

CITY OF SUNSET VALLEY, TEXAS

FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT

September 30, 2022



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Introductory Section

CITY OF SUNSET VALLEY, TEXAS

City Officials

Marc Bruner Mayor

Karen Medicus Mayor Pro-Tem

Alfonso Carmona Council Member

Robert Johnson Council Member

Wanda Reetz Council Member

Rudi Rosengarten..... Council Member

Sylvia Carrillo, ICMA-CM, CPM City Administrator

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sunset Valley, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Sunset Valley, Texas (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 aggregate 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.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

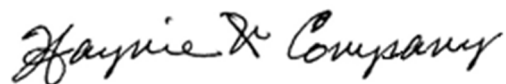
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years, and the Schedule of Changes in Postemployment Benefits Other than Pensions Liability and Related Ratios on pages 5-13 and 53-60, respectively, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Haynie & Company".

San Antonio, Texas
May 31, 2024

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

This section of the City of Sunset Valley, Texas' (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded liabilities at September 30, 2022 by \$54,495,885 . Of this amount \$17,124,196 or 31% of net position, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,475,983 during the year.
- The total cost of all the City's programs was \$6,223,381 , representing a increase from last year by \$ 1,018,549 or 19.6%.
- During the year, the City had revenues of \$7,793,595 for governmental activities, which was \$3,106,357 more than the \$4,687,238 operating expenses.
- During the year, the City had revenues of \$964,380 for business-type activities, which was \$571,763 less than the \$1,536,143 expenses.

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CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplemental section (non-required)*. The basic financial statements include two kinds of statements that present different views of the City:

- The first statements are the *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the utility services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplemental information that further explain and support the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

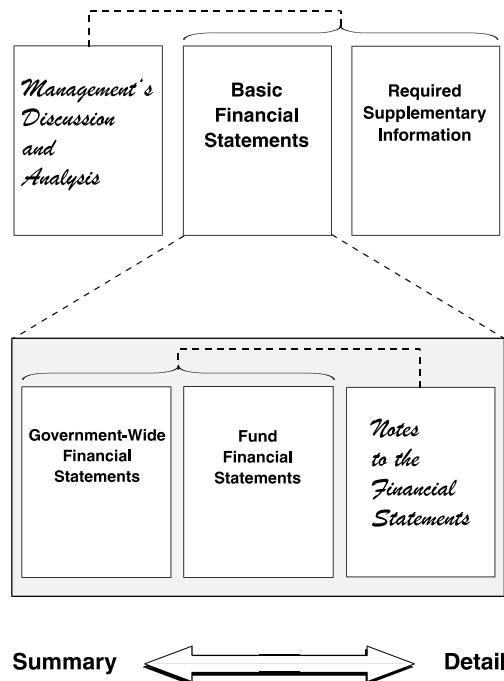


Figure A-1, Required Components of the City's Annual Financial Report

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

	Fund Statements		
	Government-Wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenues, expenditures & changes in fund balance	Statement of revenues, expenditures & changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Types of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *governmental activities* and *business-type activities*. Most of the City's basic services are included here, such as personnel costs, community programs, contractual services, general improvements, general operating costs, utility revenue and utility expenditures. Sales tax revenue finances the majority of these activities.

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following types of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

COMPONENT UNIT

Component units are legally separate entities from the City, but were organized to benefit the City. There is one component unit, the Crime Control and Prevention District, at September 30, 2022, and additional information is presented in the basic financial statements and the notes to the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position

The following reflects a comparative condensed statement of net position:

	Governmental Activities		Business-Type Activities		Totals		Component Unit	
	2022	2021	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 13,456,815	\$ 10,483,458	\$ 4,991,714	\$ 5,456,002	\$ 18,448,529	\$ 15,939,460	\$ (39,083)	\$ (329,404)
Noncurrent Assets	8,565,124	9,130,893	55,725	22,155	8,620,849	9,153,048	510,823	573,186
Capital Assets, Net	27,833,087	26,981,526	1,262,012	1,205,853	29,095,099	28,187,379	-	-
Total Assets	49,855,026	46,595,877	6,309,451	6,684,010	56,164,477	53,279,887	471,740	243,782
Deferred OPEB Related Outflows	1,751	17,468	3,203	2,843	4,954	20,311	-	-
Total Deferred Outflows	1,751	17,468	3,203	2,843	4,954	20,311	-	-
Current Liabilities	834,339	627,634	169,663	186,623	1,004,002	814,257	14,204	11,611
Payable from Restricted Assets	-	-	18,364	22,155	18,364	22,155	-	-
Noncurrent Liabilities	197,521	303,872	49,641	49,403	247,162	353,275	-	-
Total Liabilities	1,031,860	931,506	237,668	258,181	1,269,528	1,189,687	14,204	11,611
Deferred Pension Related Inflows	324,759	77,924	-	-	324,759	77,924	-	-
Deferred OPEB Related Inflows	-	-	79,259	12,685	79,259	12,685	-	-
Total Deferred Inflows	324,759	77,924	79,259	12,685	404,018	90,609	-	-
Net Position:								
Net Investment in Capital Assets	27,833,087	26,981,526	1,262,012	1,205,853	29,095,099	28,187,379	-	-
Restricted	8,276,590	9,130,893	-	-	8,276,590	9,130,893	457,536	232,171
Unrestricted	12,390,481	9,491,496	4,733,715	5,210,134	17,124,196	14,701,630	-	-
Total Net Position	\$ 48,500,158	\$ 45,603,915	\$ 5,995,727	\$ 6,415,987	\$ 54,495,885	\$ 52,019,902	\$ 457,536	\$ 232,171

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Changes in Net Position

The following reflects a comparative statement of changes in net position of the primary government:

	Governmental Activities		Business-Type Activities		Totals		Component Unit	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenues:								
Charges for Services	\$ 100,623	\$ 44,486	\$ 930,841	\$ 1,116,060	\$ 1,031,464	\$ 1,160,546	\$ -	\$ -
Operating Grants & Contributions	1,025	1,234	-	-	1,025	1,234	-	-
Sales Tax	7,174,877	6,381,517	-	-	7,174,877	6,381,517	476,490	421,818
Hotel Tax	228,498	155,050	-	-	228,498	155,050	-	-
Franchise Fees	33,589	80,676	-	-	33,589	80,676	-	-
Fire District Tax	25,237	62,440	-	-	25,237	62,440	-	-
Mixed Beverage Tax	38,117	34,464	-	-	38,117	34,464	-	-
Interest	171,486	18,211	33,539	5,297	205,025	23,508	6,339	358
Miscellaneous	20,143	221,109	-	-	20,143	221,109	-	-
Sale of Asset	-	(262,419)	-	(14,625)	-	(277,044)	-	-
Total Revenue	<u>7,793,595</u>	<u>6,736,768</u>	<u>964,380</u>	<u>1,106,732</u>	<u>8,757,975</u>	<u>7,843,500</u>	<u>482,829</u>	<u>422,176</u>
Expenses:								
General Government	1,766,733	2,059,070	-	-	1,766,733	2,059,070	316,075	373,995
Public Safety	1,983,568	770,237	-	-	1,983,568	770,237	-	-
Public Services	930,937	719,498	-	-	930,937	719,498	-	-
Improvement Programs	6,000	-	-	-	6,000	-	-	-
Utilities	-	-	1,536,143	1,656,027	1,536,143	1,656,027	-	-
Total Expenses	<u>4,687,238</u>	<u>3,548,805</u>	<u>1,536,143</u>	<u>1,656,027</u>	<u>6,223,381</u>	<u>5,204,832</u>	<u>316,075</u>	<u>373,995</u>
Increase (Decrease) in Net Position								
Before Transfers	3,106,357	3,187,963	(571,763)	(549,295)	2,534,594	2,638,668	166,754	48,181
Transfers	<u>(210,114)</u>	<u>(821,840)</u>	<u>151,503</u>	<u>756,519</u>	<u>(58,611)</u>	<u>(65,321)</u>	<u>58,611</u>	<u>65,321</u>
Change in Net Position	2,896,243	2,366,123	(420,260)	207,224	2,475,983	2,573,347	225,365	113,502
Net Position - Beginning	45,603,915	43,237,792	6,415,987	6,208,763	52,019,902	49,446,555	232,171	118,669
Net Position - Ending	<u>\$ 48,500,158</u>	<u>\$ 45,603,915</u>	<u>\$ 5,995,727</u>	<u>\$ 6,415,987</u>	<u>\$ 54,495,885</u>	<u>\$ 52,019,902</u>	<u>\$ 457,536</u>	<u>\$ 232,171</u>

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

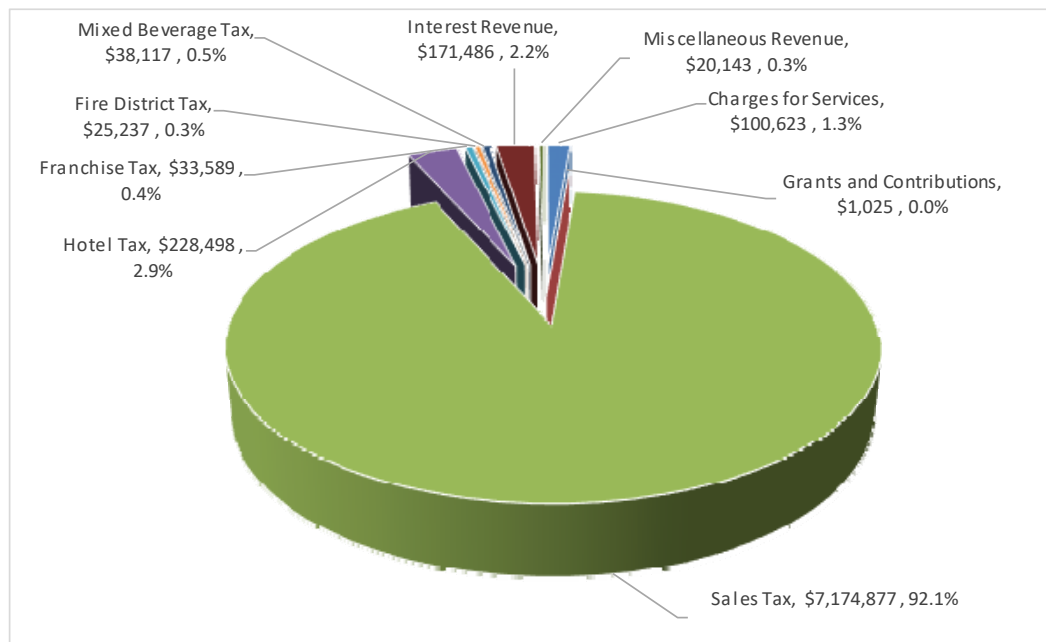
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Changes in Net Position (Continued)

- Expenses for all governmental activities this year were \$4,687,238 , which is a \$1,138,433 or 32.1% increase as compared to the prior year.
- The governmental expenses were funded by charges for services of \$100,623 , sales tax revenue of \$7,174,877 , interest income of \$171,486 and hotel taxes and other revenues of \$346,609.
- Expenses for all business-type activities this year were \$1,536,143 , which is a decrease of \$119,884 or approximately 7.2% as compared to the prior year. The business-type expenses for the Utility Fund were funded primarily by charges for utility services.

Governmental Activities

The City's total governmental activities revenues were \$7,793,595 . A significant portion (92.1%) of the City's governmental revenue comes from sales taxes collected in the three major retail areas of the City. In total, excess revenues over expenditures for the year was \$3,106,357 .



CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Business-Type Activities

The business-type activities decreased the City's net position by \$420,260 .

Of the total business-type activities' net position, \$1,262,012 is invested in capital assets, net of related debt, and \$4,733,715 is unrestricted, that is, having no legal commitment.

The business-type activities include water, sewer and solid waste operations.

The cost of all business-type activities this year decreased by 7.2% to \$1,536,143 . As shown in the statement of activities, the amounts charged to users of the utility services totaled \$930,841 and \$33,539 in interest revenue. Due to varying weather conditions, consumption sales decreased from last year, reflecting a 17% decrease or \$185,219 in total services charged for the business-type activities. In total, excess expenditures over revenues for the year was \$571,763 .

General Fund Budgetary Highlights

The City continues to reduce expenses to rebuild reserve fund balance. Other expenses in the general fund were kept at a level to assist with this effort.

Capital Assets

At the end of fiscal year 2022, the City had invested \$38,880,831 in capital assets, including land, construction in progress, equipment, buildings, and vehicles. The following schedule summarizes the capital assets of the City:

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,936,538	\$ 8,935,620	\$ -	\$ -	\$ 9,936,538	\$ 8,935,620
Construction in Progress	329,330	329,330	75,207	13,766	404,537	343,096
Buildings and Improvements	9,343,887	9,343,887	-	-	9,343,887	9,343,887
Infrastructure	15,446,646	15,326,144	2,080,042	1,992,307	17,526,688	17,318,451
Furniture and Equipment	925,933	653,216	199,253	199,253	1,125,186	852,469
Vehicles	379,218	379,218	68,985	68,985	448,203	448,203
Software	60,386	60,386	35,406	35,406	95,792	95,792
Total Capital Assets	36,421,938	35,027,801	2,458,893	2,309,717	38,880,831	37,337,518
Less:						
Accumulated Depreciation	(8,588,851)	(8,046,275)	(1,196,881)	(1,103,864)	(9,785,732)	(9,150,139)
Net Capital Assets	\$ 27,833,087	\$ 26,981,526	\$ 1,262,012	\$ 1,205,853	\$ 29,095,099	\$ 28,187,379

CITY OF SUNSET VALLEY, TEXAS

Management's Discussion and Analysis

September 30, 2022

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Long-Term Debt

At September 30, 2022, the City had no long-term debt.

Leases

During fiscal year 2022, the City implemented GASB Statement No. 87, Leases, which amortizes the right of use asset and right of use lease liability balances over the life of the lease. During 2022, the City had no leases to which the standard applied.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2023, with improving economic conditions, the City was on track to continue to collect the largest sales tax revenue ever, with projected revenues to be close to \$7.6M. For fiscal year 2024, the City is conservatively projecting a total of \$7.22M in sales tax, or a 5% decrease in the amount collected over the previous two years of \$7.6M in sales tax revenue. Given the stronger than anticipated rebound from COVID-19 in those years, the projected decrease, while not insignificant, is in line with the best forecasts we have for the economic conditions in the next year.

This year will also see an increased investment in the City's major economic corridor with the Reimagine Brodie and Upper Cougar Creek projects. The City is continuing to focus on supporting the beautification and branding efforts and ensuring that Sunset Valley continues to grow as a unique destination to shop, hike, bike and enjoy within the larger Austin-metroplex region.

The City continues to take a fiscally conservative approach that balances the services its residents receive while acknowledging the need to monitor the ongoing impact of inflation and retail trends, on the City's revenues and costs, particularly in relation to the ongoing City projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Financial Statements

CITY OF SUNSET VALLEY, TEXAS

Statements of Net Position

As of September 30, 2022

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 13,442,803	\$ 4,812,204	\$ 18,255,007	\$ -
Receivables, Net	4,199	141,392	145,591	-
Prepaid Expenses	-	-	-	8,848
Internal Balances	9,813	38,118	47,931	(47,931)
Total Current Assets	13,456,815	4,991,714	18,448,529	(39,083)
Noncurrent Assets				
Cash and Cash Equivalents, Restricted	8,276,590	18,364	8,294,954	510,823
Net Pension Liability	288,534	37,361	325,895	-
Land	9,936,538	-	9,936,538	-
Construction in Progress	329,330	-	329,330	-
Buildings and Improvements, Net of Depreciation	7,994,067	-	7,994,067	-
Furniture and Equipment, Net of Depreciation	301,022	84,663	385,685	-
Infrastructure, Net of Depreciation	9,183,664	1,145,455	10,329,119	-
Vehicles, Net of Depreciation	88,466	31,894	120,360	-
Total Noncurrent Assets	36,398,211	1,317,737	37,715,948	510,823
Total Assets	49,855,026	6,309,451	56,164,477	471,740
DEFERRED OUTFLOWS				
Deferred Other Postemployment Benefit Related Outflows	1,751	3,203	4,954	-
Total Deferred Outflows	1,751	3,203	4,954	-
LIABILITIES				
Current Liabilities				
Accounts Payable	251,804	149,960	401,764	-
Accrued Liabilities	225,614	19,703	245,317	14,204
Retainage Payable	351,731	-	351,731	-
Other Deposits and Surety Bonds	4,599	-	4,599	-
Customer Deposits	-	18,364	18,364	-
Deferred Revenue	591	-	591	-
Total Current Liabilities	834,339	188,027	1,022,366	14,204
Noncurrent Liabilities				
Other Postemployment Benefit Liability	89,991	32,930	122,921	-
Accrued Compensated Absences	107,530	16,711	124,241	-
Total Noncurrent Liabilities	197,521	49,641	247,162	-
Total Liabilities	1,031,860	237,668	1,269,528	14,204
DEFERRED INFLOWS				
Deferred Pension Related Inflows	324,759	79,259	404,018	-
Total Deferred Inflows	324,759	79,259	404,018	-
NET POSITION				
Net Investment in Capital Assets	27,833,087	1,262,012	29,095,099	-
Restricted	8,276,590	-	8,276,590	457,536
Unrestricted	12,390,481	4,733,715	17,124,196	-
Total Net Position	\$ 48,500,158	\$ 5,995,727	\$ 54,495,885	\$ 457,536

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS
Statements of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
General Government	\$ 1,766,733	\$ 72,561	\$ -	\$ -	\$ (1,694,172)	\$ -	\$ (1,694,172)	\$ -
Public Safety	1,983,568	-	1,025	-	(1,982,543)	-	(1,982,543)	-
Public Services	930,937	28,062	-	-	(902,875)	-	(902,875)	-
Improvement Programs	6,000	-	-	-	(6,000)	-	(6,000)	-
Total Governmental Activities	<u>4,687,238</u>	<u>100,623</u>	<u>1,025</u>	<u>-</u>	<u>(4,585,590)</u>	<u>-</u>	<u>(4,585,590)</u>	<u>-</u>
Business-Type Activities								
Utilities	1,536,143	930,841	-	-	-	(605,302)	(605,302)	-
Total Business-Type Activities	<u>1,536,143</u>	<u>930,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(605,302)</u>	<u>(605,302)</u>	<u>-</u>
Total Component Unit	<u>316,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(316,075)</u>
Total Government	<u>\$ 6,223,381</u>	<u>\$ 1,031,464</u>	<u>\$ 1,025</u>	<u>\$ -</u>	<u>(4,585,590)</u>	<u>(605,302)</u>	<u>(5,190,892)</u>	<u>(316,075)</u>
General Revenues								
Sales Taxes					7,174,877	-	7,174,877	476,490
Hotel Taxes					228,498	-	228,498	-
Franchise Fees					33,589	-	33,589	-
Fire District Taxes					25,237	-	25,237	-
Mixed Beverage Taxes					38,117	-	38,117	-
Interest Revenue					171,486	33,539	205,025	6,339
Miscellaneous Revenue					20,143	-	20,143	-
Transfers					(210,114)	151,503	(58,611)	58,611
Total General Revenues, Special Items, and Transfers					<u>7,481,833</u>	<u>185,042</u>	<u>7,666,875</u>	<u>541,440</u>
Change in Net Position					2,896,243	(420,260)	2,475,983	225,365
Net Position - Beginning					45,603,915	6,415,987	52,019,902	232,171
Net Position - Ending					<u>\$ 48,500,158</u>	<u>\$ 5,995,727</u>	<u>\$ 54,495,885</u>	<u>\$ 457,536</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Balance Sheets Governmental Funds As of September 30, 2022

	General Fund	Special Revenue Funds		Special Revenue Funds		Capital Project Fund	Total Governmental Funds
		Street Repair and Replacement Fund	Hotel Occupancy Tax Fund	Green Sales Tax Fund	City Facilities Fund		
ASSETS							
Cash and Cash Equivalents	\$ 10,128,957	\$ 7,779,968	\$ 713,003	\$ 1,355,791	\$ 84,513	\$ 1,657,161	\$ 21,719,393
Receivables, Net							
Accounts	3,675	-	-	-	-	-	3,675
Property Taxes	524	-	-	-	-	-	524
Due from Other Funds	1,934,444	-	-	-	18,760	246,592	2,199,796
TOTAL ASSETS	\$ 12,067,600	\$ 7,779,968	\$ 713,003	\$ 1,355,791	\$ 103,273	\$ 1,903,753	\$ 23,923,388
LIABILITIES							
Accounts Payable	\$ 240,198	\$ -	\$ 10,438	\$ 1,168	\$ -	\$ -	\$ 251,804
Accrued Liabilities	220,002	627	-	4,985	-	-	225,614
Retainage Payable	3,982	-	-	-	347,749	-	351,731
Due to Other Funds	381,832	950,219	31,226	645,887	-	180,819	2,189,983
Other Deposits and Surety Bonds	4,599	-	-	-	-	-	4,599
Total Liabilities	850,613	950,846	41,664	652,040	347,749	180,819	3,023,731
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	1,114	-	-	-	-	-	1,114
FUND BALANCES							
Restricted	72,378	6,829,122	671,339	703,751	-	-	8,276,590
Committed	1,363,958	-	-	-	-	1,722,934	3,086,892
Unassigned	9,779,537	-	-	-	(244,476)	-	9,535,061
Total Fund Balances	11,215,873	6,829,122	671,339	703,751	(244,476)	1,722,934	20,898,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,067,600	\$ 7,779,968	\$ 713,003	\$ 1,355,791	\$ 103,273	\$ 1,903,753	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,588,851.	27,833,087
Net pension liabilities (and related deferred outflows of resources) do not provide current financial resources and are not reported in the funds.	
Deferred Pension Related Inflows	(324,759)
Deferred Other Postemployment Benefit Related Outflows	1,751
Net Pension Liability	288,534
Other Postemployment Benefits Liability	(89,991)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not reported in the governmental funds.	523
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued Compensated Absences	(107,530)
Net Position of Governmental Activities	\$ 48,500,158

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS
Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	General Fund	Special Revenue Funds		Special Revenue Funds		Capital Project Fund	Total Governmental Funds
		Street Repair and Replacement Fund	Hotel Occupancy Tax Fund	Green Sales Tax Fund	City Facilities Fund		
REVENUES							
Permits, Licenses, Fees and Fines	\$ 100,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,623
Sales Taxes	5,739,902	956,626	-	478,349	-	-	7,174,877
Hotel Taxes	-	-	228,498	-	-	-	228,498
Franchise Fees	33,589	-	-	-	-	-	33,589
Fire District Taxes	25,237	-	-	-	-	-	25,237
Mixed Beverage Taxes	38,117	-	-	-	-	-	38,117
Grant Revenues	1,025	-	-	-	-	-	1,025
Interest Income	78,409	63,927	5,826	12,216	729	10,379	171,486
Miscellaneous Revenue	20,143	-	-	-	-	-	20,143
Total Revenues	<u>6,037,045</u>	<u>1,020,553</u>	<u>234,324</u>	<u>490,565</u>	<u>729</u>	<u>10,379</u>	<u>7,793,595</u>
EXPENDITURES							
Current							
General Government	1,239,259	195,359	228,491	1,122,720	18,774	-	2,804,603
Public Safety	2,032,168	-	-	-	-	-	2,032,168
Public Services	613,552	-	-	-	-	-	613,552
Improvement Programs	6,000	-	-	-	-	-	6,000
Capital Outlay	-	-	-	-	-	214,809	214,809
Total Expenditures	<u>3,890,979</u>	<u>195,359</u>	<u>228,491</u>	<u>1,122,720</u>	<u>18,774</u>	<u>214,809</u>	<u>5,671,132</u>
Excess of Revenues Over (Under) Expenditures	2,146,066	825,194	5,833	(632,155)	(18,045)	(204,430)	2,122,463
OTHER FINANCING SOURCES (USES)							
Transfers In	393,057	-	35,810	-	246,962	1,927,364	2,603,193
Transfers Out	(1,464,516)	(965,023)	-	(140,428)	(243,340)	-	(2,813,307)
Total Other Financing Sources and Uses	<u>(1,071,459)</u>	<u>(965,023)</u>	<u>35,810</u>	<u>(140,428)</u>	<u>3,622</u>	<u>1,927,364</u>	<u>(210,114)</u>
Net Changes in Fund Balances	1,074,607	(139,829)	41,643	(772,583)	(14,423)	1,722,934	1,912,349
Fund Balances - Beginning of Year	10,141,266	6,968,951	629,696	1,476,334	(230,053)	-	18,986,194
Fund Balances - End of Year	<u>\$ 11,215,873</u>	<u>\$ 6,829,122</u>	<u>\$ 671,339</u>	<u>\$ 703,751</u>	<u>\$ (244,476)</u>	<u>\$ 1,722,934</u>	<u>\$ 20,898,543</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS
Statements of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
For the Year Ended September 30, 2022

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - governmental funds	\$ 1,912,349
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 Outlay	1,394,137
Depreciation Expense	(542,576)
The change in net position liability and deferred outflows related to the City's TMRS pension liability:	175,529
The change in other postemployment benefits liability and deferred outflows related to the City's TMRS other postemployment benefits liability:	(16,748)
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 governmental funds:	
Accrued Compensated Absences	<u>(26,448)</u>
Change in net position of governmental activities	<u>\$ 2,896,243</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Statement of Net Position

Proprietary Fund

As of September 30, 2022

	<u>Proprietary Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 4,812,204
Accounts Receivable, Net	141,392
Due from Other Funds	38,118
Total Current Assets	<u>4,991,714</u>
Noncurrent Assets	
Cash and Cash Equivalents, Restricted	18,364
Net Pension Asset	37,361
Infrastructure	2,155,249
Equipment	199,253
Software	35,406
Vehicles	68,985
Accumulated Depreciation	(1,196,881)
Total Noncurrent Assets	<u>1,317,737</u>
Total Assets	<u>6,309,451</u>
DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	3,203
Total Deferred Outflows	<u>3,203</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	149,960
Accrued Liabilities	19,703
Customer Deposits	18,364
Total Current Liabilities	<u>188,027</u>
Noncurrent Liabilities	
Accrued Compensated Absences	16,711
Other Postemployment Benefits Liability	32,930
Total Noncurrent Liabilities	<u>49,641</u>
Total Liabilities	<u>237,668</u>
DEFERRED INFLOWS	
Deferred Pension Related Inflows	79,259
Total Deferred Inflows	<u>79,259</u>
NET POSITION	
Net Position, Net Investment in Capital Assets	1,262,012
Unrestricted Net Assets	4,733,715
Total Net Position	<u>\$ 5,995,727</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS
Statements of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 929,803
Other Revenue	1,038
Total Operating Revenues	<u>930,841</u>
OPERATING EXPENSES	
Utilities	255,969
Public Works	56,838
Contractual Services	1,130,319
Depreciation	93,017
Total Operating Expenses	<u>1,536,143</u>
Operating Income (Loss)	(605,302)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	33,539
Total Non-Operating Revenues (Expenses)	<u>33,539</u>
Income (Loss) Before Transfers	(571,763)
TRANSFERS	
Transfers In	1,553,634
Transfers Out	(1,402,131)
Total Transfers	<u>151,503</u>
Change in Net Position	(420,260)
Net Position - Beginning	6,415,987
Net Position - Ending	<u><u>\$ 5,995,727</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Proprietary Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 952,909
Payments to Suppliers	(1,048,226)
Payments to Employees for Services	(313,600)
Payments for Employee Benefits	(69,170)
Receipts (Refunds) of Customer Deposits	(3,791)
Net Cash Provided (Used) By Operating Activities	<u>(481,878)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal Activity - Loans from (to) Other Funds	(27,480)
Transfers from (to) Other Funds, Net	151,503
Net Cash Provided By Noncapital Financing Activities	<u>124,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(149,176)
Interest and Dividends	33,539
Net Cash Provided (Used) By Investing Activities	<u>(115,637)</u>
Net Increase (Decrease) In Cash & Cash Equivalents	(473,492)
Cash and Cash Equivalents - Beginning of the Year	<u>5,304,060</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 4,830,568</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (605,302)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	93,017
Decrease (Increase) Assets:	
Accounts Receivable	22,067
Increase (Decrease) Liabilities:	
Accounts Payable	(19,988)
Accrued Liabilities	3,028
Net Pension Liability	7,067
Other Postemployment Benefit Liability	18,448
Accrued Compensated Absences	3,576
Customer Deposits Payable	(3,791)
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (481,878)</u></u>
Reconciliation to Statement of Net Position - Proprietary Funds:	
Cash and Cash Equivalents - Unrestricted	\$ 4,812,204
Cash and Cash Equivalents - Restricted	18,364
Total Cash and Cash Equivalents - Proprietary Funds	<u><u>\$ 4,830,568</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Statement of Net Position Discretely Presented Component Unit As of September 30, 2022

	Crime Control and Prevention District
ASSETS	
Cash and Cash Equivalents - Restricted	\$ 510,823
Prepaid Assets	8,848
TOTAL ASSETS	<u>519,671</u>
LIABILITIES	
Accrued Liabilities	\$ 14,204
Due to Other Funds	47,931
Total Liabilities	<u>62,135</u>
FUND BALANCES	
Restricted	<u>457,536</u>
Total Fund Balances	<u>457,536</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 519,671</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Statement of Activities Discretely Presented Component Unit For the Year Ended September 30, 2022

	Crime Control and Prevention District
REVENUES	
Sales Taxes	\$ 476,490
Interest Income	6,339
Total Revenues	<u>482,829</u>
EXPENDITURES	
Current	
General Government	316,075
Total Expenditures	<u>316,075</u>
Excess of Revenues Over (Under) Expenditures	166,754
OTHER FINANCING SOURCES (USES)	
Transfers In	336,611
Transfers Out	(278,000)
Total Other Financing Sources and Uses	<u>58,611</u>
Net Changes in Fund Balances	225,365
Fund Balances - Beginning of Year	<u>232,171</u>
Fund Balances - End of Year	<u>\$ 457,536</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SUNSET VALLEY, TEXAS

Notes to Financial Statements

September 30, 2022

1. Nature of the Entity

The City of Sunset Valley, Texas (the City) was incorporated on September 13, 1954, and operates under the laws of the State of Texas applicable to a Type A-General Law city. The City Council is composed of a mayor and five members elected at large. The City provides what are considered general government services including public safety, streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

The combined financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

2. Summary of Significant Accounting Policies

Financial Reporting Entity

As required by GAAP, the financial statements of the reporting entity must include those of the City and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The criteria for including organizations as component units within the City's reporting entity, as set forth by GASB standards, The Financial Reporting Entity, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has one component unit, the Crime Control and Prevention District. Additionally, the City is not a component unit of any other reporting entity as defined by GASB standards.

The Crime Control and Prevention District is a special purpose district created for the purpose of improving crime prevention and reducing crime. The Crime Control and Prevention District's financial statements are presented discretely alongside the financial statements of the City.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are the government-wide financial statements. They report information on all of the City of Sunset Valley's non-fiduciary activities with most of the interfund activities removed and the discretely presented component unit. Governmental activities include programs supported by taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The City does not allocate indirect expenses in the Statement of Activities. Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the discretely presented component unit. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Fund Accounting

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Street Repair and Replacement Fund – This special revenue fund is used to account for restricted sales tax revenues that are to be used for the maintenance and replacement of the City’s streets.

Hotel Occupancy Tax Fund – This special revenue fund is used to account for revenues earned from hotel occupancy taxes. These proceeds are restricted by State law for tourism expenditures only.

Green Sales Tax Fund – This special revenue fund is used to account for revenues earned from green sales taxes.

City Facilities Fund – This special revenue fund is used to account for revenues and expenditures related to city facility construction.

The City reports the following major proprietary fund:

Utility Fund – This fund accounts for the activities of the City’s water, sewer and solid waste operations.

Government-Wide and Proprietary Fund Financial Statements

The government-wide 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or drawing from the general revenues of the City.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (Continued)

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of sales taxes. Sales tax revenues and other revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with initial maturities of three months or less.

The City is authorized to invest in local government investment pools. The investment pools operate in accordance with appropriate state laws and regulations and have regulatory oversight from the Texas Public Funds Investment Act Sec. 2256.0016. The fair value of the City's position in each pool is the same as the fair value of the pool shares.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (continued)

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables that are doubtful for collection within one year after year-end.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The minimum capitalization threshold is any individual item with a total cost great than \$5,000.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Infrastructure	40 years
Buildings and Improvements	5 - 20 years
Vehicles	5 - 8 years
Furniture and Equipment	5 - 10 years
Software	5 years

The City does not capitalize interest costs related to construction.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (continued)

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide Statement of Net Position.

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Fund Financial Statements

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, requires that fund balances for each of the City's governmental funds be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The City did not have any nonspendable fund balance at September 30, 2022.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City's highest level of decision-making authority is the City Council.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has authorized the City Administrator to assign, reassign, and unassign fund balances. The City did not have any assigned fund balances at September 30, 2022.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the City's General Fund. If a fund deficit exists in other funds, then that amount is reported as a negative unassigned fund balance.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

2. Summary of Significant Accounting Policies (continued)

Equity Classifications (Continued)

Fund Financial Statements (Continued)

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the City can report in special revenue funds.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Pensions

The net pension liability and deferred outflows of resources related to pensions, and pension related expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from the TMRS's fiduciary net position have been determined on the same basis as they are reported by the TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Discretely Presented Component Unit

The component unit column on the government-wide financial statements include the financial data of the City's component unit. Component units are presented in a separate column to emphasize that they are legally separate from the primary government. Combining financial statements are presented as part of the basic financial statements.

3. Deposits and Investments

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

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

3. Deposits and Investments (continued)

At September 30, 2022, the carrying amount of the City's cash deposits was \$963,485 and the bank balance was \$1,126,145. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the City or its agent in the City's name	\$ 1,126,145
Total Bank Balance	\$ <u><u>1,126,145</u></u>

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

At September 30, 2022, the City had funds invested in the Texas Local Government Investment Pool (TexPool). 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, TexPool is rated AAAm by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the Office of the Comptroller of Public Accounts for review.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

3. Deposits and Investments (continued)

TexPool operates in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The fair market value of investments at September 30, 2022 was \$21,141,032 for governmental activities, \$4,443,900 for business-type activities and \$510,823 for the component unit.

The fair value of the TexPool investments is recorded as cash and cash equivalents on the financial statements.

Policies Governing Deposits and Investments

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy limits exposure to credit risk by limiting investments to those authorized by the Act. At September 30, 2022, the City was not significantly exposed to credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, or are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

The City's investment policy limits exposure to custodial credit risk by requiring all uninsured deposits and investments be covered by pledged collateral. At September 30, 2022, the City was not exposed to custodial credit risk.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

3. Deposits and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits overconcentration of its assets in specific instruments except U.S. Treasury Securities and insured or collateralized certificates of deposit. At year-end, the City was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits exposure to interest rate risk by limiting average maturities of investments to one year or less. At year-end, the City was not exposed to interest rate risk.

Analysis of Specific Deposit and Investment Risks

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City does not have a policy related to foreign currency risk. At year-end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

CITY OF SUNSET VALLEY TEXAS

Notes to Financial Statements (Continued)

September 30, 2022

4. Interfund Balances

Balances due to and due from other funds at September 30, 2022 consist of the following:

Due To	General Fund	Utility Fund	City Facilities	Capital Projects	Total
General Fund	\$ (77,934)	\$ 194,414	\$ 18,760	\$ 246,592	\$ 381,832
Utility Fund	195,411	-	-	-	195,411
Street Repair & Replacement	911,104	39,115	-	-	950,219
Hotel Occupancy Tax	31,226	-	-	-	31,226
Green Tax	645,887	-	-	-	645,887
Capital Projects	180,819	-	-	-	180,819
Component Unit	47,931	-	-	-	47,931
	<u>\$ 1,934,444</u>	<u>\$ 233,529</u>	<u>\$ 18,760</u>	<u>\$ 246,592</u>	<u>\$ 2,433,325</u>

All interfund balances represent temporary loans between the City's funds. All amounts due are scheduled to be repaid within one year.

5. Interfund Transfers

During the course of normal operations, the City has transactions between funds. The governmental and proprietary fund financial statements generally reflect such transactions as transfers in and out of the respective funds. The following is a summary of transfers during the year ended September 30, 2022.

	Transfers In	Transfers Out	Net Transfers In/Out
Governmental Activities:			
General Fund	\$ 393,057	\$ 1,464,517	\$ (1,071,460)
Street Repair & Replacement Fund	-	965,023	(965,023)
Hotel Occupancy Tax Fund	35,810	-	35,810
Green Sales Tax Fund	-	140,428	(140,428)
City Facilities	246,962	243,340	3,622
Capital Projects	1,927,364	-	1,927,364
Business-Type Activities:			
Utility Fund	1,553,634	1,402,131	151,503
Component Unit:			
Crime Control & Prevention District	336,612	278,000	58,612
	<u>\$ 4,493,439</u>	<u>\$ 4,493,439</u>	<u>\$ -</u>

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

6. Capital Assets

Capital asset activity for the governmental activities for the year ended September 30, 2022 was as follows:

<u>Governmental Activities</u>	Balance 10/1/2021	Additions	Deletions 9/30/2022	Transfers & Adjustments	Balance 9/30/2022
Capital Assets Not Being Depreciated					
Land	\$ 8,935,620	\$ 1,000,918	\$ -	\$ -	\$ 9,936,538
Construction in Progress	329,330	-	-	-	329,330
Total Capital Assets Not Being Depreciated	9,264,950	1,000,918	-	-	10,265,868
Capital Assets Being Depreciated					
Buildings and Improvements	9,343,887	-	-	-	9,343,887
Infrastructure	15,326,144	120,502	-	-	15,446,646
Furniture and Equipment	653,216	272,717	-	-	925,933
Vehicles	379,218	-	-	-	379,218
Software	60,386	-	-	-	60,386
Total Capital Assets Being Depreciated	25,762,851	393,219	-	-	26,156,070
Accumulated Depreciation					
Buildings and Improvements	(1,273,915)	(75,905)	-	-	(1,349,820)
Infrastructure	(5,868,130)	(394,852)	-	-	(6,262,982)
Furniture and Equipment	(578,858)	(46,053)	-	-	(624,911)
Vehicles	(264,986)	(25,766)	-	-	(290,752)
Software	(60,386)	-	-	-	(60,386)
Total Accumulated Depreciation	(8,046,275)	(542,576)	-	-	(8,588,851)
Net Capital Assets Being Depreciated	17,716,576	(149,357)	-	-	17,567,219
Net Capital Assets	\$ 26,981,526	\$ 851,561	\$ -	\$ -	\$ 27,833,087

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

6. Capital Assets (Continued)

Capital asset activity for the business-type activities for the year ended September 30, 2022 was as follows:

<u>Business-Type Activities</u>	Balance 10/1/2021	Additions	Deletions 9/30/2022	Transfers & Adjustments	Balance 9/30/2022
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 13,766	\$ 61,441	\$ -	\$ -	\$ 75,207
Total Capital Assets Not Being Depreciated	13,766	61,441	-	-	75,207
Capital Assets Being Depreciated					
Infrastructure	1,992,307	87,735	-	-	2,080,042
Furniture and Equipment	199,253	-	-	-	199,253
Vehicles	68,985	-	-	-	68,985
Software	35,406	-	-	-	35,406
Total Capital Assets Being Depreciated	2,295,951	87,735	-	-	2,383,686
Accumulated Depreciation					
Infrastructure	(953,510)	(56,284)	-	-	(1,009,794)
Furniture and Equipment	(86,480)	(28,110)	-	-	(114,590)
Vehicles	(28,468)	(8,623)	-	-	(37,091)
Software	(35,406)	-	-	-	(35,406)
Total Accumulated Depreciation	(1,103,864)	(93,017)	-	-	(1,196,881)
Net Capital Assets Being Depreciated	1,192,087	(5,282)	-	-	1,186,805
Net Capital Assets	\$ 1,205,853	\$ 56,159	\$ -	\$ -	\$ 1,262,012

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 186,627
Public Safety	34,898
Public Services	321,051
Total Governmental Activities Depreciation Expense	\$ 542,576

Business-Type Activities:

Utilities	\$ 93,017
Total Business-Type Activities Depreciation Expense	\$ 93,017

CITY OF SUNSET VALLEY TEXAS

Notes to Financial Statements (Continued)

September 30, 2022

7. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2022 are as follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Governmental Activities:				
Compensated Absences	\$ 81,082	\$ 26,448	\$ -	\$ 107,530
Business-Type Activities:				
Compensated Absences	13,135	3,576	-	16,711
Total	<u>\$ 94,217</u>	<u>\$ 30,024</u>	<u>\$ -</u>	<u>\$ 124,241</u>

In prior years, the general fund has been used to liquidate other governmental long-term liabilities.

8. Operating Leases

In June 2021, GASB issued Statement No. 87 *Leases* to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The standard became effective for the Organization on June 15, 2021. During 2022, the City had no leases to which the standard applied.

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

9. Risk Management

General Liability

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the City obtained general liability coverage at a cost that is economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operated as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

10. Pension Plan

Plan Description

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

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

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

10. Pension Plan

Benefits Provided

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

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

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

	2021
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	34
Active employees	24
Total	<u>71</u>

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

10. Pension Plan (Continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total earnings, and the city matching ratios are either: 1:1 (1 to 1), 1:5 (1 ½ 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 (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Sunset Valley were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sunset Valley were 14.08% and 11.67% in calendar years 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$231,789, and 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 Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net pension plan investment expense, including inflation

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

CITY OF SUNSET VALLEY TEXAS

Notes to Financial Statements (Continued)

September 30, 2022

10. Pension Plan (Continued)

Net Pension Liability (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Real Return	12%	7.22%
Real Estate	12%	6.85%
Absolute Return	5%	5.35%
Private Equity	10%	10.00%
Total	100%	

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

10. Pension Plan (Continued)

Net Pension Liability (Continued)

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2020	\$ 7,714,626	\$ 7,559,010	\$ 155,616
Changes for the year:			-
Service cost	315,071	-	315,071
Interest	521,371	-	521,371
Change of benefit terms	-	-	-
Difference between expected and actual experience	(37,429)	-	(37,429)
Changes of assumptions	-	-	-
Contributions - employer	-	206,245	(206,245)
Contributions - employee	-	129,052	(129,052)
Net investment income	-	983,533	(983,533)
refunds of employee contributions	(296,292)	(296,292)	-
Administrative expense	-	(4,560)	4,560
Other Changes	-	31	(31)
Net changes	502,721	1,018,009	(515,288)
Balance at 12/31/2021	\$ 8,217,347	\$ 8,577,019	\$ (359,672)

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

10. Pension Plan (Continued)

Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 1,029,332	\$ (359,672)	\$ (1,464,366)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2022, the city recognized pension expense of \$231,789.

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

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Economic Experience	\$ (26,189)	-
Differences Between Projected and Actual Investment Earnings	(378,640)	-
Contributions Subsequent to the Measurement Date	811	-
	<u>\$ (404,018)</u>	<u>-</u>

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

10. Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$811 reported as deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources to pensions will be recognized in pension expense as follows:

		Net deferred outflows (inflows) of resources
For the Year Ended December 31,		
2022	\$	(134,165)
2023		(215,215)
2024		(113,304)
2025		(94,660)
Total	\$	<u>(557,344)</u>

11. Other Postemployment Benefits

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 the 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 the employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 GASB No. 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 contribution for retirees.

CITY OF SUNSET VALLEY TEXAS

Notes to Financial Statements (Continued)

September 30, 2022

11. Other Postemployment Benefits

Benefits

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

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitle to, but not yet receiving, benefits	12
Active employees	24
Total	<u>47</u>

Total OPEB Liability

The City's total OPEB liability of \$112,178 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined by 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 11.5% including inflation
Discount rate*	1.84%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

11. Other Postemployment Benefits

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.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 4,425
Interest	2,108
Differences between expected and actual expectations	(1,889)
Changes in assumptions or other inputs	4,645
Benefit payments**	<u>(553)</u>
Net Changes	8,736
Beginning Balance	103,442
Ending Balance	<u><u>\$ 112,178</u></u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB No. 75.

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.

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

The following present 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%)	Current Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	\$ 147,839	\$ 112,178	\$ 87,102

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

11. Other Postemployment Benefits

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

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

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	(1,496)
Changes in actuarial assumptions	-	3,679
Contributions Subsequent to the Measurement Date	-	2,771
Total	\$ -	4,954

\$2,771 reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of total OPEB for the fiscal year ending September 30, 2022.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended December 31,	OPEB Expense Amount
2022	\$ 6,160
2023	5,589
2024	6,508
2025	5,762
2026	437
Thereafter	-
Total	\$ 24,456

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

12. Health Care Coverage

During the year ended September 30, 2022, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$619 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2 of the Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable on December 31 of each year and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements for the licensed insurer are available for the year ended December 31, 2022 and are public records filed with the Texas State Board of Insurance, Austin, Texas.

13. Contingencies

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

14. Restricted Net Position

The restricted portion of the City's net position was comprised of the following items at September 30, 2022:

Restricted For	Governmental Activities	Business-Type Activities	Component Unit
Street Maintenance	\$ 6,829,122	\$ -	\$ -
Police Activities	2,973	-	-
Crime Control and Prevention	-	-	457,536
Brodie Barn Trees	2,025	-	-
Burger Loop Trail	39,282	-	-
School Zone Safety	11,956	-	-
HRA Insurance	16,142	-	-
Green Sales Taxes	703,751	-	-
Tourism	671,339	-	-
Total Restricted Net Position	\$ <u>8,276,590</u>	\$ <u>-</u>	\$ <u>457,536</u>

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

15. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The 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. The City has one type of item reported as deferred outflows of resources, in both the governmental and proprietary funds on the Statement of Net Position, which arises under the full accrual basis of accounting. These items are related to differences between projected and actual investment earnings on pensions and contributions made to the pension plan to the measurement date of the actuarial valuation. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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. The city has one type of item reported as deferred inflows of resources, in both the governmental and proprietary funds on the Statement of Net Position, which arises under the full accrual basis of accounting. These items are related to differences between expected and actual economic experience based on the actuarial valuation. At the governmental fund level only one type of item arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF SUNSET VALLEY TEXAS

Notes to Financial Statements (Continued)

September 30, 2022

16. Fund Balances

The City reported the following fund balance designations at September 30, 2022:

Fund Balance Designations	General Fund	Street Repair and Replacement Fund	Hotel Occupancy Tax Fund	Green Sales Tax Fund	City Facilities Fund	Capital Projects	Total Governmental Funds	Crime Control and Prevention District
Restricted for:								
Street Maintenance	\$ -	\$ 6,829,122	\$ -	\$ -	\$ -	\$ -	\$ 6,829,122	\$ -
Brodie Barn Trees	2,025	-	-	-	-	-	2,025	-
Burger Loop Trail	39,282	-	-	-	-	-	39,282	-
Police Activities	2,973	-	-	-	-	-	2,973	-
Crime Control & Prevention District	-	-	-	-	-	-	-	457,536
School Zone Safety	11,956	-	-	-	-	-	11,956	-
HRA Insurance	16,142	-	-	-	-	-	16,142	-
Green Sales Taxes	-	-	-	703,751	-	-	703,751	-
Tourism	-	-	671,339	-	-	-	671,339	-
Total Restricted	72,378	6,829,122	671,339	703,751	-	-	8,276,590	457,536
Committed for:								
City Facilities	1,123,958	-	-	-	-	-	1,123,958	-
Capital Projects	-	-	-	-	-	1,722,934	1,722,934	-
Equipment Replacement	240,000	-	-	-	-	-	240,000	-
Total Committed	1,363,958	-	-	-	-	1,722,934	3,086,892	-
Unassigned	9,779,537	-	-	-	(244,476)	-	9,535,061	-
Total Fund Balances	\$ 11,215,873	\$ 6,829,122	\$ 671,339	\$ 703,751	\$ (244,476)	\$ 1,722,934	\$ 20,898,543	\$ 457,536

CITY OF SUNSET VALLEY TEXAS
Notes to Financial Statements (Continued)
September 30, 2022

17. Evaluation of Subsequent Events

Subsequent events have been evaluated through May 31, 2024, which is the date these financial statements were available to be issued.

Required Supplemental Information

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Permits, Licenses, Fees and Fines	\$ 35,768	\$ 65,170	\$ 100,623	\$ 35,453
Sales Taxes	-	4,243,108	5,739,902	1,496,794
Franchise Fees	-	76,861	33,589	(43,272)
Fire District Taxes	-	32,389	25,237	(7,152)
Mixed Beverage Taxes	-	32,795	38,117	5,322
Grant Revenues	-	-	1,025	1,025
Interest Income	-	76,091	78,409	2,318
Miscellaneous Revenue	995	26,556	20,143	(6,413)
Total Revenues	<u>36,763</u>	<u>4,552,970</u>	<u>6,037,045</u>	<u>1,484,075</u>
EXPENDITURES				
Current				
General Government	65,493	1,332,167	1,239,259	92,908
Public Safety	82,086	2,349,185	2,032,168	317,017
Public Services	623,199	709,717	613,552	96,165
Improvement Programs	-	6,000	6,000	-
Total Expenditures	<u>770,778</u>	<u>4,397,069</u>	<u>3,890,979</u>	<u>506,090</u>
Excess of Revenues Over (Under) Expenditures	(734,015)	155,901	2,146,066	1,990,165
OTHER FINANCING SOURCES (USES)				
Transfers	(1,037,452)	(1,140,258)	(1,071,459)	(68,799)
Total Other Financing Sources and Uses	<u>(1,037,452)</u>	<u>(1,140,258)</u>	<u>(1,071,459)</u>	<u>(68,799)</u>
Net Change in Fund Balances	(1,771,467)	(984,357)	1,074,607	2,058,964
Fund Balance - Beginning, GAAP Basis	10,141,266	10,141,266	10,141,266	-
Fund Balance - Ending, Budgetary Basis	<u>\$ 8,369,799</u>	<u>\$ 9,156,909</u>	<u>11,215,873</u>	<u>\$ 2,058,964</u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis)
Street Repair and Replacement Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Sales Taxes	\$ 707,167	\$ 707,167	\$ 956,626	\$ 249,459
Interest Income	78,425	78,425	63,927	(14,498)
Total Revenues	<u>785,592</u>	<u>785,592</u>	<u>1,020,553</u>	<u>234,961</u>
EXPENDITURES				
Current				
General Government	141,033	240,892	195,359	45,533
Total Expenditures	<u>141,033</u>	<u>240,892</u>	<u>195,359</u>	<u>45,533</u>
Excess of Revenues Over (Under) Expenditures	644,559	544,700	825,194	280,494
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(965,023)	965,023
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(965,023)</u>	<u>965,023</u>
Fund Balance - Beginning, GAAP Basis	6,968,951	6,968,951	6,968,951	-
Fund Balance - Ending, GAAP Basis	<u>\$ 7,613,510</u>	<u>\$ 7,513,651</u>	<u>\$ 6,829,122</u>	<u>\$ 1,245,517</u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis)
Hotel Occupancy Tax Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Hotel Taxes	\$ 167,565	\$ 167,565	\$ 228,498	\$ 60,933
Interest Income	9,636	9,636	5,826	(3,810)
Total Revenues	<u>177,201</u>	<u>177,201</u>	<u>234,324</u>	<u>57,123</u>
EXPENDITURES				
Current				
General Government	284,490	304,966	228,491	76,475
Total Expenditures	<u>284,490</u>	<u>304,966</u>	<u>228,491</u>	<u>76,475</u>
Excess of Revenues Over (Under) Expenditures	(107,289)	(127,765)	5,833	133,598
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(35,810)	35,810
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(35,810)</u>	<u>35,810</u>
Fund Balance - Beginning, GAAP Basis	629,696	629,696	629,696	-
Fund Balance - Ending, Budgetary Basis	<u>\$ 522,407</u>	<u>\$ 501,931</u>	<u>\$ 671,339</u>	<u>\$ 169,408</u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis)
Green Sales Tax Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Sales and Use Tax	\$ 353,610	\$ 353,610	\$ 478,349	\$ 124,739
Interest Income	17,962	17,962	12,216	(5,746)
Total Revenues	<u>371,572</u>	<u>371,572</u>	<u>490,565</u>	<u>118,993</u>
EXPENDITURES				
Current				
General Government	227,440	1,230,130	1,122,720	107,410
Total Expenditures	<u>227,440</u>	<u>1,230,130</u>	<u>1,122,720</u>	<u>107,410</u>
Excess of Revenues Over (Under) Expenditures	144,132	(858,558)	(632,155)	226,403
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(140,428)	140,428
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(140,428)</u>	<u>140,428</u>
Fund Balance - Beginning, GAAP Basis	1,476,334	1,476,334	1,476,334	-
Fund Balance - Ending, Budgetary Basis	<u>\$ 1,620,466</u>	<u>\$ 617,776</u>	<u>\$ 703,751</u>	<u>\$ 366,831</u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual (Budgetary Basis)
City Facilities Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ -	\$ 729	\$ 729
Total Revenues	-	-	729	729
EXPENDITURES				
Current				
General Government	-	18,774	18,774	-
Total Expenditures	-	18,774	18,774	-
Excess of Revenues Over (Under) Expenditures	-	(18,774)	(18,045)	729
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	246,962	(246,962)
Transfers	-	-	(243,340)	243,340
Total Other Financing Sources and Uses	-	-	3,622	(3,622)
Fund Balance - Beginning, GAAP Basis	(230,053)	(230,053)	(230,053)	-
Fund Balance - Ending, Budgetary Basis	<u><u>\$ (230,053)</u></u>	<u><u>\$ (248,827)</u></u>	<u><u>\$ (244,476)</u></u>	<u><u>\$ 4,351</u></u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2022

Budget

The following procedures are followed in establishing the budgetary data:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year-end.

CITY OF SUNSET VALLEY, TEXAS
Required Supplemental Information
Schedule of Changes in Net Pension Liability and Related Ratios –
Last 10 Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Total Net Pension Liability								
Service Cost	\$ 315,071	\$ 313,339	\$ 363,523	\$ 344,555	\$ 316,489	\$ 313,365	\$ 278,127	\$ 245,678
Interest (on the Total Net Pension Liability)	521,371	488,343	469,234	430,478	394,159	349,990	320,611	288,801
Changes of benefit terms	-	(431,696)	-	163,571	-	-	-	-
Difference between expected and actual experience	(37,429)	(59,174)	46,118	(54,073)	(196,727)	99,988	34,890	60,289
Change of assumptions	-	-	25,698	-	-	-	64,868	-
Benefit payments, including refunds of employee contributions	(296,292)	(211,839)	(117,546)	(195,018)	(111,915)	(109,183)	(113,295)	(199,833)
Net Change in Total Pension Liability	<u>502,721</u>	<u>98,973</u>	<u>787,027</u>	<u>689,513</u>	<u>402,006</u>	<u>654,160</u>	<u>585,201</u>	<u>394,935</u>
Total Pension Liability - Beginning	<u>7,714,626</u>	<u>7,615,653</u>	<u>6,828,626</u>	<u>6,139,113</u>	<u>5,737,107</u>	<u>5,082,947</u>	<u>4,497,746</u>	<u>4,102,811</u>
Total Pension Liability - Ending (a)	<u>\$ 8,217,347</u>	<u>\$ 7,714,626</u>	<u>\$ 7,615,653</u>	<u>\$ 6,828,626</u>	<u>\$ 6,139,113</u>	<u>\$ 5,737,107</u>	<u>\$ 5,082,947</u>	<u>\$ 4,497,746</u>
Plan Fiduciary Net Pension								
Contributions - Employer	206,245	247,677	275,178	249,438	231,084	209,333	193,522	153,711
Contributions - Employee	129,052	134,069	144,830	138,138	132,264	130,880	120,551	114,206
Net Investment Income	983,533	520,259	877,415	(169,310)	658,633	286,556	5,983	215,891
Benefit payments, including refunds of employee contributions	(296,292)	(211,839)	(117,546)	(195,018)	(111,915)	(109,183)	(113,295)	(199,833)
Administrative Expense	(4,560)	(3,375)	(4,977)	(3,287)	(3,427)	(3,249)	(3,644)	(2,253)
Other	31	(132)	(150)	(172)	(174)	(175)	(180)	(185)
Net Change in Plan Fiduciary Net Position	<u>1,018,009</u>	<u>686,659</u>	<u>1,174,750</u>	<u>19,789</u>	<u>906,465</u>	<u>514,162</u>	<u>202,937</u>	<u>281,537</u>
Plan Fiduciary Net Position - Beginning	<u>7,559,010</u>	<u>6,872,351</u>	<u>5,697,601</u>	<u>5,677,812</u>	<u>4,771,347</u>	<u>4,257,185</u>	<u>4,054,248</u>	<u>3,772,711</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,577,019</u>	<u>\$ 7,559,010</u>	<u>\$ 6,872,351</u>	<u>\$ 5,697,601</u>	<u>\$ 5,677,812</u>	<u>\$ 4,771,347</u>	<u>\$ 4,257,185</u>	<u>\$ 4,054,248</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ (359,672)</u>	<u>\$ 155,616</u>	<u>\$ 743,302</u>	<u>\$ 1,131,025</u>	<u>\$ 461,301</u>	<u>\$ 965,760</u>	<u>\$ 825,762</u>	<u>\$ 443,498</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.38%	97.98%	90.24%	83.44%	92.49%	83.17%	83.75%	90.14%
Covered Employee Payroll	<u>\$ 1,843,600</u>	<u>\$ 1,915,275</u>	<u>\$ 2,068,998</u>	<u>\$ 1,973,399</u>	<u>\$ 1,889,485</u>	<u>\$ 1,869,717</u>	<u>\$ 1,722,151</u>	<u>\$ 1,631,515</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	-19.51%	8.12%	35.93%	57.31%	24.41%	51.65%	47.95%	27.18%

*Note: GASB No. 68 requires ten fiscal years of data to be provided in this schedule. Fiscal year ending 2015 was the first year of implementation. The City will develop the schedule prospectively.

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS

Required Supplemental Information

Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios – Last 10 Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Net Pension Liability					
Service Cost	\$ 4,425	\$ 3,639	\$ 3,310	\$ 3,355	\$ 2,834
Interest (on the Total Net Pension Liability)	2,108	2,072	1,956	2,002	1,894
Difference between expected and actual experience	(1,889)	6,323	2,066	(7,613)	-
Change of assumptions	4,645	17,964	15,439	(5,070)	5,771
Benefit payments, including refunds of employee contributions	<u>(553)</u>	<u>(192)</u>	<u>(414)</u>	<u>(395)</u>	<u>(378)</u>
Net Change in Total OPEB Liability	8,736	29,806	22,357	(7,721)	10,121
Total OPEB Liability - Beginning	<u>103,442</u>	<u>73,636</u>	<u>51,279</u>	<u>59,000</u>	<u>48,879</u>
Total OPEB Liability - Ending (a)	<u>\$ 112,178</u>	<u>\$ 103,442</u>	<u>\$ 73,636</u>	<u>\$ 51,279</u>	<u>\$ 59,000</u>
Covered Employee Payroll	\$ 1,843,600	\$ 1,915,275	\$ 2,068,998	\$ 1,973,399	\$ 1,889,485
OPEB as a Percentage of Covered Employee Payroll	6.08%	5.40%	3.56%	2.60%	3.12%

*Note: GASB No. 75 requires ten fiscal years of data to be provided in this schedule. Fiscal year ending 2018 was the first year of implementation. The City will develop the schedule prospectively.

See Independent Auditor's Report

Supplemental Information

CITY OF SUNSET VALLEY, TEXAS
Supplemental Information
Schedule of Revenues, Expenditures and Changes in Net Position –
Budget and Actual (Budgetary Basis)
Proprietary Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Charges for Services	\$ 1,055,676	\$ 1,055,676	\$ 929,803	\$ (125,873)
Interest Income	68,262	68,262	33,539	(34,723)
Miscellaneous Revenue	317	317	1,038	721
Total Revenues	<u>1,124,255</u>	<u>1,124,255</u>	<u>964,380</u>	<u>(159,875)</u>
EXPENSES				
Utilities	249,573	297,520	255,969	41,551
Public Works	91,971	92,289	56,838	35,451
Contractual Services	1,469,421	1,478,561	1,130,319	348,242
Capital Outlay	-	-	149,176	(149,176)
Total Expenses	<u>1,810,965</u>	<u>1,868,370</u>	<u>1,592,302</u>	<u>276,068</u>
Excess of Revenues Over (Under) Expenses	<u>(686,710)</u>	<u>(744,115)</u>	<u>(627,922)</u>	<u>116,193</u>
OTHER FINANCING SOURCES (USES)				
Transfers	832,259	832,259	151,503	680,756
Total Other Financing Sources (Uses)	<u>832,259</u>	<u>832,259</u>	<u>151,503</u>	<u>680,756</u>
Change in Net Position	<u>145,549</u>	<u>88,144</u>	<u>(476,419)</u>	<u>(564,563)</u>
Fund Balance - Beginning, GAAP Basis	<u>6,415,987</u>	<u>6,415,987</u>	<u>6,415,987</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 6,561,536</u>	<u>\$ 6,504,131</u>	<u>5,939,568</u>	<u>\$ (564,563)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
The City does not budget for depreciation expense			(93,017)	
The City budgets capital outlays as expenditures, but for GAAP they are reported as capital assets			<u>149,176</u>	
Net Position - Ending, GAAP Basis			<u>\$ 5,995,727</u>	

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Supplemental Information
Schedule of Revenues, Expenditures and Changes in Net Position –
Budget and Actual (Budgetary Basis)
Component Unit
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
REVENUES				
Sales and Use Tax	\$ 349,247	\$ 349,247	\$ 476,490	\$ 127,243
Interest Income	4,349	4,349	6,339	1,990
Total Revenues	<u>353,596</u>	<u>353,596</u>	<u>482,829</u>	<u>129,233</u>
EXPENDITURES				
Current				
General Government	<u>451,940</u>	<u>483,259</u>	<u>316,075</u>	<u>167,184</u>
Total Expenditures	<u>451,940</u>	<u>483,259</u>	<u>316,075</u>	<u>167,184</u>
Excess of Revenues Over (Under) Expenditures	(98,344)	(129,663)	166,754	296,417
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>58,611</u>	<u>(58,611)</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>58,611</u>	<u>(58,611)</u>
Fund Balance - Beginning, GAAP Basis	232,171	232,171	232,171	-
Fund Balance - Ending, Budgetary Basis	<u>\$ 133,827</u>	<u>\$ 102,508</u>	<u>\$ 457,536</u>	<u>\$ 355,028</u>

See Independent Auditor's Report

CITY OF SUNSET VALLEY, TEXAS
Supplemental Information
Notes to the Budgetary Comparison Schedule – Proprietary Fund & Component
Unit
For the Year Ended September 30, 2022

Budget

The following procedures are followed in establishing the budgetary data:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year-end.

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

To the City Council
City of Sunset Valley, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Sunset Valley, Texas (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, and have issued our report thereon dated May 31, 2024.

Report on Internal Control over Financial Reporting

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

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

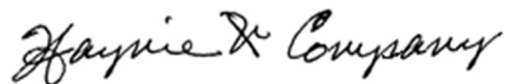
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings (as item 2021-1) that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2021-1.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Haynie & Company".

San Antonio, Texas
May 31, 2024

Schedule of Findings

CITY OF SUNSET VALLEY, TEXAS

Schedule of Findings

September 30, 2022

2021-01 – Inadequate Reconciliation of Due To/From Balances

Criteria: Under governmental accounting principles generally accepted in the United States of America (GAAP), the City is required to report its due to/from accounts in the financial statements and other required foot notes.

Condition: The City could not provide a complete due to/from reconciliation that agreed to the general ledger. In addition, numerous adjustments were necessary to resolve errors within the reconciliation.

Context: During our testing of due to/from accounts, we noted the following internal processes were identified:

- An annual due to/from reconciliation was provided, however the reconciliation was prepared prior to certain year-end adjustments that were record subsequent to the preparation of the reconciliation. This instance resulted in the reconciliation not agreeing to the general ledger balances.
- Certain due to/from accounts were posted to the incorrect account in error. For example: a due to balance was recorded in a due from account. The City was able to provide correcting journal entries in order to remedy the error.
- Auditors noted that several due to/from balances have been carried forward for several months. This was attributed to the City only performing transfers to clearing the due to/from balances on an inconsistent basis.

Cause and Effect: In the absence of these internal controls, a misstatement on the government-wide statement of net position, governmental balance sheet, proprietary fund statement of net position, component unit statement of net position, and the due to/from disclosures would be possible.

Recommendation: We recommend City perform monthly reconciliations of due to/from accounts. In addition, we also recommend the City perform cash transfers on a monthly basis to reduce outstanding balances on a more regular basis.

Views of Responsible Official(s) and Planned Corrective Actions:

Management concurs with the finding and recommendation. We will implement the related recommendation noted above by the end of fiscal year 2023.