

ANNUAL FINANCIAL REPORT

of the

**CITY OF MEADOWS PLACE,
TEXAS**

**For the Year Ended
September 30, 2022**

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CITY OF MEADOWS PLACE, TEXAS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Meadows Place, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Meadows Place (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and other postemployment benefit liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, 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.

The logo for Belt Harris Pechacek, LLLP features the names 'BELT HARRIS PECHACEK, LLLP' in a stylized, serif font. The letters are intertwined and have a decorative, calligraphic quality.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 20, 2022

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

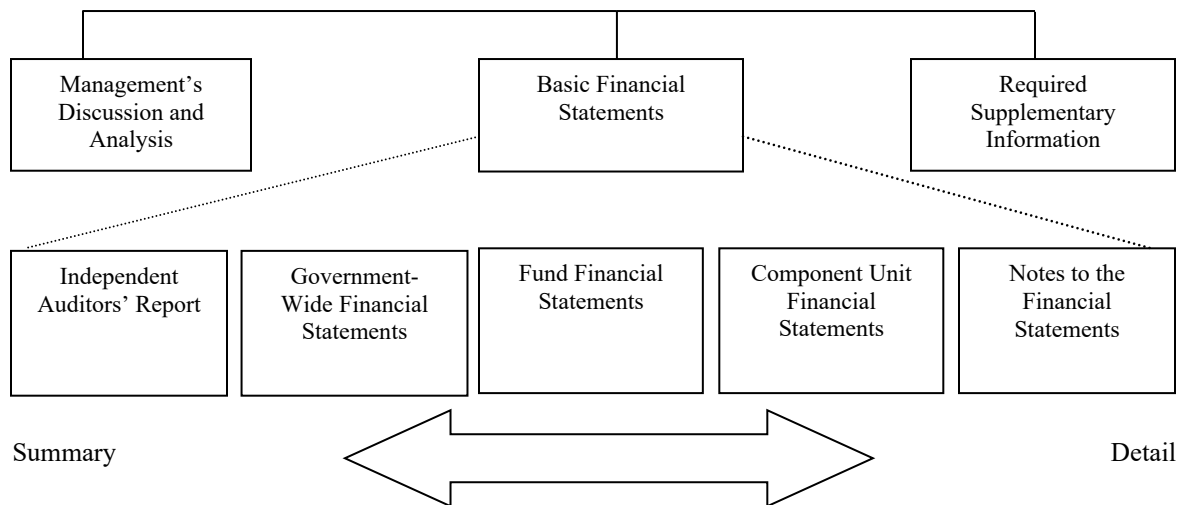
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CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

The purpose of the Management’s Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Meadows Place, Texas (the “City”) for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City’s activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City’s financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City’s basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City’s financial statements, report information on the City’s activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year’s revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City’s property tax base and the condition of the City’s infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City’s net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

occurs, regardless of the timing of related cash flows – the accrual method rather than the modified accrual method that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the City's financials as two classes of activity:

1. *Governmental Activities* – The City's basic services are reported here, including general government, public safety, public works, and parks and recreation. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater, and garbage functions.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation. Financial information for the economic development corporation is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The City uses only two categories of funds, which are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is always considered a major fund for reporting purposes. The debt service fund did not meet the technical criteria to be presented as a major fund, however, the City has elected to present it as major due to its significance.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with its budget.

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Proprietary Fund

The City maintains one type of proprietary fund, an enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment along with garbage services. The proprietary fund financial statements provide separate information for the utility fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report. Proprietary funds provide the same type of information as government-wide financial statements, only in more detail.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows by \$34,980,470 as of year end in the primary government. The largest portion of the City's net position, 84 percent, reflects its investments in capital assets (e.g., land, City Hall, streets, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if applicable, must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities. The City has no debt currently outstanding.

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2022*	2021	2022*	2021	2022	2021
Current and other assets	\$ 7,143,460	\$ 9,236,349	\$ 3,325,816	\$ -	\$ 10,469,276	\$ 9,236,349
Capital assets, net	22,764,871	28,860,681	6,519,130	-	29,284,001	28,860,681
Total Assets	29,908,331	38,097,030	9,844,946	-	39,753,277	38,097,030
Deferred outflows - pensions	356,662	254,094	-	-	356,662	254,094
Deferred outflows - OPEB	27,127	33,258	-	-	27,127	33,258
Total Deferred Outflows of Resources	383,789	287,352	-	-	383,789	287,352
Long-term liabilities	2,466,316	2,598,104	-	-	2,466,316	2,598,104
Other liabilities	753,996	928,956	1,393,967	-	2,147,963	928,956
Total Liabilities	3,220,312	3,527,060	1,393,967	-	4,614,279	3,527,060
Deferred inflows - pensions	532,838	211,194	-	-	532,838	211,194
Deferred inflows - OPEB	9,479	5,412	-	-	9,479	5,412
Total Deferred Inflows of Resources	542,317	216,606	-	-	542,317	216,606
Net Position:						
Net investment in capital assets	22,764,871	28,777,281	6,519,130	-	29,284,001	28,777,281
Restricted	264,838	388,849	-	-	264,838	388,849
Unrestricted	3,499,782	5,474,586	1,931,849	-	5,431,631	5,474,586
Total Net Position	\$ 26,529,491	\$ 34,640,716	\$ 8,450,979	\$ -	\$ 34,980,470	\$ 34,640,716

*Balances have been restated

A portion of the City's net position, \$264,838 or 1 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,431,631 or 16 percent, may be used to meet the City's ongoing obligation to citizens and creditors. The City restated governmental activities in the current year in order to present the utility fund as a stand alone fund. The balances for this fund as of fiscal year 2022 are now reflected in the table above.

Governmental activities total assets experienced a decrease primarily related to the restatement of utility fund assets. Governmental activities total liabilities decreased as a result of decreases in unearned revenue balances as well as decreases in the liability related to the City's pension plan.

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental		Business-Type		Total	
	2022*	2021	2022*	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 799,778	\$ 2,416,449	\$ 1,771,674	\$ -	\$ 2,571,452	\$ 2,416,449
Operating grants and contributions	253,785	182,676	60,250	-	314,035	182,676
Capital grants and contributions	328,973	425,000	-	-	328,973	425,000
General revenues:						
Property taxes	3,328,178	3,185,389	-	-	3,328,178	3,185,389
Sales taxes	1,496,903	1,460,087	-	-	1,496,903	1,460,087
Franchise fees and local taxes	270,791	264,338	-	-	270,791	264,338
Investment earnings	52,197	4,824	15,291	-	67,488	4,824
Other revenues	308,355	148,490	62,862	-	371,217	148,490
Total Revenues	<u>6,838,960</u>	<u>8,087,253</u>	<u>1,910,077</u>	<u>-</u>	<u>8,749,037</u>	<u>8,087,253</u>
Expenses						
General government	2,278,239	1,536,439	-	-	2,278,239	1,536,439
Public safety	2,588,754	2,643,669	-	-	2,588,754	2,643,669
Public works	563,766	2,663,169	-	-	563,766	2,663,169
Parks and recreation	979,954	812,402	-	-	979,954	812,402
Utility	-	-	1,998,570	-	1,998,570	-
Total Expenses	<u>6,410,713</u>	<u>7,655,679</u>	<u>1,998,570</u>	<u>-</u>	<u>8,409,283</u>	<u>7,655,679</u>
Change in Net Position	428,247	431,574	(88,493)	-	339,754	431,574
Beginning net position	<u>26,101,244</u>	<u>34,209,142</u>	<u>8,539,472</u>	<u>-</u>	<u>34,640,716</u>	<u>34,209,142</u>
Ending Net Position	<u>\$ 26,529,491</u>	<u>\$ 34,640,716</u>	<u>\$ 8,450,979</u>	<u>\$ -</u>	<u>\$ 34,980,470</u>	<u>\$ 34,640,716</u>

*Balances have been restated

For the year ended September 30, 2022, revenues from governmental activities totaled \$6,838,960, a net decrease of \$1,248,293, or 15 percent, compared to the prior year. The prior year governmental activities reflected the inclusions of the water and wastewater activity. These balances were restated in 2022 in order to present the utility fund as a stand-alone fund.

Expenses for governmental activities were comparable to the prior year with a net decrease from 2021 of \$1,244,966, or 16 percent. This decrease is mainly due the restatement mentioned above.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$6,294,305. Of this, \$260,385 is restricted by enabling legislation, \$4,453 is restricted for debt service, \$113,982 is committed for road repairs, \$50,000 is committed for facilities improvements, and \$5,865,485 is unassigned.

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

At the end of the fiscal year, unassigned fund balance in the general fund was \$5,865,485. The general fund had revenues that exceeded expenditures by \$176,881. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 88 percent of total general fund expenditures, while total fund balance represents approximately 95 percent of that same amount.

General fund revenues decreased in the current year compared to prior year, as the majority of charges for service revenue is related to the utility fund which has been restated to present as a stand-alone fund. The City had a net decrease in expenditures related to this restatement, as well. Capital outlay for the general fund did increase by \$351,306 in comparison to the prior year mainly as a result of various infrastructure projects taking place in the City.

The debt service fund had a fund balance of \$4,453 as of year end, an increase of \$655, which was a result of delinquent property tax collections during the fiscal year.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail..

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted general fund revenues were more than actual revenues by \$-357,728 during the year. This net negative variance is primarily attributable to the charges for services that were ultimately moved to their own fund. General fund actual expenditures were less than the final budgeted expenditures by \$402,702 mainly due to various departments having less expenditures than anticipated. Overall, the general fund experienced a net negative variance of \$-760,430 in the change in fund balance from the final amended budget in comparison to actual.

CAPITAL ASSETS

At the end of the year, the City's governmental activities had invested \$22,764,871, net of accumulated depreciation, in a variety of capital assets and infrastructure.

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total long-term liabilities of \$2,466,316 that consisted of a net pension and total other postemployment benefits liability and compensated absences. The City has no bonded debt outstanding for fiscal year 2022.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

CITY OF MEADOWS PLACE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2022/2023 budget and tax rate. The City adopted a tax rate of \$.0806 which is a decrease from the prior year tax rate of \$0.832. The tax rate supports the adopted expenditure budget of \$6,664,406.

In January 2022, the City made the decision to use \$1,000,000 from City resources, \$150,000 from EDC resources and \$500,000 from the Utility fund for the reconstruction of Phase 1 of Dorrance Road. The contract to build was released at the end of March. This project is expected to be a multi-year project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF MEADOWS PLACE, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and cash equivalents	\$ 6,785,583	\$ 3,113,172	\$ 9,898,755	\$ 779,045
Receivables, net	357,877	212,644	570,521	78,788
	7,143,460	3,325,816	10,469,276	857,833
Capital assets:				
Nondepreciable	8,862,907	489,435	9,352,342	-
Net depreciable capital assets	13,901,964	6,029,695	19,931,659	-
	22,764,871	6,519,130	29,284,001	-
Total Assets	29,908,331	9,844,946	39,753,277	857,833
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	356,662	-	356,662	-
Deferred outflows - OPEB	27,127	-	27,127	-
Total Deferred Outflows of Resources	383,789	-	383,789	-
<u>Liabilities</u>				
Accounts payable and accrued liabilities	603,532	213,659	817,191	6,997
Deposits payable	-	99,600	99,600	-
Unearned revenue	150,464	1,080,708	1,231,172	-
	753,996	1,393,967	2,147,963	6,997
Noncurrent liabilities:				
Long-term liabilities due within one year	63,708	-	63,708	-
Long-term liabilities due in more than one year	2,402,608	-	2,402,608	-
	2,466,316	-	2,466,316	-
Total Liabilities	3,220,312	1,393,967	4,614,279	6,997
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	532,838	-	532,838	-
Deferred inflows - OPEB	9,479	-	9,479	-
Total Deferred Inflows of Resources	542,317	-	542,317	-
<u>Net Position</u>				
Net investment in capital assets	22,764,871	6,519,130	29,284,001	-
Restricted:				
Enabling legislation	260,385	-	260,385	-
Debt service	4,453	-	4,453	-
Unrestricted	3,499,782	1,931,849	5,431,631	850,836
Total Net Position	\$ 26,529,491	\$ 8,450,979	\$ 34,980,470	\$ 850,836

See Notes to Financial Statements.

CITY OF MEADOWS PLACE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,278,239	\$ 137,379	\$ 167,206	\$ -
Public safety	2,588,754	470,340	86,579	-
Public works	563,766	192,059	-	328,973
Parks and recreation	979,954	-	-	-
Total Governmental Activities	6,410,713	799,778	253,785	328,973
Business-Type Activities				
Utility	\$ 1,998,570	\$ 1,771,674	\$ 60,250	\$ -
Total Business-Type Activities	\$ 1,998,570	\$ 1,771,674	\$ 60,250	\$ -
Total Primary Government	\$ 8,409,283	\$ 2,571,452	\$ 314,035	\$ 328,973
Component Unit				
Meadows Place Economic Development Corporation	\$ 479,974	\$ -	\$ -	\$ -
Total Component Unit	\$ 479,974	\$ -	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise fees and local taxes
- Investment earnings
- Other revenues

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (1,973,654)	\$ -	\$ (1,973,654)	\$ -
(2,031,835)	-	(2,031,835)	-
(42,734)	-	(42,734)	-
(979,954)	-	(979,954)	-
<u>(5,028,177)</u>	<u>-</u>	<u>(5,028,177)</u>	<u>-</u>
-	(166,646)	(166,646)	-
-	(166,646)	(166,646)	-
<u>(5,028,177)</u>	<u>(166,646)</u>	<u>(5,194,823)</u>	<u>-</u>
-	-	-	(479,974)
-	-	-	<u>(479,974)</u>
3,328,178	-	3,328,178	-
1,496,903	-	1,496,903	458,968
270,791	-	270,791	-
52,197	15,291	67,488	6,187
308,355	62,862	371,217	-
<u>5,456,424</u>	<u>78,153</u>	<u>5,534,577</u>	<u>465,155</u>
428,247	(88,493)	339,754	(14,819)
26,101,244	8,539,472	34,640,716	865,655
<u>\$ 26,529,491</u>	<u>\$ 8,450,979</u>	<u>\$ 34,980,470</u>	<u>\$ 850,836</u>

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CITY OF MEADOWS PLACE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2022

	General	Debt Service	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 6,781,134	\$ 4,449	\$ 6,785,583
Receivables	349,675	8,202	357,877
Total Assets	\$ 7,130,809	\$ 12,651	\$ 7,143,460
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 603,532	-	\$ 603,532
Unearned revenue	150,464	-	150,464
Total Liabilities	753,996	-	753,996
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	86,961	8,198	95,159
<u>Fund Balances</u>			
Restricted:			
Enabling legislation	260,385	-	260,385
Debt service	-	4,453	4,453
Committed:			
Road repairs	113,982	-	113,982
Facilities improvements	50,000	-	50,000
Unassigned	5,865,485	-	5,865,485
Total Fund Balances	6,289,852	4,453	6,294,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,130,809	\$ 12,651	\$ 7,143,460

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2022

Total fund balances for governmental funds	\$	6,294,305
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets - nondepreciable		8,862,907
Capital assets - net depreciable		13,901,964
Long-term liabilities and deferred outflows and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are not due and payable in current period and, therefore, are not reported in the fund.		
Net pension liability		(2,247,792)
Deferred outflows - pensions		356,662
Deferred inflows - pensions		(532,838)
Total OPEB liability		(147,737)
Deferred outflows - OPEB		27,127
Deferred inflows - OPEB		(9,479)
Noncurrent compensated absences due within one year		(63,708)
Noncurrent compensated absences due in more than one year		(7,079)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		95,159
Net Position of Governmental Activities	\$	<u>26,529,491</u>

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	General	Debt Service	Total Governmental Funds
Revenues			
Property taxes	\$ 3,315,617	\$ 624	\$ 3,316,241
Sales taxes	1,496,903	-	1,496,903
Franchise fees and local taxes	270,791	-	270,791
Licenses and permits	137,379	-	137,379
Fines and forfeitures	470,340	-	470,340
Intergovernmental	582,758	-	582,758
Charges for services	192,059	-	192,059
Investment earnings	52,166	31	52,197
Other revenue	308,355	-	308,355
Total Revenues	6,826,368	655	6,827,023
Expenditures			
Current:			
General government	1,140,924	-	1,140,924
Public safety	2,486,130	-	2,486,130
Public works	975,340	-	975,340
Parks and recreation	889,970	-	889,970
Capital outlay	1,157,123	-	1,157,123
Total Expenditures	6,649,487	-	6,649,487
Net Change in Fund Balances	176,881	655	177,536
Beginning fund balances	6,112,971	3,798	6,116,769
Ending Fund Balances	\$ 6,289,852	\$ 4,453	\$ 6,294,305

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$	177,536
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital purchases		1,421,544
Depreciation expense, net		(1,085,284)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		11,937
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Net change in compensated absences		(14,706)
Net pension liability		152,020
Deferred outflows - pensions		102,568
Deferred inflows - pensions		(321,644)
Total OPEB liability		(5,526)
Deferred outflows - OPEB		(6,131)
Deferred inflows - OPEB		(4,067)

Change in Net Position of Governmental Activities	\$	<u>428,247</u>
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See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2022

	<u>Business-Type Activities</u>
	<u>Utility</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,113,172
Receivables, net	212,644
Total Current Assets	<u>3,325,816</u>
Noncurrent Assets	
Capital assets:	
Nondepreciable	489,435
Depreciable capital assets	17,510,808
Less: accumulated depreciation	<u>(11,481,113)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>6,519,130</u>
Total Noncurrent Assets	<u>6,519,130</u>
Total Assets	<u>9,844,946</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	213,659
Customer deposits	99,600
Unearned revenue	<u>1,080,708</u>
Total Liabilities	<u>1,393,967</u>
<u>Net Position</u>	
Net investment in capital assets	6,519,130
Unrestricted	<u>1,931,849</u>
Total Net Position	<u>\$ 8,450,979</u>

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2022

	Business-Type Activities
	Utility
<u>Operating Revenues</u>	
Charges for services	\$ 1,771,674
Miscellaneous	62,862
Total Operating Revenues	1,834,536
 <u>Operating Expenses</u>	
Contracted and professional services	451,604
Maintenance	1,007,764
Supplies and materials	78,530
Depreciation expense	460,672
Total Operating Expenses	1,998,570
Operating (Loss)	(164,034)
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	15,291
Intergovernmental	60,250
Total Nonoperating Revenue	75,541
Change in Net Position	(88,493)
Beginning net position	8,539,472
Ending Net Position	\$ 8,450,979

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2022

	Business-Type Activities
	Utility
<u>Cash Flows from Operating Activities</u>	
Cash received for services	\$ 3,041,664
Cash paid to suppliers	(1,605,481)
Net Cash Provided by Operating Activities	1,436,183
<u>Cash Flows from Noncapital Financing Activities</u>	
Intergovernmental revenue	60,250
Net Cash Provided by Noncapital Financing Activities	60,250
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(547,733)
Net Cash (Used) by Capital and Related Financing Activities	(547,733)
<u>Cash Flows from Investing Activities</u>	
Interest on investments	15,291
Net Cash Provided by Investing Activities	15,291
Net Increase in Cash and Cash Equivalents	963,991
Beginning cash and cash equivalents	2,149,181
Ending Cash and Cash Equivalents	\$ 3,113,172

Reconciliation of Operating Income (Loss)

to Net Cash Provided (Used) by Operating Activities

Operating loss	\$ (164,034)
Adjustments to Reconcile Operating loss to Net Cash Provided by Operating Activities:	
Depreciation	460,672
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in Current Assets:	
Accounts receivable	(67,583)
Increase (Decrease) in Current Liabilities:	
Accounts payable	116,906
Unearned revenue	1,080,708
Customer deposits	9,550
Due to other funds	(36)
Net Cash Provided by Operating Activities	\$ 1,436,183

See Notes to Financial Statements.

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CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Meadows Place, Texas (the “City”) was incorporated November of 1983 under the provisions of the State of Texas (the “State”). The City is an independent political subdivision of the State and a General Law City, governed by a 5-member elected council and a mayor, and is considered a primary government. The City Council is the principal legislative body of the City.

The City provides the following services: general administration, public safety, parks and recreation, maintenance and improvements to streets, public improvements, water and wastewater services, and garbage collection.

As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component unit as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Meadows Place Economic Development Corporation

Meadows Place Economic Development Corporation (EDC) has been included in the reporting entity as a discretely presented component unit. The EDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by, and serves at, the discretion of City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, all assets of the EDC shall be conveyed to the City. During a prior year, with voter approval, the City converted the EDC from a 4A to a 4B corporation to provide the City greater flexibility in the use of sales tax revenues. The EDC does not qualify as a blended component unit due to services that directly benefit the community rather than the City itself. The EDC does not prepare separate financial statements.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component unit. Governmental activities are normally supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a certain legally separate *component unit* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while the business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and parks and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund did not meet the technical criteria to be presented as a major fund, however, due to its significance, the City has elected to present it as a major fund.

The City reports the following enterprise fund:

The *utility fund* is used to account for the operations that provide water and wastewater services, as well as garbage services. These services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recorded primarily through user charges.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary financial statements are reported using 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 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds considered their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government and the State or their agencies or instrumentalities
- Fully collateralized certificates of deposit
- Mutual funds of a specific type
- Investment pools

3. Receivables

All trade receivables are shown net of an allowance for uncollectibles.

4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Infrastructure assets are capitalized if they have an original cost greater than \$2,500 and a useful life over two years. Any other capital assets with a total cost of \$1,000 or more will also be capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets, engineering fees, and improvements are capitalized as projects are constructed. The City does not capitalize net interest cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful years:

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture and equipment	2 to 45 years
Vehicles	5 years
Infrastructure	10 to 45 years
Buildings and improvements	40 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City’s fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, sick, and compensatory time. Vacation time, per City policy, is lost if not taken by September 30. Employees are allowed to earn twelve sick leave days per year. Employees may accumulate up to 72 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 25 percent of accumulated sick leave days at their base salary in effect at date of termination. Employees are allowed to earn up to 120 hours of comp-time for overtime hours worked. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for 50 percent of accumulated comp-time earned at their base salary in effect at date of termination. Compensatory time is paid out as part of the last pay period of the fiscal year.

All eligible time is accrued when incurred in the government-wide financial statements.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. However, the City has no bonded debt outstanding as bonds were paid off in a prior fiscal year.

In the fund financial statements, governmental fund types recognize 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.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Estimates

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

12. Pensions

For the 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.

13. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) fines and forfeitures, charges for utility services, garbage services, licenses and permits, and various user fees and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City’s tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year. Property values are determined by the appraisal district. Assessed values are determined as of January 1 of each year. Taxes are levied around October/November. Penalties are assessed if not paid by the following February. Taxes are collected by the Fort Bend County Tax Office on behalf of the City.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund is charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the debt service fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the department level. City Council may amend the budget throughout the year. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	\$ 8,113,940	0.07
Lone Star	830,759	0.02
Total Fair Value	\$ 8,944,699	
Portfolio weighted average maturity		0.06

As of September 30, 2022, the EDC had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	\$ 773,594	0.07
Total Fair Value	\$ 773,594	
Portfolio weighted average maturity		0.07

Credit risk. The City’s policy requires that investment pools must be rated no lower than ‘AA’ or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the City’s investments in investment pools were rated ‘AAA’ and ‘AAAm’ by Standard & Poor’s.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. At year end, market values of the City's and EDC's pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that 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 in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects liquidity.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Associate of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00. The Government Overnight fund maintain a net asset value of \$1.00.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Utility</u>	<u>Component Unit</u>
Property taxes	\$ 86,961	\$ 8,202	\$ -	\$ -
Sales taxes	236,062	-	-	78,788
Water and sewer	-	-	146,135	-
Garbage	-	-	37,509	-
Grants	2,802	-	40,000	-
Lien	2,205	-	-	-
Other	21,645	-	-	-
Allowance	-	-	(11,000)	-
Total	<u>\$ 349,675</u>	<u>\$ 8,202</u>	<u>\$ 212,644</u>	<u>\$ 78,788</u>

C. Capital Assets

A summary of changes in governmental activities capital assets at year end is as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,964,981	\$ -	\$ -	\$ 7,964,981
Construction in progress	257,604	640,323	-	897,927
Total capital assets not being depreciated	<u>8,222,585</u>	<u>640,323</u>	<u>-</u>	<u>8,862,908</u>
Other capital assets:				
Buildings and improvements	2,986,775	131,650	-	3,118,425
Furniture and fixtures	347,905	-	-	347,905
Machinery and equipment	1,182,440	142,273	-	1,324,713
Park improvements	1,857,664	83,541	-	1,941,205
Vehicles	698,310	126,279	-	824,589
Drainage	291,631	-	-	291,631
Streets and sidewalks	22,446,094	297,479	-	22,743,573
Total other capital assets	<u>29,810,819</u>	<u>781,222</u>	<u>-</u>	<u>30,592,041</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,442,308)	(154,542)	-	(1,596,850)
Furniture and fixtures	(246,542)	(16,818)	-	(263,360)
Machinery and equipment	(734,064)	(135,387)	-	(869,451)
Park improvements	(976,921)	(116,513)	-	(1,093,434)
Vehicles	(384,530)	(126,041)	-	(510,571)
Drainage	(66,810)	(17,605)	-	(84,415)
Streets and sidewalks	(11,753,619)	(518,378)	-	(12,271,997)
Total accumulated depreciation	<u>(15,604,794)</u>	<u>(1,085,284)</u>	<u>-</u>	<u>(16,690,078)</u>
Other capital assets, net	<u>14,206,025</u>	<u>(304,062)</u>	<u>-</u>	<u>13,901,963</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,428,610</u>	<u>\$ 336,261</u>	<u>\$ -</u>	<u>\$ 22,764,871</u>

*Beginning Balance has been restated

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Depreciation was charged to governmental functions as follows:

General government	\$	642,564
Public safety		265,748
Public works		1,004
Parks and recreation		175,968
Total Governmental Activities Depreciation Expense	\$	<u>1,085,284</u>

A summary of changes in the business-type activity capital assets at year-end as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 429,185	\$ -	\$ -	\$ 429,185
Construction in progress	-	60,250	-	60,250
Total capital assets not being depreciated	<u>429,185</u>	<u>60,250</u>	<u>-</u>	<u>489,435</u>
Other capital assets:				
Buildings and improvements	21,434	-	-	21,434
Furniture and fixtures	7,330	-	-	7,330
Machinery and equipment	1,111,218	161,921	-	1,273,139
Other assets	42,964	-	-	42,964
Water system	3,704,052	316,720	-	4,020,772
Wastewater system	9,443,407	8,842	-	9,452,249
Drainage	2,680,405	-	-	2,680,405
Streets and sidewalks	12,515	-	-	12,515
Total other capital assets	<u>17,023,325</u>	<u>487,483</u>	<u>-</u>	<u>17,510,808</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,709)	(520)	-	(6,229)
Furniture and fixtures	(7,330)	-	-	(7,330)
Machinery and equipment	(310,599)	(87,881)	-	(398,480)
Other assets	(26,508)	(3,760)	-	(30,268)
Water system	(2,796,073)	(133,994)	-	(2,930,067)
Wastewater system	(5,490,175)	(195,499)	-	(5,685,674)
Drainage	(2,373,470)	(38,184)	-	(2,411,654)
Streets and sidewalks	(10,577)	(834)	-	(11,411)
Total accumulated depreciation	<u>(11,020,441)</u>	<u>(460,672)</u>	<u>-</u>	<u>(11,481,113)</u>
Other capital assets, net	<u>6,002,884</u>	<u>26,811</u>	<u>-</u>	<u>6,029,695</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,432,069</u>	<u>\$ 87,061</u>	<u>\$ -</u>	<u>\$ 6,519,130</u>

*Beginning Balance has been restated

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

D. Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2022.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 56,081	\$ 89,010	\$ (74,304)	\$ 70,787	\$ 63,708
Net pension liability	2,399,812	-	(152,020)	2,247,792	-
Total OPEB liability	142,211	5,526	-	147,737	-
Total Governmental Activities	\$ 2,598,104	\$ 94,536	\$ (226,324)	\$ 2,466,316	\$ 63,708
			Due in More Than One Year	\$ 2,402,608	

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. In general, the City uses the general fund to liquidate governmental long-term liabilities. The City is not obligated in any manner for special assessment debt.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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

	2022	2021
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not yet receiving, benefits	31
Active employees	35
Total	90

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), 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 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 were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.16 percent and 10.39 percent in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 were \$247,985, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were 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 active members, 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 are 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 4-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 postretirement mortality assumption for annuity purchase rates 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.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

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, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.00%	7.55%
Core fixed income	6.00%	2.00%
Non-core fixed income	20.00%	5.68%
Other public and private markets	12.00%	7.22%
Real estate	12.00%	6.85%
Hedge funds	5.00%	5.35%
Private equity	10.00%	10.00%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	Changes for the year:		
Service cost	\$ 363,542	\$ -	\$ 363,542
Interest	697,775	-	697,775
Difference between expected and actual experience	188,772	-	188,772
Contributions - employer	-	221,921	(221,921)
Contributions - employee	-	146,001	(146,001)
Net investment income	-	1,038,965	(1,038,965)
Benefit payments, including refunds of employee contributions	(436,057)	(436,057)	-
Administrative expense	-	(4,810)	4,810
Other changes	-	32	(32)
Net Changes	814,032	966,052	(152,020)
Balance at December 31, 2020	10,373,665	7,973,853	2,399,812
Balance at December 31, 2021	\$ 11,187,697	\$ 8,939,905	\$ 2,247,792

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 3,804,293	\$ 2,247,792	\$ 970,063

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2022, the City recognized net pension expense of \$381,858.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 160,239	\$ -
Changes in actuarial assumptions	7,761	-
Net difference between projected and actual investment earnings	-	(532,838)
Contributions subsequent to the measurement date	188,662	-
Total	\$ 356,662	\$ (532,838)

\$188,662 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 NPL for the fiscal year ending September 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2023	\$ (1,677)
2024	(159,954)
2025	(103,061)
2026	(100,146)
Total	\$ (364,838)

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

D. Other Postemployment Benefits

TMRS – Supplemental Death Benefit (SDBF)

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Employees Covered by Benefit Terms

Participation in the SDBF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to, but not yet receiving, benefits	7
Active employees	35
Total	<u>59</u>

Total OPEB Liability

The City's total OPEB liability of \$147,737 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 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 3.0% 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 is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 8,343
Interest	2,907
Difference between expected and actual experience	(8,420)
Changes of assumptions	4,782
Benefit payments	(2,086)
Net Changes	5,526
Beginning balance	142,211
Ending Balance	\$ 147,737

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	\$ 183,089	\$ 147,737	\$ 120,931

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$17,810. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,063	\$ (8,154)
Changes in actuarial assumptions	24,525	(1,325)
Contributions subsequent to the measurement date	1,539	-
Total	\$ 27,127	\$ (9,479)

\$1,539 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 fiscal year ending September 30, 2023. Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	OPEB Expense
September 30	
2023	\$ 5,161
2024	7,371
2025	4,203
2026	(626)
Total	\$ 16,109

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

At the year end the employees contributed the amount of \$28,945.

F. Contracts

Summaries of the City's significant contracts are as follows:

City of Houston

The Meadows Municipal Utility District (MUD), which was dissolved and added to City operations in 1993, had contracted with the City of Houston in a prior year for the use of capacity in the MUD's sewage treatment plant (the "Plant"). Under the terms of the contract (which has been continued with the City), the City operates and owns the Plant and charges the City of Houston for a proportionate share of the Plant's operating costs. The City of Houston's contracted plant capacity is 67,500 gallons per day for 180 connections which represents approximately 4.5% of total plant capacity. During the fiscal year ended September 30, 2022, the City received \$50,016 from the City of Houston for its proportionate share of the Plant's operating costs.

Fort Bend County Water Control and Improvement District No. 2

On May 19, 2008, the City entered into an agreement (the "Agreement") with Fort Bend County Water Control and Improvement District No. 2 (the "District") for participation in a groundwater reduction plan (the "Plan"). The Agreement was effective as of January 1, 2008. The District has an existing surface water supply contract with the Gulf Coast Water Authority, which owns a site for a surface water treatment plant and is developing a regional groundwater reduction plan to meet the regulatory plan requirement of the Fort Bend County Subsidence District (the "Subsidence District"). The District includes the City in the Plan.

The District is developing the Plan for the benefit of the participants and shall act as the administrator in implementing the Plan and maintaining the surface water fund. The surface water fund is a separate account owned and administered by the District for the benefit of the participants and shall only be used to pay costs associated with the Plan and its implementation and the issuance and payment of any bonds. The District will be responsible for designing the Plan to meet the requirements of the Subsidence District. The District includes the City as a participant in the Plan and will include the pumpage from permitted wells owned by the City in their request for the Subsidence District's certification of the Plan.

The City will pay the District a monthly pumpage fee for all groundwater pumped by the City from its permitted wells and for all water supplied to the City by the District. The pumpage fee at fiscal year end is \$2.00 per 1,000 gallons. A groundwater credit is applied on a monthly basis and deducted from the monthly pumpage fee. As of year end, the groundwater credit is \$0.45 per 1,000 gallons. During the current fiscal year, the City recorded \$264,848 in pumpage fees.

The City paid an equalization fee on a monthly basis as a unit charge of \$0.20 per 1,000 gallons of groundwater pumped by the City from a permitted well and/or for water supplied to the City by the District until the City's equalization fee payments totaled \$328,054 plus interest calculated at 4.44% per year. The equalization fee was the City's pro rata share of the District's historical costs incurred prior to the effective date of this agreement for the procurement of a surface water supply, a plant site, and feasibility studies, and preparation of the Plan. During a prior fiscal year, this equalization fee was paid in full.

CITY OF MEADOWS PLACE, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Fort Bend County Mobility Bond Project

On June 22, 2021, the City entered into an interlocal agreement (the “Agreement”) with Fort Bend County (the “County”) and the City of Stafford for the Mobility Bond Project Fort Bend Project No. 20211 (the “Project”) for the construction of a bike trail and sidewalk improvements that will enhance the bicycle and pedestrian traffic circulation in the service area.

The County will provide the funding for eligible Project costs, to the City. The County agrees to pay the City an amount equal to the lesser of 80% of eligible Project costs or \$2,900,000.

The funding of the remaining 20% will be split between the City and the City of Stafford. The City of Stafford will advance an amount equal to 20% of the amount budgeted for construction of the Project within the City limits up to a maximum amount of \$230,000. The City will be responsible for the remaining Project costs which is currently budgeted for \$495,000.

G. Fund Balance

As of September 30, 2022, the City had \$260,385 restricted for enabling legislation as follows:

Restricted for:	
Drug task force	\$ 5,262
Disposed cash	1,211
Right of way	104,637
School crossing	13,987
Child safety	54,766
Court technology	12,715
Building security	42,246
Truancy prevention	25,078
Municipal jury	483
Total Restricted for Enabling Legislation	\$ 260,385

On September 30, 2022 the City had \$113,981 in committed fund balance for the Road Use Fee Reserve. A monthly fee of \$10 is included in the monthly billing for services to residents and businesses within the City’s limit. This fund was created by the City to provide funding to repair roadways within the City limits. During the current year, the City collected \$192,589 from the monthly fee. The City expended \$183,905 during the current year for these repairs. The City also has \$50,000 committed for facilities improvements.

CITY OF MEADOWS PLACE, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

H. Restatement of Fund Balance/Net Position

Beginning fund balance for the general fund and beginning net position for governmental activities has been restated to present the utility fund and business-type activities separate from the general fund.

	<u>General Fund</u>	<u>Governmental Activities Net Position</u>	<u>Utility Fund</u>	<u>Business-Type Activities Net Position</u>
Prior year ending net position/fund balance as reported	\$ 8,220,373	\$ 34,640,716	\$ -	\$ -
Restatement - utility net position/fund balance	(2,107,402)	(2,107,402)	2,107,402	2,107,402
Restatement - capital assets, net	-	(6,432,070)	6,432,070	6,432,070
Restated beginning net position/fund balance	<u>\$ 6,112,971</u>	<u>\$ 26,101,244</u>	<u>\$ 8,539,472</u>	<u>\$ 8,539,472</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<u>Revenues</u>				
Property taxes	\$ 3,334,051	\$ 3,339,051	\$ 3,315,617	\$ (23,434)
Sales taxes	1,245,000	1,515,000	1,496,903	(18,097)
Franchise fees and local taxes	250,000	250,000	270,791	20,791
Licenses and permits	110,000	110,000	137,379	27,379
Fines and forfeitures	450,000	450,000	470,340	20,340
Intergovernmental	187,500	422,839	582,758	159,919
Charges for services	189,000	189,000	192,059	3,059
Investment earnings	2,000	2,000	52,166	50,166
Other revenue	190,750	190,750	308,355	117,605
Total Revenues	<u>5,958,301</u>	<u>6,468,640</u>	<u>6,826,368</u>	<u>357,728</u>
<u>Expenditures</u>				
Current:				
General government				
General government	1,108,359	1,158,517	1,104,810	53,707
Council	40,886	40,886	36,114	4,772
Total general government	<u>1,149,245</u>	<u>1,199,403</u>	<u>1,140,924</u>	<u>58,479</u>
Public safety				
Police	2,242,413	2,502,363	2,214,088	288,275
Municipal court	260,084	272,084	272,042	42
Total public safety	<u>2,502,497</u>	<u>2,774,447</u>	<u>2,486,130</u>	<u>288,317</u>
Public works	1,201,796	1,031,190	975,340	55,850
Total public works	<u>1,201,796</u>	<u>1,031,190</u>	<u>975,340</u>	<u>55,850</u>
Parks and recreation	872,256	889,996	889,970	26
Capital outlay	<u>232,507</u>	<u>1,157,153</u>	<u>1,157,123</u>	<u>30</u>
Total Expenditures	<u>5,958,301</u>	<u>7,052,189</u>	<u>6,649,487</u>	<u>402,702</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (583,549)</u>	176,881	<u>\$ 760,430</u>
Beginning fund balance			<u>6,112,971</u>	
Ending Fund Balance			<u>\$ 6,289,852</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 211,979	\$ 227,586	\$ 264,811	\$ 268,764
Interest (on the total pension liability)	463,068	470,575	487,855	524,412
Difference between expected and actual experience	(276,563)	12,405	55,957	129,289
Change in assumptions	-	56,198	-	-
Benefit payments, including refunds of employee contributions	(281,922)	(316,155)	(244,634)	(293,393)
Net Change in Total Pension Liability	<u>116,562</u>	<u>450,609</u>	<u>563,989</u>	<u>629,072</u>
Beginning total pension liability	<u>6,650,225</u>	<u>6,766,787</u>	<u>7,217,396</u>	<u>7,781,385</u>
Ending Total Pension Liability	<u><u>\$ 6,766,787</u></u>	<u><u>\$ 7,217,396</u></u>	<u><u>\$ 7,781,385</u></u>	<u><u>\$ 8,410,457</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 94,011	\$ 103,216	\$ 91,630	\$ 131,403
Contributions - employee	87,986	95,912	106,902	109,763
Net investment income	316,172	8,468	380,106	824,725
Benefit payments, including refunds of employee contributions	(281,922)	(316,155)	(244,634)	(293,393)
Administrative expense	(3,301)	(5,158)	(4,294)	(4,277)
Other	(271)	(254)	(231)	(216)
Net Change in Plan Fiduciary Net Position	<u>212,675</u>	<u>(113,971)</u>	<u>329,479</u>	<u>768,005</u>
Beginning plan fiduciary net position	<u>5,526,822</u>	<u>5,739,497</u>	<u>5,625,526</u>	<u>5,955,005</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 5,739,497</u></u>	<u><u>\$ 5,625,526</u></u>	<u><u>\$ 5,955,005</u></u>	<u><u>\$ 6,723,010</u></u>
Net Pension Liability	<u><u>\$ 1,027,290</u></u>	<u><u>\$ 1,591,870</u></u>	<u><u>\$ 1,826,380</u></u>	<u><u>\$ 1,687,447</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability Covered Payroll	84.82%	77.94%	76.53%	79.94%
Net Pension Liability as a Percentage of Covered Payroll	81.73%	116.18%	119.59%	107.61%

*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

Measurement Year*							
2018		2019		2020		2021	
\$	278,511	\$	297,024	\$	356,612	\$	363,542
	567,474		607,676		653,336		697,775
	41,016		41,401		66,346		188,772
	-		61,917		-		-
	(285,372)		(315,987)		(406,746)		(436,057)
	601,629		692,031		669,548		814,032
	8,410,457		9,012,086		9,704,117		10,373,665
<u>\$</u>	<u>9,012,086</u>	<u>\$</u>	<u>9,704,117</u>	<u>\$</u>	<u>10,373,665</u>	<u>\$</u>	<u>11,187,697</u>
\$	144,871	\$	168,878	\$	209,820	\$	221,921
	113,944		122,376		145,133		146,001
	(201,229)		1,002,765		566,135		1,038,965
	(285,372)		(315,987)		(406,746)		(436,057)
	(3,892)		(5,670)		(3,666)		(4,810)
	(205)		(169)		(143)		32
	(231,883)		972,193		510,533		966,052
	6,723,010		6,491,127		7,463,320		7,973,853
<u>\$</u>	<u>6,491,127</u>	<u>\$</u>	<u>7,463,320</u>	<u>\$</u>	<u>7,973,853</u>	<u>\$</u>	<u>8,939,905</u>
<u>\$</u>	<u>2,520,959</u>	<u>\$</u>	<u>2,240,797</u>	<u>\$</u>	<u>2,399,812</u>	<u>\$</u>	<u>2,247,792</u>
	72.03%		76.91%		76.87%		79.91%
\$	1,627,768	\$	1,748,226	\$	2,073,327	\$	2,085,726
	154.87%		128.18%		115.75%		107.77%

CITY OF MEADOWS PLACE, TEXAS

SCHEDULE OF CONTRIBUTIONS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2022

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 94,994	\$ 102,244	\$ 100,361	\$ 128,761
Contributions in relation to the actuarially determined contribution	94,994	102,244	100,361	128,761
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,250,535	\$ 1,329,535	\$ 1,554,311	\$ 1,604,907
Contributions as a percentage of covered payroll	7.60%	7.69%	6.46%	8.02%

* Only nine years of information is currently available. The City will build this schedule over the next one year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table 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 December 31, 2014 - December 31, 2018

Mortality

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

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

- 1) Granted 100% ad hoc USC
- 2) Granted 70% ad hoc COLA

Fiscal Year*				
2018	2019	2020	2021	2022
\$ 139,093	\$ 162,455	\$ 196,202	\$ 208,485	\$ 234,783
<u>139,093</u>	<u>162,455</u>	<u>196,202</u>	<u>215,801</u>	<u>247,985</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,316)</u>	<u>\$ (13,202)</u>
\$ 1,582,245	\$ 1,711,428	\$ 1,957,586	\$ 2,054,108	\$ 2,272,132
8.79%	9.49%	10.02%	10.51%	10.91%

CITY OF MEADOWS PLACE, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2022

	Measurement Year*			
	2017	2018	2019	2020
Service cost	\$ 2,979	\$ 3,581	\$ 3,496	\$ 6,013
Interest (on the total OPEB liability)	3,003	3,087	3,259	3,135
Difference between expected and actual experience	-	(4,621)	(1,427)	1,773
Change of assumptions	8,007	(6,913)	20,130	20,614
Benefit payments	(470)	(488)	(524)	(622)
Net Change in Total OPEB Liability	13,519	(5,354)	24,934	30,913
Beginning total OPEB liability	78,199	91,718	86,364	111,298
Ending Total OPEB Liability	\$ 91,718	\$ 86,364	\$ 111,298	\$ 142,211
Covered Payroll	\$ 1,568,048	\$ 1,627,768	\$ 1,748,226	\$ 2,073,327
Total OPEB Liability as a Percentage of Covered Payroll	5.85%	5.31%	6.37%	6.86%

*Only five years of information is currently available. The City will build this schedule over the next five-year period.

**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.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - 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 3.0% 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.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

There were no change in assumptions is the annual change in the municipal bond index rate.

There were no benefit changes during the year.

Measurement

Year*

2021

\$	8,343
	2,907
	(8,420)
	4,782
	(2,086)
	<u>5,526</u>
	142,211
\$	<u>147,737</u>
\$	<u>2,085,726</u>

7.08%

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