



FISCAL YEAR ENDED

SEPTEMBER 30, 2021

ANNUAL FINANCIAL REPORT



CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY OFFICIALS

INTERIM MAYOR

CHARLES FILLINGER

CITY COUNCIL

THOMAS REPINO

GARY BRICKEN

JOHN CRICKMER

CITY SECRETARY

KATHERINE YELTON

CITY ATTORNEY

KASSAHN & ORTIZ, P.C.



CITY OF SANDY OAKS, TEXAS
 ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2021

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Mayor and City Council
City of Sandy Oaks, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the City of Sandy Oaks, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the City of Sandy Oaks, Texas, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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



Armstrong, Vaughan & Associates, P.C.

May 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021

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, 2021. It should be read in conjunction with the financial statements.

Financial Highlights

- The City's assets exceeded liabilities (net position) by \$821 thousand at September 30, 2021, an increase of \$119 thousand from September 30, 2020. Of this amount, \$309 thousand is unrestricted and available to cover future expenses and obligations of the City.
- The City's total revenues were \$880 thousand, compared to \$698 thousand in the prior year.
- The City's expenses were \$761 thousand, compared to \$847 thousand in the prior year.
- The General Fund reported a fund balance of \$242 thousand at the end of the fiscal year which represents a \$28 thousand increase over the previous fiscal year.
- The City received \$563 thousand in funding under the American Recovery Program Act. These funds have been deferred to the subsequent year and are reflected in the Statement of Net Position as Unearned Grant Revenue.

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 \$821 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

	2021	2020
Current Assets	\$ 1,078,407	\$ 1,067,538
Capital Assets	561,937	501,226
Total Assets	1,640,344	1,568,764
Current Liabilities	96,788	47,591
Long-term Liabilities	722,698	819,190
Total Liabilities	819,486	866,781
Net Invested in Capital Assets	511,224	482,035
Unrestricted Assets	309,634	219,948
Total Net Position	\$ 820,858	\$ 701,983

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

	2021	2020
Program Revenues		
Charges for Services	\$ 129,131	\$ 49,315
Operating Grants & Contributions	-	3,131
General Revenues		
Tax Revenues	744,134	609,155
Other Revenues	6,338	36,159
Total Revenues	879,603	697,760
General Administration	465,412	466,160
Public Safety	216,205	160,143
Public Works	56,730	217,704
Interest and Principal on Debt	22,381	3,025
Total Expenses	760,728	847,032
Change in Net Position	118,875	(149,272)
Beginning Net Position	701,983	851,255
Ending Net Position	\$ 820,858	\$ 701,983

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 84% of the total revenues (87% in the prior year).

Capital Assets

Capital Asset additions for the year ended September 30, 2021 included completing construction of the Municipal Complex for \$90,570 and police vehicle equipment installation for \$5,324. Information about the City's capital assets can be found in the notes to the financial statements.

Long Term Debt

During the year-end September 30, 2020, the City issued \$800 thousand in bonds, of which \$755 thousand is still outstanding. In addition, the City has a capital lease obligation of \$16,025 outstanding at year-end. More detailed information about the City's debt is presented in the notes to the financial statements.

Description of Current and Expected Conditions

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

Budgetary Analysis

The City has two funds – general and capital projects. The original adopted budget was amended during the year to accommodate additional expected expenditures. The general fund expenditures were \$88 thousand more than budgeted expenditures, and revenues were \$18 thousand more than budgeted revenues. The City budgets for maintenance and operation and capital outlay annually. This budget provision allows the City to accumulate funds to finance future major projects with cash on hand.

Financial Outlook

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF SANDY OAKS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,514,666
Accounts Receivable - Ad Valorem Taxes	81,389
Accounts Receivable - Other	52,159
Allowance for Uncollectible Accounts	(6,606)
<i>Total Current Assets</i>	1,641,608
 <i>Capital Assets:</i>	
Land	45,724
Buildings & Improvements	346,230
Furniture & Equipment	118,395
Infrastructure	136,221
Accumulated Depreciation	(84,633)
<i>Total Capital Assets</i>	561,937
TOTAL ASSETS	2,203,545
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	30,827
Accrued Expenses	10,441
Accrued Interest Payable	1,816
Compensated Absences Payable	5,377
Unearned Grant Revenue	563,201
<i>Total Current Liabilities</i>	611,662
<i>Noncurrent Liabilities:</i>	
Due within One Year	48,327
Due in more than One Year	722,698
<i>Total Noncurrent Liabilities</i>	771,025
TOTAL LIABILITIES	1,382,687
 NET POSITION	
Net Investment in Capital Assets	511,224
Unrestricted	309,634
TOTAL NET POSITION	\$ 820,858

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONS AND PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Administration	\$ 465,412	\$ 3,000	\$ -	\$ (462,412)
Public Safety	216,205	126,131	-	(90,074)
Public Works	56,730	-	-	(56,730)
Interest and Principal on Debt	22,381	-	-	(22,381)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 760,728	\$ 129,131	\$ -	(631,597)
 GENERAL REVENUES				
Taxes:				
Ad Valorem Taxes				458,300
Franchise Fees				133,972
Sales Tax				151,862
Interest Income				1,245
Miscellaneous				5,093
TOTAL GENERAL REVENUES				750,472
Change in Net Position				118,875
BEGINNING NET POSITION				701,983
ENDING NET POSITION				\$ 820,858

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
ASSETS				
Cash and Cash Equivalents	\$ 794,354	\$ 720,312	\$ -	\$ 1,514,666
Accounts Receivable - Ad Valorem Tax	68,148	-	13,241	81,389
Accounts Receivable - Other	52,159	-	-	52,159
Allowance for Uncollectible Accounts	(5,210)	-	(1,396)	(6,606)
Interfund Balances	-	434	(434)	-
TOTAL ASSETS	\$ 909,451	\$ 720,746	\$ 11,411	\$ 1,641,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 30,827	\$ -	\$ -	\$ 30,827
Accrued Expenses	10,441	-	-	10,441
Unearned Grant Revenue	563,201	-	-	563,201
<i>Total Liabilities</i>	<u>604,469</u>	<u>-</u>	<u>-</u>	<u>604,469</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	62,938	-	12,566	75,504
<i>Total Deferred Inflows of Resource</i>	<u>62,938</u>	<u>-</u>	<u>12,566</u>	<u>75,504</u>
<i>Fund Balances:</i>				
Unassigned (Deficit)	242,044	720,746	(1,155)	961,635
<i>Total Fund Balances (Deficits)</i>	<u>242,044</u>	<u>720,746</u>	<u>(1,155)</u>	<u>961,635</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 909,451	\$ 720,746	\$ 11,411	\$ 1,641,608

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION TO STATEMENT OF NET POSITION - GOVERNMENTAL FUND
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	961,635
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(5,377)
Property Taxes receivable are not available to pay for current expenditures and therefore, are deferred in the fund statements.		75,504
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds Payable		(755,000)
Capital Lease		(16,025)
		(771,025)
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		561,937
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, not reported in the governmental funds.		(1,816)
		(1,816)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>820,858</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	
REVENUES				
Ad Valorem Taxes	\$ 378,784	\$ -	\$ 66,139	\$ 444,923
Franchise Fees	133,972	-	-	133,972
Sales Tax	151,862	-	-	151,862
Fines and Penalties	126,131	-	-	126,131
Interest Income	1,217	29	-	1,246
Miscellaneous	8,093	-	-	8,093
TOTAL REVENUES	<u>800,059</u>	<u>29</u>	<u>66,139</u>	<u>866,227</u>
EXPENDITURES				
Current:				
General Administration	339,817	-	-	339,817
Public Safety	214,612	-	-	214,612
Public Works	122,982	-	-	122,982
Capital Outlay	90,571	29,292	-	119,863
Debt Service:				
Principal	3,165	-	45,000	48,165
Interest & Fiscal Charges	884	-	22,294	23,178
TOTAL EXPENDITURES	<u>772,031</u>	<u>29,292</u>	<u>67,294</u>	<u>868,617</u>
NET CHANGE IN FUND BALANCE	28,028	(29,263)	(1,155)	(2,390)
FUND BALANCE AT BEGINNING OF YEAR	<u>214,016</u>	<u>750,009</u>	<u>-</u>	<u>964,025</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 242,044</u>	<u>\$ 720,746</u>	<u>\$ (1,155)</u>	<u>\$ 961,635</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, 2021

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (2,390)

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. 13,376

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	95,894	
Depreciation Expense	<u>(35,183)</u>	60,711

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

Principal Repayments	48,165
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	(1,784)
Accrued Interest	<u>797</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 118,875



CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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, 2021.

The government reports the following major governmental funds:

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

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

Debt Service Fund is used to account for the ad valorem taxes collected for interest and sinking, as well as disbursements associated with the City's bonds.

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, 2021

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

5. INVESTMENTS

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

6. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements and in fund financial statements are offset by a nonspendable fund balance which indicates they do not represent "available spendable resources". The balance as of September 30, 2021 is \$0.

7. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2020 and are past due after January 31, 2021. 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 \$6,606 for September 30, 2021.

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, 2021

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:

ASSETS	LIFE
Buildings and improvements	10-40 years
Infrastructure	20-50 years
Vehicles	5 years
Furniture and equipment	5-10 years

9. COMPENSATED ABSENCES

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

Liabilities for compensated absences are recognized in the fund statements to the extent liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements. Compensated absences as of September 30, 2021 are \$5,377.

10. LONG-TERM OBLIGATIONS

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

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

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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, 2021

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

14. USE OF ESTIMATES

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

NOTE B -- ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other as of September 30, 2021 consisted of the following balances owed to the City:

Sales Tax	\$ 26,200
Franchise Fees	<u>25,959</u>
Total	<u><u>\$ 52,159</u></u>

NOTE C -- CASH AND CASH EQUIVALENTS

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

NOTE D -- INVESTMENTS

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management approved an investment policy, management reports and establishment of appropriate policies. As of September 30, 2021, the City has complied with all requirements of the Act.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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, 2021, the assessed tax rate for the City was 0.291976 per \$100 on an assessed valuation (less exemptions) of \$155,524,892. The total tax levy for fiscal year 2021 is \$454,186. As of September 30, 2021, the delinquent current taxes for property tax year 2020 were \$37,466.

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, 2021, was \$.291976 per \$100 of assessed value, which means that the City has a tax margin of \$2.208024 for each \$100 value and could increase its annual tax levy by approximately \$3,434,027 based upon the present assessed valuation of \$155,524,892 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, 2021

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/20</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>Balance 9/30/21</u>
Land	\$ 45,724	\$ -	\$ -	\$ 45,724
Buildings and Improvements	89,158	-	257,072	346,230
Furniture & Equipment	118,071	5,324	(5,000)	118,395
Infrastructure	136,221	-	-	136,221
Construction in Progress	166,502	90,570	(257,072)	-
	<u>555,676</u>	<u>95,894</u>	<u>(5,000)</u>	<u>646,570</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,480)	(9,813)	-	(20,293)
Furniture & Equipment	(34,895)	(22,646)	5,000	(52,541)
Infrastructure	(9,075)	(2,724)	-	(11,799)
	<u>(54,450)</u>	<u>(35,183)</u>	<u>5,000</u>	<u>(84,633)</u>
Governmental Capital Assets, Net	<u>\$ 501,226</u>	<u>\$ 60,711</u>	<u>\$ -</u>	<u>\$ 561,937</u>

Land and construction in progress are not depreciated.

Depreciation Expense was allocated to the following governmental functions:

General Administration	\$ 9,718
Public Safety	16,505
Public Works	8,960
Total	<u>\$ 35,183</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE G -- LONG-TERM DEBT

As of September 30, 2021 the City's long-term debt consisted of and changed as follows:

<u>Governmental Activities</u>	Balance 10/1/20	Additions	Retirements	Balance 9/30/21	Due Within One Year
Compensated Absences Payable	\$ 3,593	\$ 2,168	\$ (384)	\$ 5,377	\$ -
Capital Lease	19,190	-	(3,165)	16,025	3,327
2020 Bond Payable	800,000	-	(45,000)	755,000	45,000
Total	<u>\$ 819,190</u>	<u>\$ -</u>	<u>\$ (48,165)</u>	<u>\$ 771,025</u>	<u>\$ 48,327</u>

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

The annual requirements to amortize all bonded debt outstanding as of September 30, 2021, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2022	\$ 45,000	\$ 20,364	\$ 65,364
2023	45,000	19,113	64,113
2024	45,000	17,862	62,862
2025	50,000	16,541	66,541
2026	50,000	15,151	65,151
2027-2031	275,000	53,725	328,725
2032-2035	245,000	13,831	258,831
Total	<u>\$ 755,000</u>	<u>\$ 156,587</u>	<u>\$ 911,587</u>

The City leased Public Works equipment totaling \$21,420 with imputed interest rates of 4.981%. Total accumulated depreciation on the equipment was \$6,694 as of September 30, 2021. Future minimum lease payments are as follows:

Fiscal Year Ending September 30,	
2022	\$ 3,327
2023-2026	12,698
Lease Principal Payments	16,025
Interest On Payments	1,794
Total Payments	<u>\$ 17,819</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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, 2021, were \$12,779.

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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final		Final Budget Positive (Negative)	
REVENUES					
Ad Valorem Tax	\$ 366,657	\$ 387,000	\$ 378,784	\$ (8,216)	\$ 338,326
Franchise Fees	118,300	122,000	133,972	11,972	124,502
Sales Tax	137,571	146,500	151,862	5,362	135,706
Fines and Penalties	49,200	116,000	126,131	10,131	-
Interest Income	1,700	1,700	1,217	(483)	1,155
Miscellaneous	7,640	8,590	8,093	(497)	53,876
TOTAL REVENUES	681,068	781,790	800,059	18,269	653,565
EXPENDITURES					
<i>General Administration:</i>					
City Hall	3,175	2,700	29,797	(27,097)	35,496
Elections	5,000	1,100	731	369	-
Municipal Court	81,660	86,560	87,027	(467)	46,012
Operating Costs	232,980	248,175	222,262	25,913	308,146
<i>Total General Administration</i>	<u>322,815</u>	<u>338,535</u>	<u>339,817</u>	<u>(1,282)</u>	<u>389,654</u>
<i>Public Safety:</i>					
Marshal	187,000	203,770	214,612	(10,842)	158,898
<i>Public Works:</i>					
Street Maintenance	11,200	6,419	2,838	3,581	168,912
Park	56,460	56,900	54,276	2,624	48,607
Public Facilities	6,648	78,166	65,868	12,298	1,727
<i>Total Public Works</i>	<u>74,308</u>	<u>141,485</u>	<u>122,982</u>	<u>18,503</u>	<u>219,246</u>
<i>Capital Outlay</i>	-	-	90,571	(90,571)	187,643
<i>Debt Service:</i>					
Principal	-	-	3,165	(3,165)	1,950
Interest	-	-	884	(884)	412
TOTAL EXPENDITURES	\$ 584,123	\$ 683,790	\$ 772,031	\$ (88,241)	\$ 957,803

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND (CONT.)
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

OTHER FINANCING SOURCES

Proceeds from Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ 21,140
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,140</u>
Net Change in Fund Balance	96,945	98,000	28,028	(69,972)	(283,098)
BEGINNING FUND BALANCE	<u>214,016</u>	<u>214,016</u>	<u>214,016</u>	<u>-</u>	<u>497,115</u>
ENDING FUND BALANCE	<u><u>\$ 310,961</u></u>	<u><u>\$ 312,016</u></u>	<u><u>\$ 242,044</u></u>	<u><u>\$ (69,972)</u></u>	<u><u>\$ 214,017</u></u>

CITY OF SANDY OAKS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2021

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 2020-2021 legally adopted budget was exceeded due to capital outlay associated with the City Hall.

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

SUPPLEMENTARY INFORMATION

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

Contents

- Comparative Balance Sheet – General Fund
- Comparative Balance Sheet – Capital Projects Fund
- Comparative Income Statement – Capital Projects Fund
- Budgetary Comparison Schedule – Debt Service Fund

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 GENERAL FUND
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 794,354	\$ 207,227
Accounts Receivable - Ad Valorem Taxes	68,148	66,068
Accounts Receivable - Other	52,159	48,175
Allowance for Uncollectible Accounts	(5,210)	(3,941)
TOTAL ASSETS	\$ 909,451	\$ 317,529
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 30,827	\$ 34,507
Accrued Expenses	10,441	6,878
Unearned Grant Revenue	563,201	-
<i>Total Liabilities</i>	604,469	41,385
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	62,938	62,127
<i>Total Deferred Inflows of Resources</i>	62,938	62,127
<i>Fund Balances:</i>		
Unassigned	242,044	214,017
<i>Total Fund Balances</i>	242,044	214,017
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 909,451	\$ 317,529

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 720,312	\$ 750,009
Accounts Receivable - Ad Valorem Taxes	13,241	-
Allowance for Uncollectible Accounts	(1,396)	-
TOTAL ASSETS	\$ 732,157	\$ 750,009
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	\$ 12,566	\$ -
<i>Total Deferred Inflows of Resources</i>	12,566	-
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Fund Balances:</i>		
Unassigned	719,591	750,009
<i>Total Fund Balances</i>	719,591	750,009
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 732,157	\$ 750,009

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Ad Valorem Tax	\$ -	\$ -
Interest Income	29	9
TOTAL REVENUES	29	9
 EXPENDITURES		
Capital Outlay	29,292	-
<i>Debt Service:</i>		
Bond Issue Costs	-	50,000
TOTAL EXPENDITURES	29,292	50,000
 Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,263)	(49,991)
 OTHER FINANCING SOURCES (USES)		
Proceeds from Bond Issuance	-	800,000
TOTAL OTHER FINANCING SOURCES (USES)	-	800,000
 Net Change in Fund Balance	(29,263)	750,009
 Beginning Fund Balance	750,009	-
 Ending Fund Balance	\$ 720,746	\$ 750,009

CITY OF SANDY OAKS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
SEPTEMBER 30, 2021 AND 2020

	Budgeted Amounts		2021 Actual Amounts	Variance with	2020 Actual Amounts
	Original	Final		Final Budget Positive (Negative)	
REVENUES					
Ad Valorem Tax	\$ 63,081	\$ 63,081	\$ 66,139	\$ 3,058	\$ -
TOTAL REVENUES	<u>63,081</u>	<u>63,081</u>	<u>66,139</u>	<u>3,058</u>	<u>-</u>
EXPENDITURES					
<i>Debt Service:</i>					
Principal	45,000	45,000	45,000	-	-
Interest	22,294	22,294	22,294	-	-
TOTAL EXPENDITURES	<u>\$ 67,294</u>	<u>\$ 67,294</u>	<u>\$ 67,294</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	(4,213)	(4,213)	(1,155)	3,058	-
BEGINNING FUND BALANCE	-	-	-	-	-
ENDING FUND BALANCE	<u>\$ (4,213)</u>	<u>\$ (4,213)</u>	<u>\$ (1,155)</u>	<u>\$ 3,058</u>	<u>\$ -</u>

