assets. 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, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 448,225	\$ 469,000	\$ 468,505	\$ (495)
Franchise Tax	58,500	55,800	55,730	(70)
Other Taxes	1,800	1,750	1,982	232
Licenses and Permits	6,000	10,875	4,875	(6,000)
Fines	7,500	4,200	2,626	(1,574)
Investment Earnings	3,000	3,000	1,793	(1,207)
Other Revenue	112,125	113,125	117,406	4,281
Total Revenues	637,150	657,750	652,917	(4,833)
EXPENDITURES:				
Current:				
General Government	456,950	449,865	449,865	-
BCAD	13,100	13,100	12,919	181
Ordinance Enforcement/Public Safety	111,625	125,650	124,915	735
Traffic Control	42,050	34,525	31,739	2,786
Municipal Court	12,700	12,660	9,543	3,117
Capital Outlay:				
Capital Outlay	-	15,000	14,781	219
Total Expenditures	636,425	650,800	643,762	7,038
Excess (Deficiency) of Revenues Over (Under) Expenditures	725	6,950	9,155	2,205
OTHER FINANCING SOURCES (USES):				
Transfers In	215,000	215,000	215,000	-
Transfers Out (Use)	(192,500)	(192,500)	(192,500)	-
Total Other Financing Sources (Uses)	22,500	22,500	22,500	-
Net Change	23,225	29,450	31,655	2,205
Fund Balance - October 1 (Beginning)	290,943	290,943	290,943	-
Fund Balance - September 30 (Ending)	\$ 314,168	\$ 320,393	\$ 322,598	\$ 2,205

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
<b>A. Total Pension Liability</b>			
Service Cost	\$ 83,000	\$ 86,804	\$ 71,514
Interest (on the Total Pension Liability)	48,334	42,874	36,787
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	24,517	(14,900)	(2,873)
Changes of Assumptions	-	(2,803)	-
Benefit Payments, Including Refunds of Employee Contributions	(52,494)	(5,891)	(39,905)
Net Change in Total Pension Liability	\$ 103,357	\$ 106,084	\$ 65,523
Total Pension Liability - Beginning	700,801	594,717	529,194
Total Pension Liability - Ending	<u>\$ 804,158</u>	<u>\$ 700,801</u>	<u>\$ 594,717</u>
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 20,815	\$ 22,090	\$ 17,615
Contributions - Employee	61,222	64,163	52,695
Net Investment Income	56,807	89,371	(16,897)
Benefit Payments, Including Refunds of Employee Contributions	(52,494)	(5,891)	(39,905)
Administrative Expense	(374)	(517)	(335)
Other	(15)	(16)	(18)
Net Change in Plan Fiduciary Net Position	\$ 85,961	\$ 169,200	\$ 13,155
Plan Fiduciary Net Position - Beginning	761,118	591,918	578,764
Plan Fiduciary Net Position - Ending	<u>\$ 847,079</u>	<u>\$ 761,118</u>	<u>\$ 591,919</u>
<b>C. Net Pension Liability (Asset)</b>	<u>\$ (42,921)</u>	<u>\$ (60,317)</u>	<u>\$ 2,798</u>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	105.34%	108.61%	99.53%
<b>E. Covered Payroll</b>	\$ 874,601	\$ 916,621	\$ 752,781
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	(4.91%)	(6.58%)	0.37%

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 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
\$	72,461	\$	73,961	\$	48,690	\$	40,640
	32,346		29,666		24,109		22,277
	-		-		-		-
	(5,442)		(33,198)		22,217		(26,644)
	-		-		15,757		-
	(26,289)		(33,655)		(22,995)		(5,259)
\$	73,076	\$	36,774	\$	87,778	\$	31,014
	456,118		419,344		331,566		300,552
\$	529,194	\$	456,118	\$	419,344	\$	331,566
\$	17,576	\$	10,383	\$	8,033	\$	5,271
	53,961		55,910		38,512		32,651
	63,291		27,644		571		19,188
	(26,289)		(33,655)		(22,995)		(5,259)
	(338)		(313)		(348)		(200)
	(17)		(17)		(17)		(16)
\$	108,183	\$	59,952	\$	23,755	\$	51,635
	470,581		410,629		386,874		335,239
\$	578,764	\$	470,581	\$	410,629	\$	386,874
\$	(49,570)	\$	(14,463)	\$	8,715	\$	(55,308)
	109.37%		103.17%		97.92%		116.68%
\$	770,865	\$	798,720	\$	550,170	\$	466,448
	(6.43%)		(1.81%)		1.58%		(11.86%)

CITY OF MEADOWLAKES, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2021

	2021	2020	2019
Actuarially Determined Contribution	\$ 21,195	\$ 21,132	\$ 21,705
Contributions in Relation to the Actuarially Determined Contributions	21,195	21,132	21,705
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 884,897	\$ 885,104	\$ 906,812
Contributions as a Percentage of Covered Payroll	2.39%	2.39%	2.39%

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

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

	2017	2016	2015	2014
\$	17,521	\$ 14,942	\$ 11,087	\$ 6,391
	17,521	14,942	11,087	6,391
\$	-	\$ -	\$ -	\$ -
\$	754,262	\$ 743,196	\$ 826,357	\$ 466,573
	2.30%	2.01%	1.35%	1.37%

CITY OF MEADOWLAKES, TEXAS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2021

**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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 11,720	\$ 2,567	\$ 2,334	\$ 2,158
Interest on the Total OPEB Liability	864	569	510	427
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(5,976)	2,352	(1,807)	-
Changes of Assumptions	4,975	6,112	(1,195)	1,437
Benefit Payments*	(87)	(92)	-	-
Net Change in Total OPEB Liability	-0-	11,508	(158)	4,022
Total OPEB Liability - Beginning	25,600	14,092	14,250	10,228
Total OPEB Liability - Ending	<u>\$ 25,600</u>	<u>\$ 25,600</u>	<u>\$ 14,092</u>	<u>\$ 14,250</u>
<b>Covered Payroll</b>	<b>\$ 874,601</b>	<b>\$ 916,621</b>	<b>\$ 752,781</b>	<b>\$ 770,865</b>
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>4.24%</b>	<b>2.79%</b>	<b>1.87%</b>	<b>1.85%</b>

\*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, 2021

**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 2.00%.
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.

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February 11, 2022

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, 2021. 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, 2021. 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, 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

### *Difficulties Encountered in Performing the Audit*

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

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#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 February 11, 2022.

#### *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