

CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

442 WEST OAKLAWN
P.O. BOX 366 830/569-8781 FAX 830 569-6776
PLEASANTON, TEXAS 78064

111 NORTH ODEM
830/569-8781 FAX 830 569-6776
SINTON, TEXAS 78387

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

To the City Council
City of Sandy Oaks, Texas

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sandy Oaks, Texas as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Sandy Oaks, 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 the City of Sandy Oaks, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sandy Oaks, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

1. Segregation of Duties/ Review and Initialing

Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. The City should work to eliminate the lack of segregation of duties through a process of review and initialing.

2. Administrative

We noted that the City does not have an anti-fraud policy.

We noted that the City does not have an identity theft policy.

This communication is intended solely for the information and use of management, City Council, and others within the City of Sandy Oaks, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
February 8, 2017

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Honorable Mayor
and City Council
City of Sandy Oaks, Texas

As a result of our observations concerning the accounting and financial aspects of the records of the City of Sandy Oaks, Texas during our audit for the year ended September 30, 2015, we noted certain immaterial matters and these matters are summarized below for your consideration. The following management points will be reviewed as part of next year's audit:

Administrative

Finding:

1. We noted that the City did not have a deposit collateral agreement until February 5, 2016.

Recommendation:

We recommend that the City maintain a current deposit collateral agreement with its financial institution at all times.

Finding:

2. We noted that the City's minutes do not provide pertinent details for many of the items approved.

Recommendation:

We recommend that the City include in its minutes all pertinent details pertaining to approved items, including but not limited to: amounts, dates, description(s) of items leased/purchased, names of parties involved, etc.

These comments and recommendations are made in a constructive spirit and in the best interest of the City of Sandy Oaks, Texas. We will be glad to review and discuss them in more detail with the City personnel at your request.

Sincerely,

Wayne R. Beyer

BEYER & CO.
Certified Public Accountants
February 8, 2017

CITY OF SANDY OAKS, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2015

FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sandy Oaks, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sandy Oaks, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sandy Oaks, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
February 8, 2017

Management's Discussion and Analysis

Financial Highlights

- . The assets of the City of Sandy Oaks, Texas exceeded its liabilities at the close of the most recent fiscal year by \$60,200 (net position). Of this amount, \$60,200 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$60,200. The primary reason for this increase was careful budget management.
- . As of the close of the current fiscal year, the City of Sandy Oaks, Texas' governmental funds reported combined ending fund balances of \$60,200, an increase of \$60,200 in comparison with the prior year. Approximately 100% of this total amount, \$60,200, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$60,200, or 162 percent of total general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Sandy Oaks, Texas' basic financial statements. The City of Sandy Oaks, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Sandy Oaks, Texas' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Sandy Oaks, Texas' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sandy Oaks, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Sandy Oaks, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sandy Oaks, Texas include general administration,

The government-wide financial statements include only the City of Sandy Oaks, Texas (known as the primary government).

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sandy Oaks, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sandy Oaks, Texas can be divided into one category: governmental funds.

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

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

The City of Sandy Oaks, Texas maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The City of Sandy Oaks, Texas adopts an annual appropriated budget for its general fund.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-22 of this report.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sandy Oaks, Texas, assets exceeded liabilities by \$60,200 at the close of the most recent fiscal year.

CITY OF SANDY OAKS, TEXAS NET POSITION

	Governmental Activities		Total	
	2015	2014	2015	2014
Current and Other Assets	\$67,291	\$0	\$67,291	\$0
Total Assets	67,291	0	67,291	0
Other Liabilities	7,091	0	7,091	0
Total Liabilities	7,091	0	7,091	0
Unrestricted	60,200	0	60,200	0
Total Net Position	\$60,200	\$0	\$60,200	\$0

The remaining balance of unrestricted net position (\$60,200) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Sandy Oaks, Texas reported a positive balance in the governmental activities. For the prior fiscal year, the City of Sandy Oaks, Texas did not exist.

The government's net position increased by \$60,200 during the current fiscal year. The primary reason for this increase was franchise taxes of \$95,528 and careful budget management.

Governmental activities:

Governmental activities increased the City of Sandy Oaks, Texas' net position by \$60,200, thereby accounting for 100 percent of the total increase in the net position of the City of Sandy Oaks, Texas. The primary reason for this increase was franchise taxes of \$95,528 and careful budget management.

**CITY OF SANDY OAKS, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2015	2014	2015	2014
Revenues:				
General Revenues:				
Sales Taxes	\$1,847	\$0	\$1,847	\$0
Franchise Taxes	95,528	0	95,528	0
Total Revenue	97,375	0	97,375	0
Expenses:				
General Administration	37,175	0	37,175	0
Total Expenses	37,175	0	37,175	0
Increase in Net Position Before Transfers and Special Items	60,200	0	60,200	0
Transfers		0	0	0
Increase in Net Position	60,200	0	60,200	0
Net Position at 09/30/2014	0	0	0	0
Net Position at 09/30/2015	\$60,200	\$0	\$60,200	\$0

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$37,175	\$0	\$0
Total Government Activities	\$37,175	\$0	\$0

Revenues by Source - Governmental Activities

	REVENUES	%
Sales Taxes	\$1,847	2%
Franchise Taxes	95,528	98%
	\$97,375	100%

Financial Analysis of the Government's Funds:

As noted earlier, the City of Sandy Oaks, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

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

As of the end of the current fiscal year, the City of Sandy Oaks, Texas' governmental funds reported combined ending fund balances of \$60,200, an increase of \$60,200 in comparison with the prior year. Approximately 100 percent of this total amount (\$60,200) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Sandy Oaks, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$60,200, while total fund balance reached \$60,200. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 156 percent of total general fund expenditures, while total fund balance represents 156 percent of that same amount.

The fund balance of the City of Sandy Oaks, Texas' general fund increased by \$60,200 during the current fiscal year. The primary reason for this increase was franchise taxes of \$95,528 and careful budget management.

General Fund Budgetary Highlights

There were no differences in overall expenditures between the original budget and the final amended budget for the general fund. The general fund had a positive budget variance of \$156,025 whereby actual expenditures of \$37,175 were less than the budgeted expenditures of \$193,200.

BASIC FINANCIAL STATEMENTS

Capital Asset and Debt Administration

Capital assets:

At the end of the current fiscal year, the City of Sandy Oaks, Texas had no capital assets.

Long-term debt:

At the end of the current fiscal year, the City of Sandy Oaks, Texas had no bonded debt.

Economic Factors:

None

Requests for Information

This financial report is designed to provide a general overview of the City of Sandy Oaks, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, P.O. Box 828, Sandy Oaks, Texas, 78112.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SANDY OAKS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Cash and Cash Equivalents	\$46,535	\$46,535
Receivables (Net of Allowance for Uncollectibles)	20,756	20,756
Total Assets	<u>\$67,291</u>	<u>\$67,291</u>
LIABILITIES:		
Accounts Payable	\$7,091	\$7,091
Total Liabilities	<u>7,091</u>	<u>7,091</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	0	0
Unrestricted	60,200	60,200
Total Net Position	<u>\$60,200</u>	<u>\$60,200</u>

The accompanying notes are an integral part of this statement.

CITY OF SANDY OAKS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Capital	Governmental Activities	Revenue and Changes in Net Position
			Grants and Contributions		
Primary Government					
Government Activities:					
General Administration	\$37,175	\$0	\$0	(\$37,175)	(\$37,175)
Total Government Activities	<u>37,175</u>	<u>0</u>	<u>0</u>	<u>(37,175)</u>	<u>(37,175)</u>
 Total Primary Government	 <u>\$37,175</u>	 <u>\$0</u>	 <u>\$0</u>	 <u>(37,175)</u>	 <u>(37,175)</u>
 General Revenues					
Sales Taxes				1,847	1,847
Franchise Taxes				95,528	95,528
Transfers				0	0
Total General Revenues				<u>97,375</u>	<u>97,375</u>
Change in Net Position				60,200	60,200
Net Position - Beginning				0	0
Net Position - Ending				<u>\$60,200</u>	<u>\$60,200</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF SANDY OAKS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$46,535	\$46,535
Receivables (Net of Allowance for Uncollectibles)	20,756	20,756
Total Assets	<u>\$67,291</u>	<u>\$67,291</u>
LIABILITIES AND FUND BALANCES:		
Liabilities		
Accounts Payable	\$7,091	\$7,091
Total Liabilities	<u>7,091</u>	<u>7,091</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes		<u>0</u>
Fund Balances:		
Unassigned	60,200	60,200
Total Fund Balance	<u>60,200</u>	<u>60,200</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$67,291</u>	<u>\$67,291</u>

The accompanying notes are an integral part of this statement.

CITY OF SANDY OAKS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position
 ("SNA") are different because:

None

Net Position of Governmental Activities - Statement of Net Position

\$60,200
<u>0</u>
<u>\$60,200</u>

The accompanying notes are an integral part of this statement.

CITY OF SANDY OAKS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Total Governmental Funds
REVENUES		
Taxes		
Sales	\$1,847	\$1,847
Franchise	95,528	95,528
Total Revenues	<u>97,375</u>	<u>97,375</u>
EXPENDITURES		
Current:		
General Administration	37,175	37,175
Public Safety	0	0
Public Transportation	0	0
Total Expenditures	<u>37,175</u>	<u>37,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	60,200	60,200
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	<u>60,200</u>	<u>60,200</u>
Fund Balances - Beginning	0	0
Fund Balances - Ending	<u>\$60,200</u>	<u>\$60,200</u>

The accompanying notes are an integral part of this statement.

CITY OF SANDY OAKS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$60,200
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Amounts reported for governmental activities in the statement of net position
("SNA") are different because:

None	0
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$60,200</u>

The accompanying notes are an integral part of this statement.

CITY OF SANDY OAKS, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$250,000	\$250,000	\$0	(\$250,000)
Sales	0	0	1,847	1,847
Franchise	50,000	50,000	95,528	45,528
Licenses and Permits	1,350	1,350	0	(1,350)
Interest	50	50	0	(50)
Total Revenues	301,400	301,400	97,375	(204,025)
EXPENDITURES				
Current:				
General Administration				
Code Compliance	500	500	0	500
General administration	118,850	118,850	37,175	81,675
Health Inspections	1,350	1,350	0	1,350
Public Safety				
Animal Control	12,000	12,000	0	12,000
City Marshall	25,000	25,000	0	25,000
Municipal Court	2,000	2,000	0	2,000
Public Transportation				
Streets	33,500	33,500	0	33,500
Total Expenditures	193,200	193,200	37,175	156,025
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	108,200	108,200	60,200	(48,000)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	108,200	108,200	60,200	(48,000)
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	\$108,200	\$108,200	\$60,200	(\$48,000)

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

CITY OF SANDY OAKS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

I. Summary of Significant Accounting Policies

A. Reporting Entity/ Basis of Accounting/Measurement Focus

The City of Sandy Oaks, Texas, was incorporated by an election on May 14, 2014. The City operates under a Type A General-Law Municipality of government and provides the following services: public safety (animal, municipal court, and law enforcement), public transportation (streets), and general administrative services. The accounting policies of the City of Sandy Oaks, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds: The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

2. Receivables and Payables

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2015, and 10 percent of delinquent outstanding property taxes at September 30, 2015.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2015.

There were no prepaid items at September 30, 2015.

4. Fund Balances – Governmental Funds

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2015, fund balances are composed of the following:

Fund Balances:	
Unassigned	<u>\$60,200</u>
Total Fund Balance	<u>\$60,200</u>

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 first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2015, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 10 to 25 percent of the subsequent year's budgeted General Fund expenditures.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Mayor has been authorized by the council to prepare the budget. She is assisted by the City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Secretary is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2015.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2015, excess of expenditures over appropriations did not occur in the general fund. The general fund had a positive budget variance of \$156,025 whereby actual expenditures of \$37,175 were less than the budgeted expenditures of \$193,200.

C. Deficit Fund Equity

The City had no deficit fund balances as of September 30, 2015.

III. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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 not in compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

The City has adopted a deposit and investment policy.

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City was not exposed to custodial credit risk for its deposits of \$46,535 were sufficiently covered by FDIC insurance of \$250,000. The book balance of cash was \$46,535.

The City had no investments at September 30, 2015.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Total
<u>Receivables</u>		
Franchise Texas	\$20,756	\$20,756
Gross Receivables	20,756	20,756
Less: Allowance for Uncollectibles	0	0
Net Total Receivables	<u>\$20,756</u>	<u>\$20,756</u>

IV. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year ended 09/30/14	Year ended 09/30/15
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

1. General Liability Insurance

The City is insured for general and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred. The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 to \$2,000,000 for each insurance event. The City anticipates no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas. The City continues to carry commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

B. Related Party Transaction

Doug Tomasini (Alderman) – donated money to the City to help pay for insurance. He did not and will not ask for repayment from the City.

C. Subsequent Events

March 30, 2016 – Special Meeting - Entered into Executive Session regarding the transfer of assets from Waterwood Park Property Owners' Association to the City of Sandy Oaks. Reconvened in Open Session where the City Council approved a Warranty Deed conveying 29.568 acres of property described in the Special Warranty Deed filed as Book 17053, Page 2359, 1 pgs and 21.2 acres of property described in the Special Warranty Deed filed as Book 17053, Page 2359, 5 pgs filed in the Deed and Plat Records of Bexar County, Texas from Waterwood Park Property Owners Association (WPPOA) to the City of Sandy Oaks; and approved an Agreement to accept the donation of property from WPPOA.

May 26, 2016 – Special Meeting – Accepted a bid from H. Tex Co for the demolition of the "clubhouse" in the existing City park known as Waterwood Park, accepted a bid from Alamo Transport for the transportation of a modular building to be installed at the park, and accepted a bid from A+ Septic Service for the disconnection / reconnection of the septic system, electricity and water service from the new "clubhouse" to the existing City park, known as Waterwood Park.

D. Contingent Liabilities

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

The City is not a defendant in any lawsuit at September 30, 2015.