



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2018



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

Communication with Those Charged with Governance

February 27, 2020

To the Mayor and Members of the Council
City of Sandy Oaks

We have audited the financial statements of the City of Sandy Oaks as of and for the year ended September 30, 2018, and have issued our report thereon dated February 27, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 16, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Sandy Oaks solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding a material weakness and significant deficiency over financial reporting noted during our audit in a separate letter to you dated February 27, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Sandy Oaks are described in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018, except for the adoption of policies for compensated absences and allowance for uncollectible ad valorem taxes receivables.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive estimates affecting the financial statements were:

- Useful lives of depreciable assets
- Allowance for doubtful accounts

Management's estimate of the useful lives of the depreciable assets are based on past history, engineering estimates, and industry standards. The allowance for doubtful accounts has been estimated for ad valorem property is based on collections history of the City. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the City of Sandy Oaks's financial statements.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management: 1) Correction of prior year fund balance to adjust sales tax receivable and accounts payable; 2) Assistance with year end accruals for accounts receivable and accounts payable, 3) Beginning balance adjustment to correctly state fund balance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Sandy Oaks's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated February 27, 2020.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Internal Control Matters

In planning and performing our audit of the financial statements of the City of Sandy Oaks for the year ended September 30, 2018, we considered its internal control in order to determine our auditing procedures of the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City of Sandy Oaks, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risk of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Sandy Oaks's auditors.

During audit procedures, we became aware of opportunities for improvement with the following suggestions:

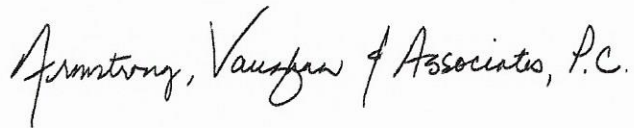
1. The City does not currently have written policies and procedures for internal controls which includes a fixed asset capitalization policy. Without written policies, duties for employees may not be clear and inconsistencies could occur when recording transactions especially when employee turnover occurs. The City should develop and implement written policies and procedures for capitalization and accounting to ensure duties are known and transactions will be recorded consistently across fiscal years.
2. In 2018, we noted that Forms 1099 were not issued for contractors of the City, most notably the previous City Clerk. By not issuing Forms 1099 in a timely manner the City is subject to late filing fees for each Form 1099 not issued up to a maximum fee of \$270. The City should issue Forms 1099 to all contractors on an annual basis and in a timely manner in order to avoid late filing fees.
3. In 2018, the City had not created and approved an investment policy or appointed an investment officer in order to provide guidelines to handle investments for the City. Without an investment policy the City might create an investment portfolio that is of high risk and may not have a return on investment that will help meet City objectives. Also the lack of an officer to properly review investment periodically could lead to a poorly performing portfolio and possible loss of funds. The City should create and approve an investment policy that outlines the type of investments the City can use in their portfolio. Additionally, an investment officer should be appointed that has appropriate knowledge to review investment performance periodically. During fiscal year 2019, the City created and approved an investment policy and appointed an investment officer.
4. The City currently does not have a fund usage policy to state how funds are to be used in the future. By not creating and using a fund usage policy, the City may use funds for expenditures that were to be used for other specified expenditures (i.e. restricted, committed, assigned fund balances). The City should develop a fund usage policy that clearly states how funds are to be used and if multiple classifications are available use, the funds should be spent from restricted fund balance first, committed second, and assigned third. Unassigned funds can be spent at the City's discretion.
5. In our sample of disbursements, we noted that some bills were not paid timely. The City should pay all bills and fees on a timely basis in order to avoid additional charges. The City did not have this issue during fiscal year 2019.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing City of Sandy Oaks's audited financial statements does not extend beyond the financial information identified in the report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards we have, with respect to the supplementary information accompanying the financial statements, made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This information is intended solely for the use of the audit committee of the City of Sandy Oaks and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 27, 2020



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

Material Weaknesses and Significant Deficiency in Internal Controls

To the Mayor and Members of the Council
City of Sandy Oaks, Texas

In planning and performing our audit of the financial statements of the governmental activities and the general fund of the City of Sandy Oaks, Texas as of and for the year ended September 30, 2018, 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, we considered the City's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 misstatements on a timely basis. A material weakness is a deficiency or 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
- Probable. The future event or events are likely to occur.

We consider the following deficiency in the City's internal control to be a significant deficiency.

Budget Tracking

Although the City approved a budget for the 2017-2018 fiscal year, the budget was not retained on file. As a result, original approved budget balances could not be verified. Additionally, by not retaining the original budget, City Council may find it difficult to determine the need for budget amendments throughout the year. Furthermore, the City is required to publish their annual approved budgets.

The City should retain original budgets on file in order to have documentation of the approved budgets and in order to determine if budget amendments are necessary throughout the year. As of the date of the report, the City published the 2019-2020 approved budget on the City website.

We consider the following deficiencies in the City's internal control to be material weaknesses.

Financial Statement Preparation

For the year ended September 30, 2018, management requested us to prepare the draft of the City's financial statements, including the related notes to financial statements. As a result, certain adjustments were required to be made to the accounting records such as recording accounts receivable, payables, and interest income. Cities with limited staff and resources tend to have difficulty preparing the annual financial reports and applying all of the necessary accounting principles to be in compliance with generally accepted accounting principles (GAAP).

However, internal control is the same for all entities, regardless of size. We cannot be considered part of the City's internal controls (which includes the preparation of the financial statements), so the fact that we prepared the draft financial statements and related notes represents a control deficiency for the City.

To remedy the control deficiency, management may obtain training or hire additional consultants outside of the auditor to assist in the drafting of the financial statements. However, management may ultimately decide to accept the deficiency and continue to have the auditors prepare the draft financial statements. It is our responsibility to report this deficiency to ensure management has the information necessary to make an informed decision that is best for the City.

Segregation of Duties

Due to the limited number of people working for the City of Sandy Oaks, all of the critical duties are assigned to just a few people. This limits checks and balances and increases the importance of Council review for adequate controls or consider hiring additional staff to split duties. Because of the lack of segregation of duties, City Council should continue to be vigilant in reviewing financial transactions as it is an integral component of internal controls.

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

Sincerely,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, PC
February 27, 2020

CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018

CITY OFFICIALS

MAYOR

KAREN TANGUMA

CITY COUNCIL

DAVID TREMBLAY

THOMAS REPINO

DOUGLAS TOMASINI

ANTHONY GARCIA

CHARLES FILLINGER

CITY SECRETARY

CHARLOTTE RABE/KATHERINE YELTON

CITY ATTORNEY

KASSAHN & ORTIZ, P.C.



CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2018

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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 fund of the City of Sandy Oaks, Texas, as of and for the year ended September 30, 2018, 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 opinion.

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 fund of the City of Sandy Oaks, Texas, as of September 30, 2018, 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

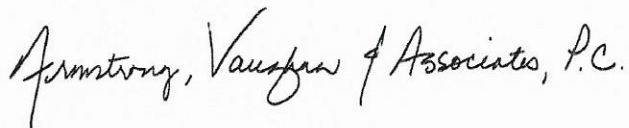
Required Supplementary Information

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.

February 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

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, 2018. It should be read in conjunction with the financial statements that begin on page 6.

Financial Highlights

- The City's assets exceeded liabilities (net position) by \$768 thousand at September 30, 2018, an increase of \$219 thousand from September 30, 2017. Of this amount, \$545 thousand is unrestricted and available to cover future expenses and obligations of the City.
- The City's total revenues were \$461 thousand, compared to \$398 thousand in the prior year.
- The City's expenses were \$242 thousand, compared to \$154 thousand in the prior year.
- The General Fund reported a fund balance of \$504 thousand at the end of the fiscal year which represents a \$70 thousand increase 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 \$768 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

| | 2018 | 2017* |
|--------------------------------|-------------------|-------------------|
| Current Assets | \$ 574,551 | \$ 478,860 |
| Capital Assets | 223,165 | 83,481 |
| Total Assets | <u>797,716</u> | <u>562,341</u> |
| Current Liabilities | 29,335 | 13,321 |
| Total Liabilities | <u>29,335</u> | <u>13,321</u> |
| Net Invested in Capital Assets | 223,165 | 83,481 |
| Unrestricted Assets | 545,216 | 465,539 |
| Total Net Position | <u>\$ 768,381</u> | <u>\$ 549,020</u> |

*2017 balances were restated.

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

| | 2018 | 2017* |
|----------------------------------|-------------------|-------------------|
| Program Revenues: | | |
| Charges for Services | \$ - | \$ - |
| Operating Grants & Contributions | - | - |
| General Revenues | | |
| Tax Revenues | 458,038 | 405,564 |
| Other Revenues | 2,826 | 2,464 |
| Total Revenues | <u>460,864</u> | <u>408,028</u> |
| General Administration | 195,118 | 102,360 |
| Public Safety | 5,584 | 27,334 |
| Public Works | 40,801 | 30,421 |
| Total Expenses | <u>241,503</u> | <u>160,115</u> |
| Change in Net Position | <u>\$ 219,361</u> | <u>\$ 247,913</u> |

*2017 balances were restated.

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 99% of the total revenues (99% in the prior year).

Capital Assets

The City purchased \$146,655 in capital assets during the fiscal year ended September 30, 2018. These assets included land, building improvements, equipment, and infrastructure. Information about the City's capital assets can be found 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 one fund – general. The original adopted budget was amended during the year to accommodate additional expected expenditures. The general fund expenditures were \$949 thousand less than budgeted expenditures, and revenues were \$48 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, avoiding more debt issuances.

Financial Outlook

Sandy Oaks City Council decreased the property tax rate for the 2018 tax year to .238367 as revenues continue to grow for the City and the City approaches the issuance of bonds. 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, 4451 Hickory Haven, 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, 2018

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| <i>Current Assets:</i> | |
| Cash and Cash Equivalents | \$ 495,561 |
| Accounts Receivable - Ad Valorem Taxes | 44,111 |
| Accounts Receivable - Other | 35,893 |
| Allowance for Uncollectible Accounts | (2,206) |
| Prepaid Expenses | 1,192 |
| <i>Total Current Assets</i> | <u>574,551</u> |
| <i>Capital Assets:</i> | |
| Land | 45,724 |
| Buildings & Improvements | 38,280 |
| Furniture & Equipment | 27,167 |
| Infrastructure | 127,221 |
| Accumulated Depreciation | (15,227) |
| <i>Total Capital Assets</i> | <u>223,165</u> |
| TOTAL ASSETS | <u>797,716</u> |
| LIABILITIES | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 29,335 |
| <i>Total Current Liabilities</i> | <u>29,335</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 223,165 |
| Unrestricted | 545,216 |
| TOTAL NET POSITION | <u>\$ 768,381</u> |

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| FUNCTIONS AND PROGRAMS | Expenses | Program Revenues | | Net Revenue |
|--------------------------------------|-------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | (Expense) Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Administration | \$ 195,118 | \$ - | \$ - | \$ (195,118) |
| Public Safety | 5,584 | - | - | (5,584) |
| Public Works | 40,801 | - | - | (40,801) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 241,503</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(241,503)</u> |
| GENERAL REVENUES | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | | | | 262,256 |
| Franchise Fees | | | | 115,265 |
| Sales Tax | | | | 80,517 |
| Miscellaneous | | | | 2,826 |
| TOTAL GENERAL REVENUES | | | | <u>460,864</u> |
| Change in Net Position | | | | 219,361 |
| BEGINNING NET POSITION | | | | 544,840 |
| Prior Period Adjustment | | | | <u>4,180</u> |
| ENDING NET POSITION | | | | <u>\$ 768,381</u> |

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2018

| | <u>General Fund</u> |
|---|--------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 495,561 |
| Accounts Receivable - Ad Valorem Taxes | 44,111 |
| Accounts Receivable - Other | 35,893 |
| Allowance for Uncollectible Accounts | (2,206) |
| Prepaid Expenses | <u>1,192</u> |
| TOTAL ASSETS | <u><u>\$ 574,551</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| <i>Liabilities:</i> | |
| Accounts Payable | <u>\$ 29,335</u> |
| <i>Total Liabilities</i> | <u>29,335</u> |
| <i>Deferred Inflows of Resources:</i> | |
| Unavailable Property Tax Revenue | <u>41,262</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>41,262</u> |
| <i>Fund Balances:</i> | |
| Non-Spendable | 1,192 |
| Unassigned | <u>502,762</u> |
| <i>Total Fund Balances</i> | <u>503,954</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 574,551</u></u> |

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION TO STATEMENT OF NET POSITION - GOVERNMENTAL FUND
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 503,954

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

Property Taxes receivable are not available to pay for current expenditures
and therefore, are deferred in the fund statements. 41,262

Capital Assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental fund. 223,165

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 768,381

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, 2018

| | General Fund |
|--|--------------------------|
| REVENUES | |
| Ad Valorem Taxes | \$ 252,765 |
| Franchise Fees | 115,265 |
| Sales Tax | 80,517 |
| Miscellaneous | 2,826 |
| TOTAL REVENUES | <u>451,373</u> |
| EXPENDITURES | |
| Current: | |
| General Administration | 188,146 |
| Public Safety | 5,584 |
| Public Works | 40,802 |
| Capital Outlay | 146,655 |
| TOTAL EXPENDITURES | <u>381,187</u> |
| Net Change in Fund Balance | 70,186 |
| FUND BALANCE AT BEGINNING OF YEAR | 429,588 |
| Prior Period Adjustment | <u>4,180</u> |
| FUND BALANCE AT END OF YEAR | <u><u>\$ 503,954</u></u> |

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 70,186

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. 9,491

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 | 146,655 | | |
| Depreciation Expense | (6,971) | | 139,684 |
| | | | |

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 219,361



CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 operates under a charter, Mayor-Council type of government. 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 is the only major fund of the City and there were no non-major funds.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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, 2018.

The government reports the following major governmental fund:

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.

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, 2018

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. The City had no investments as of September 30, 2018.

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, 2018 is made up of prepaid insurance.

7. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2017 and are past due after January 31, 2018. 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 \$2,206 for September 30, 2018.

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, 2018

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 184 hours per year. A total of 40 hours can be carried over to the following calendar 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 were not accrued in the current year because the total accrual was immaterial.

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. There were no long term debt obligations or related payments as of September 30, 2018.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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, 2018

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.

15. RECLASSIFICATIONS

Certain reclassifications have been made to the September 30, 2017 financial statement information to conform to the September 30, 2018 presentation. These reclassifications had no effect on the changes in fund balance/net position.

NOTE B -- ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other as of September 30, 2018 consisted of the following balances owed to the City:

| | |
|----------------|------------------|
| Sales Tax | \$ 13,878 |
| Franchise Fees | <u>22,015</u> |
| Total | <u>\$ 35,893</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 did not approve an investment policy, management reports and establishment of appropriate policies. As of September 30, 2018, the City was not in compliance with the Act by not having an investment officer attend required CPE training sessions. However, during fiscal year 2019, the City complied with all requirements.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

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, 2018, the assessed tax rate for the City was 0.241250 per \$100 on an assessed valuation (less exemptions) of \$108,287,545. The tax rate was collected solely for maintenance and operations. The total tax levy for fiscal year 2018 is \$261,947. As of September 30, 2018, the delinquent current taxes for property tax year 2017 were \$43,468.

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, 2018, was \$.24125 per \$100 of assessed value, which means that the City has a tax margin of \$2.25875 for each \$100 value and could increase its annual tax levy by approximately \$244,594,492 based upon the present assessed valuation of \$108,287,545 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, 2018

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

| <i>Governmental Activities</i> | Balance 10/1/17 | Additions | Transfers/ Disposals | Balance 9/30/18 |
|----------------------------------|--------------------|-------------------|-------------------------|--------------------|
| Land | \$ - | \$ 45,724 | \$ - | \$ 45,724 |
| Buildings and Improvements | 29,657 | 8,623 | - | 38,280 |
| Furniture & Equipment | 11,500 | 15,667 | - | 27,167 |
| Infrastructure | 50,580 | 76,641 | - | 127,221 |
| | <u>91,737</u> | <u>146,655</u> | <u>-</u> | <u>238,392</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | (1,633) | (1,626) | - | (3,259) |
| Furniture & Equipment | (4,600) | (3,606) | - | (8,206) |
| Infrastructure | (2,023) | (1,739) | - | (3,762) |
| | <u>(8,256)</u> | <u>(6,971)</u> | <u>-</u> | <u>(15,227)</u> |
| Governmental Capital Assets, Net | <u>\$ 83,481</u> | <u>\$ 139,684</u> | <u>\$ -</u> | <u>\$ 223,165</u> |

Land and construction in progress are not depreciated.

Depreciation Expense was allocated to the following governmental functions:

| | |
|------------------------|-----------------|
| General Administration | \$ 1,483 |
| Public Safety | 3,606 |
| Public Works | <u>1,882</u> |
| Total | <u>\$ 6,971</u> |

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2018

NOTE G -- PRIOR PERIOD ADJUSTMENT

The City has recorded prior period adjustments to recognize revenues earned in the prior year as well as expenses incurred in the prior year. The prior period adjustments to restate the beginning fund balance and Net Position as of September 30, 2017 is as follows:

| <i>Governmental Activities/Funds</i> | Government - Wide Statements | General Fund Statement |
|--|---------------------------------|------------------------------|
| Beginning Net Assets/Fund Balances - originally reported | \$ 544,840 | \$ 429,588 |
| Understated Sales Tax Revenue/Receivable | 10,174 | 10,174 |
| Understated Accounts Payable | (5,994) | (5,994) |
| Beginning Net Assets/Fund Balances - restated | <u>\$ 549,020</u> | <u>\$ 433,768</u> |

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, 2018, were \$4,580.

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, 2018

| | <u>Budgeted Amounts</u> | | 2018 | Variance with | |
|-------------------------------------|-------------------------|---------------------|-------------------|-------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | Actual | Final Budget | 2017 |
| | | | Amounts | Positive | Actual |
| | | | | (Negative) | Amounts* |
| REVENUES | | | | | |
| Ad Valorem Tax | \$ 263,710 | \$ 263,710 | \$ 252,765 | \$ (10,945) | \$ 226,162 |
| Franchise Fees | 87,715 | 87,715 | 115,265 | 27,550 | 104,252 |
| Sales Tax | 51,285 | 51,285 | 80,517 | 29,232 | 63,780 |
| Miscellaneous Income | - | - | 2,826 | 2,826 | 2,464 |
| TOTAL REVENUES | <u>402,710</u> | <u>402,710</u> | <u>451,373</u> | <u>48,663</u> | <u>396,658</u> |
| EXPENDITURES | | | | | |
| <i>General Administration:</i> | | | | | |
| City Hall | 123,490 | 217,501 | 5,106 | 212,395 | 133,326 |
| Operating Costs | 238,928 | 356,780 | 183,040 | 173,740 | - |
| Court Fees | 14,400 | 2,306 | - | 2,306 | - |
| <i>Total General Administration</i> | <u>376,818</u> | <u>576,587</u> | <u>188,146</u> | <u>386,135</u> | <u>133,326</u> |
| <i>Public Safety:</i> | | | | | |
| Marshal | 177,733 | 330,261 | 5,584 | 324,677 | 25,035 |
| <i>Public Works:</i> | | | | | |
| Street Maintenance | 39,848 | 56,048 | 2,478 | 53,570 | - |
| Park | 26,011 | 223,041 | 38,324 | 184,717 | 13,761 |
| <i>Total Public Works</i> | <u>65,859</u> | <u>279,089</u> | <u>40,802</u> | <u>238,287</u> | <u>13,761</u> |
| <i>Capital Outlay</i> | <u>146,655</u> | <u>146,655</u> | <u>146,655</u> | <u>-</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>767,065</u> | <u>1,332,592</u> | <u>381,187</u> | <u>949,099</u> | <u>172,122</u> |
| Net Change in Fund Balance | (364,355) | (929,882) | 70,186 | 997,762 | 224,536 |
| BEGINNING FUND BALANCE | <u>433,768</u> | <u>433,768</u> | <u>433,768</u> | <u>-</u> | <u>209,232</u> |
| ENDING FUND BALANCE | <u>\$ 69,413</u> | <u>\$ (496,114)</u> | <u>\$ 503,954</u> | <u>\$ 997,762</u> | <u>\$ 433,768</u> |

*2017 balances were restated.

CITY OF SANDY OAKS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2018

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 2017-2018 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

CITY OF SANDY OAKS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2018 AND 2017

| | <u>2018</u> | <u>2017*</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 495,561 | \$ 413,668 |
| Accounts Receivable - Ad Valorem Taxes | 44,111 | - |
| Accounts Receivable - Other | 35,893 | 65,192 |
| Allowance for Uncollectible Accounts | (2,206) | - |
| Prepaid Expenses | <u>1,192</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 574,551</u></u> | <u><u>\$ 478,860</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | <u>\$ 29,335</u> | <u>\$ 13,321</u> |
| <i>Total Liabilities</i> | <u>29,335</u> | <u>13,321</u> |
| <i>Deferred Inflows of Resources:</i> | | |
| Unavailable Property Tax Revenue | <u>41,262</u> | <u>31,771</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>41,262</u> | <u>31,771</u> |
| <i>Fund Balances:</i> | | |
| Non-Spendable | 1,192 | - |
| Unassigned | <u>502,762</u> | <u>433,768</u> |
| <i>Total Fund Balances</i> | <u>503,954</u> | <u>433,768</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 574,551</u></u> | <u><u>\$ 478,860</u></u> |

*2017 balances were restated.