



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2020



CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OFFICIALS

MAYOR

MICKI L. BALL

MAYOR PRO TEM

CHARLES FILLINGER

CITY COUNCIL

THOMAS REPINO

GARY BRICKEN

JOHN CRICKMER

JENNIFER PUENTE

CITY SECRETARY

KATHERINE YELTON

CITY ATTORNEY

KASSAHN & ORTIZ, P.C.



CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Mayor and City Council
City of Sandy Oaks, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the City of Sandy Oaks, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Sandy Oaks, Texas', management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the City of Sandy Oaks, Texas, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sandy Oaks, Texas' basic financial statements. The comparative financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The comparative statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Armstrong, Vaughan & Associates, P.C.

May 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

The discussion and analysis of the City of Sandy Oaks's financial performance provides an overview of the City's financial activity for the fiscal year ended September 30, 2020. It should be read in conjunction with the financial statements.

Financial Highlights

- The City's assets exceeded liabilities (net position) by \$699 thousand at September 30, 2020, a decrease of \$152 thousand from September 30, 2019. Of this amount, the unrestricted balance was \$217 thousand is unrestricted and available to cover future expenses and obligations of the City.
- The City's total revenues were \$698 thousand, compared to \$540 thousand in the prior year.
- The City's expenses were \$850 thousand, compared to \$457 thousand in the prior year.
- The General Fund reported a fund balance of \$214 thousand at the end of the fiscal year which represents a \$283 thousand decrease over the previous fiscal year.

Using this Annual Report

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Financial Statements comprise three components: the government-wide statements, fund financial statements, and the notes to the financial statements. The Statement of Net Position and Statement of Activities (government-wide financial statements) provide information on the City as a whole with a focus on economic resources. The City's net position – the difference between assets and liabilities – is a way to measure financial health or financial position. The fund financial statements, which begin on page 9, present the City's operations with a focus on financial resources which align with the City's budgeting process.

Statement of Net Position

Table 1 shows all of the assets and liabilities of the City and is presented on the accrual basis. The total net position is \$699 thousand. A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure), less any related debt used to acquire those resources and other restricted net position not available for current spending. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens.

Table 1
City of Sandy Oaks
Statement of Net Position

	2020	2019
Current Assets	\$ 1,067,538	\$ 555,465
Capital Assets	501,226	305,805
Total Assets	1,568,764	861,270
Current Liabilities	95,756	10,015
Long-term Liabilities	771,025	-
Total Liabilities	866,781	10,015
Net Invested in Capital Assets	482,035	305,805
Unrestricted Assets	219,948	545,450
Total Net Position	\$ 701,983	\$ 851,255

Statement of Activities

Table 2 summarizes the expenses and revenues of the City and is also presented on the accrual basis. Tax income consists of property, sales, and franchise taxes. Other General Revenues is primarily interest income.

Table 2
City of Sandy Oaks
Changes in Net Position

	2020	2019
Program Revenues		
Charges for Services	\$ 49,315	\$ 1,115
Operating Grants & Contributions	3,131	-
General Revenues		
Tax Revenues	609,155	530,347
Other Revenues	36,159	8,831
Total Revenues	697,760	540,293
General Administration	466,160	259,726
Public Safety	160,143	105,631
Public Works	217,704	92,062
Interest and Principal on Debt	3,025	-
Total Expenses	847,032	457,419
Change in Net Position	\$ (149,272)	\$ 82,874

Balance Sheet

The Balance sheet shows the financial assets, liabilities and reserves for the City. Long-term assets and liabilities are not presented on this statement because the focus is on current financial resources.

Statement of Revenues, Expenditures and Changes in Fund Balance

This statement shows the revenues and expenditures for the City. The revenue from property tax, sales tax and franchise tax make up 87% of the total revenues (98% in the prior year).

Capital Assets

The City purchased \$221,210 in capital assets during the fiscal year ended September 30, 2020. These assets included vehicles and construction in progress. Information about the City's capital assets can be found in the notes to the financial statements.

Long Term Debt

During the year-end September 30, 2020, the City issued \$800 thousand in bonds, of which \$800 thousand is still outstanding. In addition, the City has a capital lease obligation of \$19,190 outstanding at year-end. More detailed information about the City's debt is presented in the notes to the financial statements.

Description of Current and Expected Conditions

Presently, the Council is not aware of any significant changes in conditions that would have a significant effect on the financial position of the City in the near future.

Budgetary Analysis

The City has two funds – general and capital projects. The original adopted budget was amended during the year to accommodate additional expected expenditures. The general fund expenditures were \$28 thousand less than budgeted expenditures, and revenues were \$60 thousand more than budgeted revenues. The City budgets for maintenance and operation and capital outlay annually. This budget provision allows the City to accumulate funds to finance future major projects with cash on hand.

Financial Outlook

Sandy Oaks City Council changed the property tax rate for the 2021 tax year from .238367 to .2917976 as the City prepares for the installment payment of bonds and increase in city services. Council continues to focus most of their energy and most of the budget on maintenance and operations of the City.

Contacting the City's Financial Management

The financial report is designed to provide a general overview of the City's finances and to show the City's accountability to its taxpayers. If you have any questions about this report or need additional information, contact the City office at City of Sandy Oaks, 22870 Priest Road P.O. Box 828, Elmendorf, Texas 78112.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board (GASB). The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 957,236
Accounts Receivable - Ad Valorem Taxes	66,068
Accounts Receivable - Other	48,175
Allowance for Uncollectible Accounts	(3,941)
<i>Total Current Assets</i>	1,067,538
 <i>Capital Assets:</i>	
Land	45,724
Buildings & Improvements	89,158
Furniture & Equipment	118,071
Infrastructure	136,221
Construction in Progress	166,502
Accumulated Depreciation	(54,450)
<i>Total Capital Assets</i>	501,226
TOTAL ASSETS	1,568,764
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	34,507
Accrued Expenses	6,878
Accrued Interest Payable	2,613
Wages Payable	3,593
<i>Total Current Liabilities</i>	47,591
<i>Noncurrent Liabilities:</i>	
Due within One Year	48,165
Due in more than One Year	771,025
<i>Total Noncurrent Liabilities</i>	819,190
TOTAL LIABILITIES	866,781
 NET POSITION	
Net Investment in Capital Assets	482,035
Unrestricted (Deficit)	219,948
TOTAL NET POSITION	\$ 701,983

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FUNCTIONS AND PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Administration	\$ 466,160	\$ -	\$ 3,131	\$ (463,029)
Public Safety	160,143	49,315	-	(110,828)
Public Works	217,704	-	-	(217,704)
Interest and Principal on Debt	3,025	-	-	(3,025)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 847,032	\$ 49,315	\$ 3,131	\$ (794,586)
GENERAL REVENUES				
Taxes:				
Ad Valorem Taxes				348,947
Franchise Fees				124,502
Sales Tax				135,706
Interest Income				1,161
Miscellaneous				34,998
TOTAL GENERAL REVENUES				645,314
Change in Net Position				(149,272)
BEGINNING NET POSITION				851,255
ENDING NET POSITION				\$ 701,983

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
ASSETS			
Cash and Cash Equivalents	\$ 207,227	\$ 750,009	\$ 957,236
Accounts Receivable - Ad Valorem Taxes	66,068	-	66,068
Accounts Receivable - Other	48,175	-	48,175
Allowance for Uncollectible Accounts	(3,941)	-	(3,941)
TOTAL ASSETS	<u>\$ 317,529</u>	<u>\$ 750,009</u>	<u>\$ 1,067,538</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 34,507	\$ -	\$ 34,507
Accrued Expenses	6,878	-	6,878
<i>Total Liabilities</i>	<u>41,385</u>	<u>-</u>	<u>41,385</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	62,127	-	62,127
<i>Total Deferred Inflows of Resources</i>	<u>62,127</u>	<u>-</u>	<u>62,127</u>
<i>Fund Balances:</i>			
Unassigned	214,017	750,009	964,026
<i>Total Fund Balances</i>	<u>214,017</u>	<u>750,009</u>	<u>964,026</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 317,529</u>	<u>\$ 750,009</u>	<u>\$ 1,067,538</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION TO STATEMENT OF NET POSITION - GOVERNMENTAL FUND
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	964,026
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(3,593)
Property Taxes receivable are not available to pay for current expenditures and therefore, are deferred in the fund statements.		62,127
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds Payable		(800,000)
Capital Lease		(19,190)
		(819,190)
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		501,226
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds.		(2,613)
		(2,613)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>701,983</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
REVENUES			
Ad Valorem Taxes	\$ 338,326	\$ -	\$ 338,326
Franchise Fees	124,502	-	124,502
Sales Tax	135,706	-	135,706
Interest Income	1,155	9	1,164
Miscellaneous	53,876	-	53,876
TOTAL REVENUES	653,565	9	653,574
EXPENDITURES			
Current:			
General Administration	389,654	-	389,654
Public Safety	158,898	-	158,898
Public Works	219,246	-	219,246
Capital Outlay	187,643	-	187,643
Debt Service:			
Principal	1,950	-	1,950
Interest & Fiscal Charges	412	-	412
Bond Issue Costs	-	50,000	50,000
TOTAL EXPENDITURES	957,803	50,000	1,007,803
OTHER FINANCING			
SOURCES (USES):			
Proceeds from Capital Lease	21,140	-	21,140
Proceeds from Bond Issuance	-	800,000	800,000
TOTAL OTHER FINANCING	21,140	800,000	821,140
SOURCES (USES)	21,140	800,000	821,140
Net Change in Fund Balance	(283,098)	750,009	466,911
FUND BALANCE AT BEGINNING OF YEAR	497,115	-	497,115
FUND BALANCE AT END OF YEAR	\$ 214,017	\$ 750,009	\$ 964,026

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 466,911

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

The change in property taxes receivable reported in the statement of activities does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund. 10,621

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	221,210	
Depreciation Expense	<u>(25,789)</u>	195,421

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Repayments	1,950	
Bond Proceeds	(800,000)	
Issuance of Capital Lease	<u>(21,140)</u>	(819,190)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences		(422)
Accrued Interest		<u>(2,613)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (149,272)



CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sandy Oaks, Texas (“City”) are presented in accordance with generally accepted accounting principles (GAAP) applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board. A summary of the City’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. REPORTING ENTITY

The City of Sandy Oaks was incorporated by an election and is governed by an elected Mayor and five-member council. The City’s annual financial report includes the accounts of all City operations. The financial statements of the City of Sandy Oaks, have been prepared in accordance with generally accepted accounting principles. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. There were no component units identified that would require inclusion in this report.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. Governmental activities are supported mainly by tax revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds which meet the criteria as a **major governmental fund**. The general fund and capital projects fund are the only major funds of the City and there were no non-major funds.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. No such payments were made as of September 30, 2020.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include sales and property taxes as well as franchise fees. Primary expenditures are for general administration, public works, and capital acquisition.

Capital Projects Fund is used to account for all funds collected and disbursed for street, sidewalk, and drainage improvements and other capital projects.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits in a checking account.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, and government investment pools. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

6. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements and in fund financial statements are offset by a nonspendable fund balance which indicates they do not represent "available spendable resources". The balance as of September 30, 2020 is \$0.

7. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2019 and are past due after January 31, 2020. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for the prior year's levy are shown net of an allowance for uncollectibles. Management has recorded an allowance for estimated uncollectibles in the amount of \$3,941 for September 30, 2020.

Accounts receivable from other sources includes franchise fees and amounts due from the state for sales tax collections. Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical costs 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. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and improvements	10-40 years
Infrastructure	20-50 years
Vehicles	5 years
Furniture and equipment	5-10 years

9. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service up to a maximum of 80 hours per year.

Liabilities for compensated absences are recognized in the fund statements to the extent liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements. Compensated absences as of September 30, 2019 are \$6,445.

10. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the debt, using the effective interest method. Bonds payable are reported net of premiums and discounts. Bond issue costs are expensed when incurred.

In the governmental fund financial statements, bond proceeds, discounts, and premiums are recognized in the period of occurrence as other financing sources and uses. Debt service principal and interest costs as well as bond issue costs are recorded as expenditures when paid.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

12. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

13. FUND BALANCES

Fund balances in governmental funds are classified as follows:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council may make assignments and has not delegated that authority to any other individuals.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City. The General Fund is the only fund that may report an unassigned balance.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

NOTE B -- ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other as of September 30, 2020 consisted of the following balances owed to the City:

Sales Tax	\$ 23,778
Franchise Fees	<u>24,397</u>
Total	<u><u>\$ 48,175</u></u>

NOTE C -- CASH AND CASH EQUIVALENTS

The City considers the checking account as cash and cash equivalents. All of the bank balance was covered by federal depository insurance and surety bonds from the City's banking institution.

NOTE D -- INVESTMENTS

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management approved an investment policy, management reports and establishment of appropriate policies. As of September 30, 2020, the City has complied with all requirements of the Act.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE E -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years.

For the fiscal year ended September 30, 2020, the assessed tax rate for the City was 0.238367 per \$100 on an assessed valuation (less exemptions) of \$147,203,687. The tax rate was collected solely for maintenance and operations. The total tax levy for fiscal year 2020 is \$350,885. As of September 30, 2020, the delinquent current taxes for property tax year 2019 were \$34,434.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt, for the year ended September 30, 2020, was \$.238367 per \$100 of assessed value, which means that the City has a tax margin of \$2.261633 for each \$100 value and could increase its annual tax levy by approximately \$332,920,716 based upon the present assessed valuation of \$147,203,687 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

<u>Governmental Activities</u>	Balance 10/1/19	Additions	Transfers/ Disposals	Balance 9/30/20
Land	\$ 45,724	\$ -	\$ -	\$ 45,724
Buildings and Improvements	89,158	-	-	89,158
Furniture & Equipment	63,363	54,708	-	118,071
Infrastructure	136,221	-	-	136,221
Construction in Progress	-	166,502	-	166,502
	<u>334,466</u>	<u>221,210</u>	<u>-</u>	<u>555,676</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(6,021)	(4,459)	-	(10,480)
Furniture & Equipment	(16,289)	(18,606)	-	(34,895)
Infrastructure	(6,351)	(2,724)	-	(9,075)
	<u>(28,661)</u>	<u>(25,789)</u>	<u>-</u>	<u>(54,450)</u>
Governmental Capital Assets, Net	<u>\$ 305,805</u>	<u>\$ 195,421</u>	<u>\$ -</u>	<u>\$ 501,226</u>

Land and construction in progress are not depreciated.

Depreciation Expense was allocated to the following governmental functions:

General Administration	\$ 3,269
Public Safety	15,321
Public Works	7,199
Total	<u>\$ 25,789</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE G -- LONG-TERM DEBT

As of September 30, 2020 the City's long-term debt consisted of and changed as follows:

<u>Governmental Activities</u>	<u>Balance</u> 10/1/19	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 9/30/20	<u>Due Within</u> <u>One Year</u>
Capital Lease	\$ -	\$ 21,140	\$ 1,950	\$ 19,190	\$ 3,165
2020 Bond Payable	-	800,000	-	800,000	45,000
Total	<u>\$ -</u>	<u>\$ 821,140</u>	<u>\$ 1,950</u>	<u>\$ 819,190</u>	<u>\$ 48,165</u>

In August 2020, the City issued a General Obligation Bond of \$800,000 with an interest rate of 2.780%. This is a private placement obligation.

The annual requirements to amortize all bonded debt outstanding as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2021	\$ 45,000	\$ 22,294	\$ 67,294
2022	45,000	20,364	65,364
2023	45,000	19,113	64,113
2024	45,000	17,862	62,862
2025	50,000	16,541	66,541
2026-2030	265,000	61,231	326,231
2031-2035	305,000	21,476	326,476
Total	<u>\$ 800,000</u>	<u>\$ 178,881</u>	<u>\$ 978,881</u>

The City leased Public Works equipment totaling \$21,420 with imputed interest rates of 4.981%. Total accumulated depreciation on the equipment was \$2,466 as of September 30, 2020. Future minimum lease payments are as follows:

Fiscal Year Ending September 30,	
2021	\$ 3,165
2022	3,327
2023-2026	12,698
Total Lease Payments	19,190
Interest On Payments	2,665
Total Payments	<u>\$ 21,855</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020

NOTE H -- LITIGATION

The City is subject to various claims and litigation that have arisen in the course of its operations. Management and legal counsel are of the opinion that the City's liability in these cases, if decided adversely to the City will not have a material effect on the City's financial position.

NOTE I -- RISK MANAGEMENT

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

The City contracts with Texas Municipal League providers 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 set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2020, were \$8,648.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with	2019 Actual Amounts
	Original	Final		Final Budget Positive (Negative)	
REVENUES					
Ad Valorem Tax	\$ 354,011	\$ 344,900	\$ 338,326	\$ (6,574)	\$ 286,785
Franchise Fees	131,350	112,000	124,502	12,502	117,498
Sales Tax	136,350	136,350	135,706	(644)	115,819
Interest Income	-	-	1,155	1,155	763
Miscellaneous	-	-	53,876	53,876	9,183
TOTAL REVENUES	621,711	593,250	653,565	60,315	530,048
EXPENDITURES					
<i>General Administration:</i>					
City Hall	37,450	36,850	35,496	1,354	35,571
Elections	8,500	8,500	-	8,500	2,924
Municipal Court	82,000	51,800	46,012	5,788	26,831
Operating Costs	469,061	333,070	308,146	24,924	171,681
<i>Total General Administration</i>	<i>597,011</i>	<i>430,220</i>	<i>389,654</i>	<i>40,566</i>	<i>237,007</i>
<i>Public Safety:</i>					
Marshal	128,500	179,230	158,898	20,332	104,662
<i>Public Works:</i>					
Street Maintenance	275,500	169,500	168,912	588	28,824
Park	72,450	52,250	48,607	3,643	62,758
Public Facilities	-	-	1,727	(1,727)	7,562
<i>Total Public Works</i>	<i>347,950</i>	<i>221,750</i>	<i>219,246</i>	<i>2,504</i>	<i>99,144</i>
<i>Capital Outlay</i>	<i>154,299</i>	<i>154,299</i>	<i>187,643</i>	<i>(33,344)</i>	<i>96,074</i>
<i>Debt Service:</i>					
Principal	-	-	1,950	(1,950)	-
Interest	-	-	412	(412)	-
TOTAL EXPENDITURES	\$ 1,227,760	\$ 985,499	\$ 957,803	\$ 27,696	\$ 536,887

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND (CONT.)
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

OTHER FINANCING SOURCES								
Proceeds from Capital Lease	\$	-	\$	-	\$ 21,140	\$ 21,140	\$	-
TOTAL OTHER FINANCING SOURCES		<u>-</u>		<u>-</u>	<u>21,140</u>	<u>21,140</u>		<u>-</u>
Net Change in Fund Balance		(606,049)		(392,249)	(283,098)	109,151		(6,839)
BEGINNING FUND BALANCE		<u>497,115</u>		<u>497,115</u>	<u>497,115</u>	<u>-</u>		<u>503,954</u>
ENDING FUND BALANCE		<u>\$ (108,934)</u>		<u>\$ 104,866</u>	<u>\$ 214,017</u>	<u>\$ 109,151</u>		<u>\$ 497,115</u>

CITY OF SANDY OAKS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2020

Budgetary Information – Budgets are prepared for the general fund in accordance with the modified accrual basis of accounting. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device.

The 2019-2020 legally adopted budget was not exceeded.

Budgetary preparation and control is exercised at the fund level. Actual expenditures may not legally exceed appropriations at the fund level. Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Contents

Comparative Balance Sheet – General Fund

Comparative Balance Sheet – Capital Projects Fund

Comparative Income Statement – Capital Projects Fund

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 GENERAL FUND
 SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 207,227	\$ 459,290
Accounts Receivable - Ad Valorem Taxes	66,068	55,353
Accounts Receivable - Other	48,175	43,590
Allowance for Uncollectible Accounts	(3,941)	(2,768)
TOTAL ASSETS	\$ 317,529	\$ 555,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 34,507	\$ 3,241
Accrued Expenses	6,878	3,603
<i>Total Liabilities</i>	41,385	6,844
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	62,127	51,506
<i>Total Deferred Inflows of Resources</i>	62,127	51,506
<i>Fund Balances:</i>		
Unassigned	214,017	497,115
<i>Total Fund Balances</i>	214,017	497,115
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 317,529	\$ 555,465

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019*</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 750,009</u>	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ 750,009</u></u>	<u><u>\$ -</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Fund Balances:</i>		
Unassigned	<u>\$ 750,009</u>	<u>\$ -</u>
<i>Total Fund Balances</i>	<u><u>750,009</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 750,009</u></u>	<u><u>\$ -</u></u>

*First year of Capital Projects Fund.

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2020 AND 2019

	2020	2019*
REVENUES		
Interest Income	\$ 9	\$ -
TOTAL REVENUES	9	-
 EXPENDITURES		
<i>Debt Service:</i>		
Bond Issue Costs	50,000	-
TOTAL EXPENDITURES	50,000	-
 Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,991)	-
 OTHER FINANCING SOURCES (USES)		
Proceeds from Bond Issuance	800,000	-
TOTAL OTHER FINANCING SOURCES (USES)	800,000	-
 Net Change in Fund Balance	750,009	-
 Beginning Fund Balance	-	-
 Ending Fund Balance	\$ 750,009	\$ -

*First year of Capital Projects Fund.

