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*REPORT OF EXAMINATION*

**CITY OF  
SUNRISE BEACH VILLAGE**

*Sunrise Beach Village, Texas*

For the Year Ended  
September 30, 2025

CITY OF SUNRISE BEACH VILLAGE  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2025

CITY OF SUNRISE BEACH VILLAGE  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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# NEFFENDORF & BLOCKER, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Sunrise Beach Village  
Sunrise Beach Village, TX

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Sunrise Beach Village, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Sunrise Beach Village, Texas' 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 and each major fund of the City of Sunrise Beach Village, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sunrise Beach Village, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sunrise Beach Village, Texas' 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 for the general fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4-8 and 36-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the City of Sunrise Beach Village, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sunrise Beach Village, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sunrise Beach Village, Texas's internal control over financial reporting and compliance.

*Neffendorf & Blocker, P.C.*

Neffendorf & Blocker, P.C.

Fredericksburg, Texas  
March 26, 2026

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sunrise Beach Village, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2025. Please read it in conjunction with the independent auditor's report on page 1, and City's Basic Financial Statements which begin on page 9.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,404,433 (net position). Of this amount, \$1,997,770 (unrestricted net position) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's net position increased by \$616,861 as a result of this year's operations.
- At September 30, 2025, the City's general fund reported an ending fund balance of \$1,219,568, an increase of \$206,495 in comparison with the prior year.
- At September 30, 2025, the City's Water Utility Fund reported net position of \$2,651,377, an increase of \$457,971 in comparison with the prior year.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12 and 14) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (General Fund), Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, the Notes to the Schedule of Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios and the Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios are presented as required supplementary information on pages 36 - 44.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

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

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, highways and streets, and administration. Property taxes, user charges and franchise tax finance most of these activities.
- Business-type activity - The City's water utility fund is reported as a business-type activity since the fees charged to customers cover the cost of services provided.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

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

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water Utility) is a business-type activity and provides both long and short-term financial information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the City's governmental activities increased from \$2,594,166 to \$2,753,056. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$1,162,474 at September 30, 2025. This increase in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$206,495. Second, the City acquired capital assets in the amount of \$134,695 and paid principal payments for the right-to-use lease asset in the amount of \$692. Third, the City recorded depreciation and amortization in the amount of \$132,580. Fourth, a net decrease of \$29,202 due to recognition of deferred inflows, outflows and pension liability related to GASB 68 accounting and financial reporting for pensions. Fifth, a net increase of \$444 due to recognition of deferred inflows, outflows and OPEB liability related to GASB 75 accounting and financial reporting for other post-employment benefits.

Net position of the City's business-type activities at September 30, 2025 was \$2,651,377. Unrestricted net position was \$835,296. This increase in business-type net position was the result of net income of \$457,971.

**Table I**  
**City of Sunrise Beach Village**

**NET ASSETS**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		TOTALS	
	2025	2024	2025	2024	Primary Government	
					2025	2024
Current and Restricted Assets	\$ 1,347	\$ 1,141	\$ 1,084	\$ 1,267	\$ 2,431	\$ 2,408
Capital Assets	1,596	1,588	3,104	2,766	4,700	4,354
Net Pension Asset	29	37	-	-	29	37
Total Assets	<u>\$ 2,972</u>	<u>\$ 2,766</u>	<u>\$ 4,188</u>	<u>\$ 4,033</u>	<u>\$ 7,160</u>	<u>\$ 6,799</u>
Deferred Outflow of Resources	\$ 24	\$ 28	\$ 30	\$ 39	\$ 54	\$ 67
Current Liabilities	\$ 93	\$ 142	\$ 207	\$ 193	\$ 300	\$ 335
Long-Term Liabilities	75	-	1,360	1,686	1,435	1,686
OPEB Liability	26	31	-	-	26	31
Total Liabilities	<u>\$ 194</u>	<u>\$ 173</u>	<u>\$ 1,567</u>	<u>\$ 1,879</u>	<u>\$ 1,761</u>	<u>\$ 2,052</u>
Deferred Inflow of Resources	\$ 49	\$ 27	\$ -	\$ -	\$ 49	\$ 27
Net Position:						
Net Investment in Capital Assets	\$ 1,591	\$ 1,588	\$ 1,775	\$ 1,119	\$ 3,366	\$ 2,707
Restricted	-	-	41	41	41	41
Unrestricted	<u>1,162</u>	<u>1,006</u>	<u>835</u>	<u>1,033</u>	<u>1,997</u>	<u>2,039</u>
Total Net Position	<u>\$ 2,753</u>	<u>\$ 2,594</u>	<u>\$ 2,651</u>	<u>\$ 2,193</u>	<u>\$ 5,404</u>	<u>\$ 4,787</u>

**Table II**  
**City of Sunrise Beach Village**

**CHANGES IN NET ASSETS**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	\$ 53	\$ 54	\$ 1,270	\$ 1,147	\$ 1,323	\$ 1,201
General Revenues:						
Maintenance & Operations Taxes	965	923	-	-	965	923
Other Taxes	197	151	-	-	197	151
Grants & Contributions	-	-	-	-	-	-
Investment Earnings	54	59	39	57	93	116
Miscellaneous	52	137	9	19	61	156
Total Revenue	\$ 1,321	\$ 1,324	\$ 1,318	\$ 1,223	\$ 2,639	\$ 2,547
Expenses:						
Salaries & Benefits	\$ 510	\$ 565	\$	\$	\$ 510	\$ 565
Benefits	113	48			113	48
Professional Services	59	63			59	63
Law & Order Costs	45	-			45	-
Utilities	19	21			19	21
Insurance	145	110			145	110
Supplies	39	70			39	70
Repairs and Maintenance	75	86			75	86
Contracted Services	15	28			15	28
Other Operating	10	10			10	10
Water Utility			897	872	897	872
Depreciation/Amortization	132	122	165	155	297	277
Debt Service	-	-	22	25	22	25
Total Expenses	\$ 1,162	\$ 1,123	\$ 1,084	\$ 1,052	\$ 2,246	\$ 2,175
Increase (Decrease) in Net Position						
Before Transfers & Capital Contributions	\$ 159	\$ 201	\$ 234	\$ 171	\$ 393	\$ 372
Capital Contributions	-	-	224	96	224	96
Transfers	-	(27)	-	27	-	-
Net Change	\$ 159	\$ 174	\$ 458	\$ 294	\$ 617	\$ 468
Net Position - Beginning	2,594	2,420	2,193	1,899	4,787	4,319
Net Position - Ending	\$ 2,753	\$ 2,594	\$ 2,651	\$ 2,193	\$ 5,404	\$ 4,787

The cost of all governmental activities this year was \$1,161,935. However, as shown in the Statement of Activities on pages 10-11, the amount that our taxpayers ultimately financed for these activities with City taxes was \$964,654 because the other costs were paid by other taxes \$197,030, user charges \$52,764, penalties and interest \$7,657, interest income \$54,267 and miscellaneous revenue \$44,453.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a fund balance of \$1,219,568, which is more than last year's total of \$1,013,073.

The City adopts an annual budget for the General Fund. Actual revenues were more than budgeted amounts and actual expenditures were less than budgeted amounts. A budgetary comparison statement (page 36) has been provided to demonstrate compliance.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2025, the City had the following amounts invested in capital assets:

	Governmental Activities	Business Type Activities	TOTALS
Land	\$ 2,432	\$ 424,736	\$ 427,168
Infrastructure	1,688,840	3,323,296	5,012,136
Buildings	226,653	-	226,653
Improvements	565,715	-	565,715
Machinery & Equipment	584,716	760,389	1,345,105
Right-to-Use Lease Asset	6,285	-	6,285
Construction in progress	-	623,335	623,335
Total Capital Assets	\$ 3,074,641	\$ 5,131,756	\$ 8,206,397
Accumulated Depreciation/Amortization	(1,478,466)	(2,027,992)	(3,506,458)
Capital Assets, Net	\$ 1,596,175	\$ 3,103,764	\$ 4,699,939

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

DEBT

For business type activities, the City had \$1,245,000 in certificates of obligation outstanding. More detailed information about the City's debt is presented in the Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2026 budget and tax rates. Amounts available for appropriation in the General Fund budget are \$1,358,313 and estimated expenditures are \$1,393,006.

If these estimates are realized, the City's budgetary General fund balance is expected to decrease by \$34,693 by the end of fiscal year 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**BASIC FINANCIAL STATEMENTS**

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,844	\$ 92,140	\$ 107,984
Investments - Current	1,267,810	763,578	2,031,388
Accounts Receivable (Net)	60,018	190,222	250,240
Due from Other Funds	3,596	(3,596)	-
Restricted Asset- Debt Service	-	41,486	41,486
Capital Assets:			
Land Purchase	2,432	424,736	427,168
Infrastructure, Net	1,105,679	1,804,244	2,909,923
Buildings, Net	115,810	-	115,810
Improvements other than Buildings, Net	179,750	-	179,750
Furniture and Equipment, Net	187,057	251,449	438,506
Right-to-Use Lease Assets	5,447	-	5,447
Construction in Progress	-	623,335	623,335
Net Pension Asset	28,985	-	28,985
Total Assets	<u>2,972,428</u>	<u>4,187,594</u>	<u>7,160,022</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	-	30,629	30,629
Deferred Outflow Related to Pension Plan	18,441	-	18,441
Deferred Outflow Related to OPEB Plan	5,386	-	5,386
Total Deferred Outflows of Resources	<u>23,827</u>	<u>30,629</u>	<u>54,456</u>
<b>LIABILITIES</b>			
Accounts Payable	2,030	61,748	63,778
Wages and Salaries Payable	11,130	-	11,130
Intergovernmental Payable	798	-	798
Customer Deposits	78,426	136,269	214,695
Accrued Interest Payable	-	9,031	9,031
Due to Others	900	-	900
Noncurrent Liabilities:			
Due Within One Year:			
Due Within One Year	23,607	305,000	328,607
Due in More Than One Year:			
Compensated Absences Payable - Noncurrent	47,006	-	47,006
Unamortized Premiums (Discounts) on Bonds	-	114,798	114,798
Right-to-Use Lease Liabilities - Noncurrent	4,479	940,000	944,479
Net OPEB Liability	25,711	-	25,711
Total Liabilities	<u>194,087</u>	<u>1,566,846</u>	<u>1,760,933</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	35,270	-	35,270
Deferred Inflow Related to OPEB Plan	13,842	-	13,842
Total Deferred Inflows of Resources	<u>49,112</u>	<u>-</u>	<u>49,112</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets and Lease Assets	1,590,582	1,774,595	3,365,177
Restricted for Debt Service	-	41,486	41,486
Unrestricted Net Position	1,162,474	835,296	1,997,770
Total Net Position	<u>\$ 2,753,056</u>	<u>\$ 2,651,377</u>	<u>\$ 5,404,433</u>

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 52,764	\$ -	\$ 52,764
(509,862)	-	(509,862)
(61,878)	-	(61,878)
(50,659)	-	(50,659)
(58,917)	-	(58,917)
(45,430)	-	(45,430)
(18,541)	-	(18,541)
(144,541)	-	(144,541)
(39,376)	-	(39,376)
(75,157)	-	(75,157)
(14,615)	-	(14,615)
(10,038)	-	(10,038)
(132,580)	-	(132,580)
(341)	-	(341)
<u>(1,109,171)</u>	<u>-</u>	<u>(1,109,171)</u>
-	409,771	409,771
-	409,771	409,771
<u>(1,109,171)</u>	<u>409,771</u>	<u>(699,400)</u>
964,654	-	964,654
94,964	-	94,964
101,131	-	101,131
935	-	935
7,657	-	7,657
44,453	9,114	53,567
54,267	39,086	93,353
<u>1,268,061</u>	<u>48,200</u>	<u>1,316,261</u>
158,890	457,971	616,861
2,594,166	2,193,406	4,787,572
<u>\$ 2,753,056</u>	<u>\$ 2,651,377</u>	<u>\$ 5,404,433</u>

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2025

EXHIBIT C-1

	General Fund
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 15,844
Investments - Current	1,267,810
Taxes Receivable	34,416
Accounts Receivable (Net)	25,602
Due from Other Funds	3,596
Total Assets	\$ 1,347,268
<b>LIABILITIES</b>	
Accounts Payable	\$ 2,030
Wages and Salaries Payable	11,130
Intergovernmental Payable	798
Customer Deposits	78,426
Due to Others	900
Total Liabilities	93,284
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	34,416
Total Deferred Inflows of Resources	34,416
<b>FUND BALANCE</b>	
Unassigned Fund Balance	1,219,568
Total Fund Balance	1,219,568
Total Liabilities, Deferred Inflows & Fund Balance	\$ 1,347,268

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2025

<b>Total Fund Balances - Governmental Funds</b>	\$	1,219,568
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		1,587,775
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.		135,387
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a deferred resource outflow of \$18,441, a net pension asset of \$28,985 and a deferred resource inflow of \$35,270. The net effect of these was to increase net position by \$12,156.		12,156
The City is required under GASB Statement No. 75 to report their OPEB plan through TMRS. The requirement resulted in a deferred resource outflow of \$5,386, a net OPEB liability of \$25,711 and a deferred resource inflow of \$13,842. The net effect of these was to decrease net position by \$34,167.		(34,167)
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(132,580)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, reclassifying the proceeds of right-to-use leases as an increase in right-to-use leases payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(35,083)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,753,056</b>

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT C-3

	General Fund
<b>REVENUES:</b>	
Taxes:	
Property Taxes	\$ 951,298
General Sales and Use Taxes	94,964
Franchise Tax	101,131
Other Taxes	935
Penalty and Interest on Taxes	7,657
Licenses and Permits	38,252
Charges for Services	525
Fines	9,097
Investment Earnings	54,267
Rents and Royalties	4,890
Other Revenue	37,453
Total Revenues	1,300,469
<b>EXPENDITURES:</b>	
Salaries	474,851
Payroll Taxes	61,878
Retirement	21,901
Professional Services	58,917
Law & Order Costs	45,430
Utilities	18,541
Insurance	144,541
Supplies	39,376
Repairs and Maintenance	75,157
Contracted Services	14,615
Other Operating Costs	10,039
Debt Service:	
Principal on Debt	692
Interest on Debt	341
Capital Outlay:	
Capital Outlay	140,980
Total Expenditures	1,107,259
Excess of Revenues Over Expenditures	193,210
<b>OTHER FINANCING SOURCES (USES):</b>	
Sale of Real and Personal Property	7,000
Proceeds from Right-to-Use Leases	6,285
Total Other Financing Sources (Uses)	13,285
Net Change in Fund Balance	206,495
Fund Balance - October 1 (Beginning)	1,013,073
Fund Balance - September 30 (Ending)	\$ 1,219,568

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	206,495
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase the change in net position.		135,387
The entries required by GASB Statement No. 68 did require that some expenses on Exhibit B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is a decrease of \$29,202.		(29,202)
The requirement of recording the OPEB liability under GASB Statement No. 75 resulted in an increase in net position.		444
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(132,580)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of right-to-use leases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(21,654)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>158,890</b>

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2025

	Business Type Activities
	Water Utility Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 92,140
Investments - Current	763,578
Restricted Assets - Current:	
Restricted Asset- Debt Service	41,486
Accounts Receivable (Net)	190,222
Total Current Assets	<u>1,087,426</u>
Noncurrent Assets:	
Capital Assets:	
Capital Assets, net	3,103,764
Total Noncurrent Assets	<u>3,103,764</u>
Total Assets	<u>4,191,190</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge for Refunding	30,629
Total Deferred Outflows of Resources	<u>30,629</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	61,748
Due to Other Funds	3,596
Customer Deposits	136,269
Accrued Interest Payable	9,031
Bonds Payable - Current	305,000
Total Current Liabilities	<u>515,644</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	940,000
Unamortized Premiums (Discounts) on Bonds	114,798
Total Noncurrent Liabilities	<u>1,054,798</u>
Total Liabilities	<u>1,570,442</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,774,595
Restricted for Debt Service	41,486
Unrestricted Net Position	835,296
Total Net Position	<u>\$ 2,651,377</u>

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT D-2

	Business-Type Activities
	Water Utility Fund
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 1,269,619
Other Revenue	9,114
Total Operating Revenues	1,278,733
<b>OPERATING EXPENSES:</b>	
Personnel Services - Salaries and Wages	335,925
Purchased Professional & Technical Services	426,866
Purchased Property Services	95,080
Other Operating Costs	15,128
Supplies	23,809
Depreciation	164,793
Total Operating Expenses	1,061,601
Operating Income	217,132
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment Earnings	39,086
Interest Expense - Non-Operating	(21,556)
Paying Agent Fees	(400)
Total NonOperating Revenue (Expenses)	17,130
Income Before Contributions	234,262
Capital Contributions	223,709
Change in Net Position	457,971
Total Net Position - October 1 (Beginning)	2,193,406
Total Net Position - September 30 (Ending)	\$ 2,651,377

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

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT D-3

	Business-Type Activities
	Water Utility Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,288,849
Cash Received from Assessments - Other Funds	9,114
Cash Payments to Employees for Services	(335,925)
Cash Payments for Purchased Property Services	(95,080)
Cash Payments for Suppliers	(23,809)
Cash Payments for Other Operating Expenses	(13,411)
Cash Payments for Professional & Technical Service	(426,866)
Net Cash Provided by Operating Activities	402,872
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(502,278)
Capital Contributed	223,709
Bond Payment	(317,956)
Interest Expense	(17,994)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(614,519)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	39,086
Net Increase (Decrease) in Cash and Cash Equivalents	(172,561)
Cash and Cash Equivalents at Beginning of Year	1,069,765
Cash and Cash Equivalents at End of Year	\$ 897,204
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$ 217,132
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	164,793
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	10,532
Increase (Decrease) in Accounts Payable	1,717
Increase (Decrease) in Customer Deposits	8,698
Net Cash Provided by Operating Activities	\$ 402,872

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

CITY OF SUNRISE BEACH VILLAGE  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sunrise Beach Village, Texas (the City), a municipal corporation in Llano County, Texas, was incorporated under the general laws of the State of Texas. The City operates under a City Council-Mayor form of government and provides services such as highways, streets, culture, recreation, community improvements, judicial, planning and zoning, general administrative services, and other services as authorized by its code of ordinances and its citizens.

The financial statements of City of Sunrise Beach Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The Council Members are elected at large, and consists of a mayor and five council members, and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other governmental reporting entity. Council members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the City, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental Statement of Revenues, Expenditures and Changes in Fund Balance. All

interfund transactions between governmental funds are eliminated on the government-wide statements.

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

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating. When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

D. Fund Accounting

The City reports the following major governmental funds:

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

Proprietary Fund:

1. **Enterprise Fund** - The Water Utility Fund is operated as an Enterprise Fund.

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

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.
2. Capital assets, which include land, buildings, furniture, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	15
Machinery & Equipment	7-10
Infrastructure	30

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

3. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.
4. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

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

5. Fund Equity

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment functions.

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

7. Other Post-Employment Benefits. GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit fund.
8. All full-time employees are granted vacation and sick leave benefits in varying amounts. In the event of termination, an employee is entitled to receive accumulated vacation pay in a lump sum cash payment.
9. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
10. Deferred Inflow of Resources and Deferred Outflows of Resources  
A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in a separate section following the assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Revenues not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

11. Implementation of GASB Statement No. 87

As of October 1, 2021, the City adopted GASB Standard No. 87, *Leases*. The implementation of this standard established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. The additional disclosures required by this standard are included in the Notes C, E and F.

12. Implementation of GASB Statement No. 101

The City implemented GASB Statement No. 101, *Compensated Absences* for the year ended September 30, 2025. The standard establishes recognition and measurement guidance for all types of compensated absences, including vacation, sick leave and other paid time off, and required liabilities to be recognized as the benefits are earned by employees, rather than when they are paid.

Employees of the City earn time off in accordance with the City's personnel policies. Under GASB 101, a liability is recognized for compensated absences that are attributable to services already rendered and are probable of resulting in a future payment to employees. The liability is measured based on the pay rates in effect at the end of the reporting period and includes salary-related payments as required by GASB 101.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

At September 30, 2025, the carrying amount of the City's deposits was \$107,733 and the bank balance was \$228,353. The City's cash deposits at September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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

Temporary investments consisted of certificates of deposit, money market accounts and Government Investment Pools as follows:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Certificates of Deposit-				
Prosperity Bank	\$ 99,064	\$ 99,064	\$ 99,064	\$ -
Money Market Accounts-				
First United Bank	84,787	84,787	84,787	-
Prosperity Bank	41,784	41,784	41,784	-
Prosperity Bank- I&S	41,486	41,486	41,486	-
Government Investment Pool				
Texas Class	<u>1,805,753</u>	<u>1,805,753</u>	*	*
TOTAL	\$ <u>2,072,874</u>	\$ <u>2,072,874</u>	\$ <u>267,121</u>	\$ <u>-</u>

Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. On September 30, 2025 the weighted average maturity was 17 days and the net asset value was 1.00011425. Also, investments in government investment pools are not required to disclose custodial credit risk, concentration of credit risk and interest rate risk in accordance with GASB Statement No. 40.

#### Policies Governing Deposits and Investments

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

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2025 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City was not exposed to custodial credit risk since its investments at year-end and during the year ended September 30, 2025 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2025, the City was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

#### B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City fiscal year.

For the 2024 tax roll, the City of Sunrise Beach Village had property with an assessed valuation of \$693,642,120. The tax rate was \$0.11623 per \$100 valuation (general fund only).

#### C. Capital Asset Activity

Capital asset activity for the governmental activities for the year ended September 30, 2025, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 2,432	\$ -	\$ -	\$ 2,432
Infrastructure	1,649,412	39,428	-	1,688,840
Buildings	226,653	-	-	226,653
Improvements	522,588	43,127	-	565,715
Machinery & Equipment	562,422	57,140	(34,846)	584,716
Construction in Progress	5,000	-	(5,000)	-
<b>Totals at Historic Cost</b>	<b>\$ 2,968,507</b>	<b>\$ 139,695</b>	<b>\$ (39,846)</b>	<b>\$ 3,068,356</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	\$ (547,349)	\$ (35,812)	\$ -	\$ (583,161)
Buildings	(105,262)	(5,581)	-	(110,843)
Improvements	(362,429)	(23,536)	-	(385,965)
Machinery & Equipment	(365,692)	(66,813)	34,846	(397,659)
<b>Total Accumulated Depreciation</b>	<b>\$ (1,380,732)</b>	<b>\$ (131,742)</b>	<b>\$ 34,846</b>	<b>\$ (1,477,628)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,587,775</b>	<b>\$ 7,953</b>	<b>\$ (5,000)</b>	<b>\$ 1,590,728</b>
<b>Right-to-Use Assets Being Amortized</b>				
Equipment	\$ 5,433	\$ 6,285	\$ (5,433)	\$ 6,285
<b>Total Right-to-Use Assets</b>	<b>\$ 5,433</b>	<b>\$ 6,285</b>	<b>\$ -</b>	<b>\$ 6,285</b>
<b>Less Accumulated Amortization</b>				
Equipment	\$ (5,433)	\$ (838)	\$ 5,433	\$ (838)
<b>Total Accumulated Amortization</b>	<b>\$ -</b>	<b>\$ (838)</b>	<b>\$ 5,433</b>	<b>\$ (838)</b>
<b>Total Right-to-Use Asset Being Amortized, Net</b>	<b>\$ -</b>	<b>\$ 5,447</b>	<b>\$ -</b>	<b>\$ 5,447</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,587,775</b>	<b>\$ 13,400</b>	<b>\$ (5,000)</b>	<b>\$ 1,596,175</b>

D. Property, Plant and Equipment – Enterprise Fund

Changes in the Enterprise (Water) Fund for the year ended September 30, 2025, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 424,736	\$ -	\$ -	\$ 424,736
Infrastructure	3,303,560	19,736	-	3,323,296
Equipment	745,625	14,764	-	760,389
Construction in Progress	155,557	467,778	-	623,335
<b>TOTAL ASSETS</b>	<b>\$ 4,629,478</b>	<b>\$ 502,278</b>	<b>\$ -</b>	<b>\$ 5,131,756</b>
Less: Accumulated Depreciation	(1,863,199)	(164,793)	-	(2,027,992)
<b>FIXED ASSETS, NET</b>	<b>\$ 2,766,279</b>	<b>\$ 337,485</b>	<b>\$ -</b>	<b>\$ 3,103,764</b>

E. Changes in Long-Term Debt

A summary of long-term debt follows:

Governmental Activities:

	Outstanding 9/30/2024	Issued	Retired	Outstanding 9/30/25	Due Within One Year
Leases	\$ -	\$ 6,285	\$ 692	\$ 5,593	\$ 1,114
Compensated Absences	34,488	35,011	-	69,499	22,493
OPEB Liability	31,527	-	5,816	25,711	-
<b>TOTALS</b>	<b>\$ 66,015</b>	<b>\$ 41,296</b>	<b>\$ 6,508</b>	<b>\$ 100,803</b>	<b>\$ 23,607</b>

Business-Type Activities:

	Outstanding 10/1/24	Issued	Retired	Outstanding 9/30/25	Due Within One Year
Certificates of Obligation- Series 2021	1,540,000	-	295,000	1,245,000	305,000
Bond Premium	146,107	-	31,309	114,798	-
<b>TOTALS</b>	<b>\$ 1,686,107</b>	<b>\$ -</b>	<b>\$ 326,309</b>	<b>\$ 1,359,798</b>	<b>\$ 305,000</b>

On May 21, 2021, the City issued \$2,295,000 General Obligation Refunding Bonds – Series 2021 for the purpose of providing funds to refund the remaining outstanding Certificates of Obligation- Series 2011. These bonds were called and redeemed on May 21, 2021 by depositing \$3,630,717 into an escrow account. The aforementioned bonds have been defeased and removed as a liability of the City. The financial gain on these refunding bonds was \$1,041,720 and the economic gain was \$670,504. The Series 2021 certificates mature August 15 in each of the years 2022 through 2029 bearing interest at 1% to 5%. The certificates are payable from the levy and collection of a direct and continuing ad valorem tax on all taxable property within the City and a pledge of the surplus revenues of the City’s water fund.

The annual requirements to amortize the certificates outstanding in the business-type activities as of September 30, 2025 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2026	305,000	36,125	341,125
2027	305,000	31,550	336,550
2028	310,000	28,500	338,500
2029	325,000	13,000	338,000
<b>TOTALS</b>	<b>\$ 1,245,000</b>	<b>\$ 109,175</b>	<b>\$ 1,354,175</b>

F. Leases

The city entered into a 60-month lease agreement with Ricoh USA, Inc. for the use of a copier. An initial lease liability was recorded in the amount of \$6,285. Under the terms of the lease, the city pays a monthly fee of \$129.12 and includes interest at 8.56%.

Remaining obligations associated with leases as of September 30, 2025 are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2026	1,114	436	1,550
2027	1,213	337	1,550
2028	1,321	229	1,550
2029	1,438	111	1,549
2030	507	9	516
<b>TOTALS</b>	<b>\$ 5,593</b>	<b>\$ 1,122</b>	<b>\$ 6,715</b>

G. Restricted Assets

Restricted assets represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2025 appears below:

<b><i>Enterprise Water (Utility) Fund</i></b>	
Debt Service/Capital Improvements	\$ 41,486
Total Restricted Assets	<u>\$ 41,486</u>

H. Risk Management

The City of Sunrise Beach Village is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2025 were \$42,030.

I. Defined Benefit Pension Plan

Plan Description

The City of Sunrise Beach Village, Texas participates as one of 938 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 TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (annual report) that can be obtained at [tmrs.com](http://tmrs.com).

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

Benefits Provided

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

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

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

	Plan Year 2023	Plan Year 2024
Deposit Rate:	5%	5%
Matching Ratio (City to Employee):	1 to1	1 to1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

***Employees covered by benefit terms.***

At the December 31, 2024 valuation and measurement date, the following employees

were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>12</u>
	22

#### Contributions

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

Employees for the City of Sunrise Beach Village, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sunrise Beach Village, Texas were 2.36% and 2.48% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$19,444, and were equal to the required contributions.

#### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### ***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety tables used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	6%	8.0%
Hedge Funds	5%	6.4%
Private Equity	13%	11.6%
Private Debt	13%	8.0%
Real Estate	12%	7.6%
Infrastructure	6%	6.0%
Other Private Markets	4%	7.3%
TOTAL	100%	

#### Discount Rate

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

#### Changes in Net Pension Liability/(Asset)

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) – (b)
Balances as of December 31, 2023	\$ 517,033	553,748	\$ (36,715)
Changes for the Year:			
Service Cost	72,509		72,509
Interest	38,184		38,184
Changes of Benefit Terms	25,799		25,799
Difference Between Expected and Actual Experience	(17,226)		(17,226)
Changes in Assumptions	-		-
Contributions – Employer		13,102	(13,102)
Contributions – Employee		41,642	(41,642)
Net Investment Income		57,170	(57,170)
Benefit Payments, Including Refunds			-
Employee Contributions	(26,804)	(26,804)	-
Administrative Expense		(369)	369
Other Changes		(9)	9
Net Changes	92,462	84,732	7,730
Balances as of December 31, 2024	\$ 609,495	\$ 638,480	\$ (28,985)

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$51,469	(\$28,985)	(\$97,497)

***Pension Plan Fiduciary Net Position***

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$46,846.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 25,698	3,244
Changes of Assumptions	2,683	-
Net Difference Between Projected and Actual Earnings	6,889	-
Contributions Made Subsequent to Measurement Date	-	15,197
TOTAL	<u>\$ 35,270</u>	<u>\$ 18,441</u>

\$15,197 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2025	\$ (11,184)
2026	(2,042)
2027	(11,825)
2028	(6,975)
2029	-
Thereafter	-
TOTAL	<u>\$ (32,026)</u>

J. Defined Other Post-Employment Benefit Plan

The City participates as one of 818 cities in the Texas Municipal Retirement System ("TMRS") optional death benefit plan, the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active Members, with optional coverage for their retirees. A city may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

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

The City's contributions to the TMRS SDBF for the year ended 2025, 2024, and 2023, were \$1,330, \$929, and \$1,012, respectively, which equaled the required contributions each year.

**Employees covered by benefit terms.**

At the December 31, 2024 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active Employees	<u>12</u>
Total	17

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The TOL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%
Retirees' share of benefit-related cost	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and Accounted for under reporting requirements under GASB Statement No. 68
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. Males rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP- 2021 (with immediate convergence).
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5 % and 3% minimum mortality rate will be applied to the reflect the impairment for younger members who become disabled for males and females, respectively. The rate are projected on a fully generational basis by the most recent Scale MP- 2021 (with immediate convergence) to account for future mortality improvements subjects to the floor.

\* The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

#### Changes in the Total OPEB Liability

<b>Covered Payroll</b>	\$ 760,847
Total OPEB Liability- beginning of year	31,527
Changes for the year	
Service Cost	1,370
Interest on Total OPEB Liability	1,191
Changes of benefit terms	-
Differences between expected and actual experience	(5,950)
Changes in assumptions or other inputs	(1,210)
Benefit Payments**	(1,217)
Net Changes	<u>(5,816)</u>
Total OPEB Liability- end of year	\$ 25,711
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	<b>3.38%</b>

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

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

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 4.08%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
3.08%	4.08%	5.08%
29,945	25,711	22,284

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2025, the City recognized OPEB expense of \$886.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,933	\$ 895
Changes in assumptions and other inputs	6,909	3,449
Contributions made subsequent to measurement date		1,042
Total	\$ 13,842	\$ 5,386

\$1,042 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

2025	\$ (1,447)
2026	(2,249)
2027	(2,862)
2028	(1,799)
2029	(887)
Thereafter	(254)
Total	\$ (9,498)

K. Employee Insurance

The City pays the premium for health, dental, vision and life insurance for each employee through the Texas Municipal League (Group Benefits Risk Pool)

L. Contracts

A. Lower Colorado River Authority

The City purchases water from the Lower Colorado River Authority (LCRA) under the terms of a contract effective December 7, 2011. The term of the contract is 40 years unless terminated earlier by either party. The City is billed for the water in accordance with the Contract. For the year ended September 30, 2025, the City paid \$16,250 to the LCRA for water.

B. AVR Inc.

The City entered into a 5-year service contract with AVR, Inc, AVR beginning August 15, 2023. The contractor (AVR) provides various services for the City's water system at rates provided for in the contract. For the year ended September 30, 2025, the City paid \$31,914 to AVR for their services.

C. Waste Connections Lone Star Inc.

The City entered into a contract with Waste Connections Lone Star, Inc. to provide

garbage collection services. Fees are billed monthly to the City based upon a fee schedule in the contract. For the year ended September 30, 2025, payments by the City under the contract totaled \$258,578.

M. Subsequent Events

The City has evaluated subsequent events through March 26, 2026 the date which the financial statements were available to be issued. Subsequent to year end, on February 19, 2026, the City issued \$11,225,000 in bonds for a city water project. The City is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUNRISE BEACH VILLAGE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 968,166	\$ 968,166	\$ 951,298	\$ (16,868)
General Sales and Use Taxes	94,000	71,615	94,964	23,349
Franchise Tax	100,000	100,000	101,131	1,131
Other Taxes	1,200	1,200	935	(265)
Penalty and Interest on Taxes	5,500	5,500	7,657	2,157
Licenses and Permits	41,000	41,000	38,252	(2,748)
Intergovernmental Revenue and Grants	900	900	-	(900)
Charges for Services	925	925	525	(400)
Fines	15,100	15,100	9,097	(6,003)
Investment Earnings	59,300	44,300	54,267	9,967
Rents and Royalties	2,500	2,500	4,890	2,390
Other Revenue	23,399	23,399	37,453	14,054
<b>Total Revenues</b>	<b>1,311,990</b>	<b>1,274,605</b>	<b>1,300,469</b>	<b>25,864</b>
<b>EXPENDITURES:</b>				
Salaries	489,488	489,488	474,851	14,637
Payroll Taxes	64,262	64,262	61,878	2,384
Retirement	22,506	22,506	21,901	605
Professional Services	70,725	71,925	58,917	13,008
Law & Order Costs	60,637	60,124	45,430	14,694
Utilities	18,000	18,000	18,541	(541)
Insurance	145,713	145,713	144,541	1,172
Supplies	46,900	46,900	39,376	7,524
Repairs and Maintenance	142,500	104,496	75,157	29,339
Contracted Services	15,976	15,976	14,615	1,361
Other Operating Costs	11,000	11,000	10,039	961
Debt Service:				
Principal on Debt	-	-	692	(692)
Interest on Debt	-	-	341	(341)
Capital Outlay:				
Capital Outlay	144,997	144,997	140,980	4,017
<b>Total Expenditures</b>	<b>1,232,704</b>	<b>1,195,387</b>	<b>1,107,259</b>	<b>88,128</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>79,286</b>	<b>79,218</b>	<b>193,210</b>	<b>113,992</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	7,000	7,000
Proceeds from Right-to-Use Leases	-	-	6,285	6,285
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>13,285</b>	<b>13,285</b>
<b>Net Change in Fund Balances</b>	<b>79,286</b>	<b>79,218</b>	<b>206,495</b>	<b>127,277</b>
Fund Balance - October 1 (Beginning)	1,013,073	1,013,073	1,013,073	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 1,092,359</b>	<b>\$ 1,092,291</b>	<b>\$ 1,219,568</b>	<b>\$ 127,277</b>

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

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
\$ 39,605	\$ 36,360	\$ 34,834	\$ 33,132	\$ 33,115	\$ 31,702	\$ 31,237
29,623	27,563	24,107	20,988	19,157	17,322	14,941
-	-	-	-	-	-	-
(25,861)	4,127	4,096	4,374	(6,272)	(2,339)	2,231
-	-	1,283	-	-	-	8,129
(65,763)	(12,553)	(15,197)	(11,071)	(26,704)	(13,709)	(13,473)
\$ (22,396)	\$ 55,497	\$ 49,123	\$ 47,423	\$ 19,296	\$ 32,976	\$ 43,065
451,941	396,444	347,321	299,898	280,602	247,626	204,561
\$ 429,545	\$ 451,941	\$ 396,444	\$ 347,321	\$ 299,898	\$ 280,602	\$ 247,626
\$ 8,652	\$ 7,613	\$ 6,945	\$ 7,214	\$ 7,882	\$ 4,723	\$ 6,009
30,942	28,406	27,129	25,763	25,512	23,800	24,831
60,356	30,989	52,143	(9,733)	39,089	17,016	346
(65,763)	(12,553)	(15,197)	(11,071)	(26,704)	(13,709)	(13,473)
(281)	(202)	(298)	(190)	(203)	(192)	(210)
2	(7)	(8)	(10)	(10)	(10)	(10)
\$ 33,908	\$ 54,246	\$ 70,714	\$ 11,973	\$ 45,566	\$ 31,628	\$ 17,493
465,769	411,523	340,809	328,836	283,270	251,642	234,151
\$ 499,677	\$ 465,769	\$ 411,523	\$ 340,809	\$ 328,836	\$ 283,270	\$ 251,644
\$ (70,132)	\$ (13,828)	\$ (15,079)	\$ 6,512	\$ (28,938)	\$ (2,668)	\$ (4,018)
116.33%	103.06%	103.80%	98.13%	109.65%	100.95%	101.62%
\$ 618,836	\$ 568,119	\$ 542,583	\$ 515,267	\$ 510,247	\$ 476,004	\$ 496,610
(11.33%)	(2.43%)	(2.78%)	1.26%	(5.67%)	(0.56%)	(0.81%)

	2022	2021	2020	2019	2018	2017	2016
\$	10,719	\$ 9,576	\$ 8,296	\$ 7,789	\$ 7,882	\$ 7,098	5,148
	(10,719)	(9,576)	(8,296)	(7,789)	(7,882)	(7,098)	(5,148)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
\$	648,366	\$ 609,494	\$ 567,420	\$ 543,105	\$ 510,247	\$ 507,796	491,780
	1.65%	1.57%	1.46%	1.43%	1.54%	1.40%	1.05%

CITY OF SUNRISE BEACH VILLAGE  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2025

**Valuation Date:**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Males rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).  Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes Adopted 20 yr, any age retirement eligibility.  
Increased Employee contribution rate from 5% to 7%.  
Increased statutory max to 9.50% due to plan changes.

	<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
\$	1,547	\$ 1,079	\$ 922	\$ 979	\$ 867
	764	900	926	836	826
	-	-	-	-	-
	(194)	(675)	1,299	(253)	-
	1,508	4,536	4,812	(1,613)	1,788
	(866)	(284)	(271)	(155)	(153)
	803	5,556	7,688	(206)	3,328
	37,873	32,317	24,629	24,835	21,507
\$	<u>38,676</u>	<u>\$ 37,873</u>	<u>\$ 32,317</u>	<u>\$ 24,629</u>	<u>\$ 24,835</u>
\$	618,836	\$ 568,119	\$ 542,583	\$ 515,267	\$ 510,247
	6.25%	6.67%	5.96%	4.78%	4.87%

CITY OF SUNRISE BEACH VILLAGE  
 NOTES TO THE SCHEDULE OF CHANGES IN THE  
 TOTAL OPEB LIABILITY AND RELATED RATIOS  
 SEPTEMBER 30, 2025

**Valuation Date:**

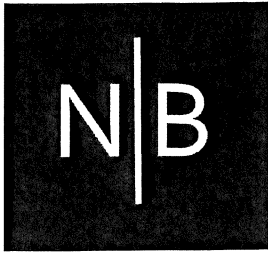
Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.

**Methods and assumptions used to determine contribution rates:**

Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation.
Discount Rate	4.08%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

**Other Information:**

Notes There were no benefit changes during the year.



# NEFFENDORF & BLOCKER, P.C.

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## 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 Honorable Mayor and City Council  
City of Sunrise Beach Village, Texas  
Sunrise Beach Village, Texas 78643

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 and each major fund of City of Sunrise Beach Village, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Sunrise Beach Village, Texas' basic financial statements, and have issued our report thereon dated March 26, 2026.

### Report on Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

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

**Purpose of This Report**

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

*Neffendorf & Blocker, P.C.*

Neffendorf & Blocker, P.C.

Fredericksburg, Texas

March 26, 2026



# NEFFENDORF & BLOCKER, P.C.

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March 26, 2026

Honorable Mayor and City Council  
City of Sunrise Beach Village  
Sunrise Beach Village, TX

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of City of Sunrise Beach Village, Texas for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 8, 2025. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Sunrise Beach Village, Texas are described in Note I to the financial statements. GASB Statement No. 101, Compensated Absences was adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by City of Sunrise Beach Village, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

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

### *Difficulties Encountered in Performing the Audit*

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

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### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 26, 2026.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the budgetary comparison schedule- general fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions- TMRS and Schedule of Changes in the Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Recommendations:

#### Segregation of Duties

Management should enhance segregation of duties and cross-training to reduce risk of errors and fraud arising from one individual controlling multiple incompatible functions (authorization, custody, and recording). Where full segregation is not feasible due to limited staffing, duties should be "right-sized" by reallocating tasks among existing personnel and implementing compensating controls such as documented management review and approval of bank reconciliations, journal entries, and exception reports, as well as independent review of supporting documentation for cash receipts, disbursements, and payroll. In addition, management should develop a formal cross-training and periodic rotation plan so that more than one employee is capable of performing each key process (for

example, cash receipts, bank reconciliations, accounts payable, and payroll), which both strengthens internal control by reducing reliance on any single individual and provides continuity of operations during absences or staff turnover.

#### Accounts Payable

The City did not record the receivable and payables at year-end. Generally accepted accounting principles require the adoption of the modified accrual basis of accounting. We recommend the City apply the modified accrual basis of accounting and implement internal controls over accounts payable and receivables to ensure that amounts payable as of year-end are properly recorded.

#### Capitalization Policy

We recommend the City adopt a capitalization policy to provide a dollar limit on what is to be capitalized (i.e., items purchased over \$1,000 or \$5,000).

#### Prior Year Journal Entries

The City did not record the prior year audit journal entries. The unrecorded entries cause the beginning financial statement balances to be misstated. We recommend the City record the prior year audit journal entries.

#### Restriction on Use

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

Sincerely,

*Neffendorf + Blocker, P.C.*

Neffendorf & Blocker, P.C.

Fredericksburg, Texas