



ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

Discussion Draft



Discussion Draft

CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2023

CITY OFFICIALS

MAYOR

MICHAEL MARTINEZ, JR.

MAYOR PRO TERM

GRACE KELLER-ALVARADO

CITY COUNCIL

CHARLES FILLINGER

TERRY COFFINDAFFER

THOMAS REPINO

DAVID TREMBLAY

CITY SECRETARY

KATHERINE YELTON

CITY ATTORNEY

KASSAHN & ORTIZ, P.C.

Discussion Draft

CITY OF SANDY OAKS, TEXAS
 ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

CITY OFFICIALS	i
TABLE OF CONTENTS	ii
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	8
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET - GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES	14
NOTES TO BASIC FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	33
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND	34
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL – GENERAL FUND	35
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	36
SCHEDULE OF PENSION CONTRIBUTIONS	37
SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS	38
NOTES TO POSTEMPLOYMENT BENEFIT SCHEDULES	39
SUPPLEMENTARY INFORMATION	41
COMPARATIVE BALANCE SHEET - GENERAL FUND	42
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND	43
COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS FUND	44
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND	45
COMPARATIVE BALANCE SHEET - AMERICAN RESCUE PLAN ACT FUND	46
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - AMERICAN RESCUE PLAN ACT FUND	47
COMPARATIVE BALANCE SHEET - DEBT SERVICE FUND	48
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND	49



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 Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the City of Sandy Oaks, Texas, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Sandy Oaks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Sandy Oaks, Texas' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Sandy Oaks, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Sandy Oaks, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefit schedules 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.

Supplementary 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.

Armstrong, Vaughan & Associates, P.C.

April 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2023

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, 2023. It should be read in conjunction with the financial statements.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) by \$1.6 million at September 30, 2023, an increase of \$528 thousand from September 30, 2022. Of this amount, \$340 thousand is unrestricted and available to cover future expenses and obligations of the City.
- The City's total revenues were \$1.6 million, compared to \$1.1 million in the prior year. The City received a grant for drainage improvements from the Texas Department of Agriculture and utilized a portion of the American Rescue Plan grant funds.
- The City's expenses were \$1.1 million, compared to \$926 thousand in the prior year. The increase was primarily related to increased personnel and new pension benefits.
- The General Fund reported a fund balance of \$269 thousand at the end of the fiscal year which was a decrease of \$7 thousand from 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 present the City's operations with a focus on financial resources which align with the City's budgeting process.

Governmental Activities

Table 1 shows all of the assets and liabilities of the City and is presented on the accrual basis. The total net position is \$1.6 million. A large portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, and 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.

Current liabilities includes unearned grant revenue from the American Rescue Plan Act of \$541 thousand. The revenue will be recorded once the City spends the funds on qualified purposes.

Table 1
City of Sandy Oaks
Statement of Net Position

	2023	2022
Current Assets	\$ 1,210,104	\$ 2,088,515
Capital Assets	1,875,148	699,544
Total Assets	3,085,252	2,788,059
Deferred Outflows	8,984	7,752
Current Liabilities	875,628	1,085,633
Long-term Liabilities	652,795	674,202
Total Liabilities	1,528,423	1,759,835
Deferred Inflows	1,611	-
Net Invested in Capital Assets	1,210,148	653,495
Restricted	14,128	22,373
Unrestricted Assets	339,926	360,108
Total Net Position	\$ 1,564,202	\$ 1,035,976

Table 2 summarizes the expenses and revenues of the City's governmental activities. General grant revenue of \$631 thousand represents the earned portion of the American Rescue Plan Act as well as a Texas Department of Agriculture Grant received by the City during the fiscal year.

Table 2
City of Sandy Oaks
Changes in Net Position

	2023	2022
Program Revenues		
Charges for Services	\$ 166,874	\$ 104,552
Operating Grants & Contributions	2,694	690
General Revenues		
Tax Revenues	840,150	838,141
General Grants	631,177	194,334
Other Revenues	5,775	3,613
Total Revenues	1,646,670	1,141,330
General Administration	622,869	526,128
Public Safety	268,552	257,236
Public Works	207,307	121,932
Interest and Principal on Debt	19,716	20,916
Total Expenses	1,118,444	926,212
Change in Net Position	528,226	215,118
Beginning Net Position	1,035,976	820,858
Ending Net Position	\$ 1,564,202	\$ 1,035,976

Analysis of the Fund Financial Statements

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance present the financial resources and activities of the City's governmental funds. Long-term assets and liabilities are not presented on this statement because the focus is on current financial resources.

The City has four funds:

General Fund – Fund balance of the General Fund decreased \$7 thousand. Revenues increased \$333 thousand, primarily from municipal court activity and the Texas Department of Agriculture grant. Expenditures increased \$374 thousand for grant funded drainage improvements and personnel.

Capital Projects Fund – This fund holds the proceeds of the 2020 voter approved bonds for street improvements. The project was completed in 2023.

Debt Service Fund – Property taxes levied for bond debt service are recorded in this fund. The fund balance remaining of \$4 thousand is restricted for future debt service.

ARPA Fund – This fund holds the American Rescue Plan grant that is refundable to the federal government if unspent. There is a balance of \$541 thousand to be utilized or returned to the Federal government in future periods.

Budgetary Analysis

General fund expenditures were \$33 thousand less than budgeted expenditures, and revenues were \$88 thousand more than budgeted revenues. Fund balance decreased \$7 thousand compared to an expected decrease in fund balance of \$128 thousand.

Capital Assets

Capital Asset additions for the year ended September 30, 2023 included the purchase of two trailers, a tractor, an air conditioning unit, a pressure washer, completion of the 2022 roadway bond street project, a drainage street project as well as the addition of a bullet proof window at City Hall. 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 \$665 thousand is still outstanding. More detailed information about the City's debt is presented in the notes to the financial statements.

Financial Outlook

Sandy Oaks City Council decreased the property tax rate for the 2024 fiscal year from 0.256259 per \$100 in valuation to 0.243303. However, increasing property values and new properties are expected to generate \$65 thousand more in property tax revenue. City operations are not expected to change significantly.

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.

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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, 2023

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 829,191
Ad Valorem Taxes Receivable	131,294
Allowance for Uncollectible Accounts	(7,558)
Other Receivables	251,177
Prepaid Expenses	<u>6,000</u>
<i>Total Current Assets</i>	<u>1,210,104</u>
<i>Capital Assets:</i>	
Land	45,724
Buildings & Improvements	388,004
Furniture & Equipment	351,156
Infrastructure	1,046,832
Construction in Progress	264,427
Accumulated Depreciation	<u>(220,995)</u>
<i>Total Capital Assets</i>	<u>1,875,148</u>
TOTAL ASSETS	<u>3,085,252</u>
 DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	<u>8,984</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	264,909
Accrued Wages	17,433
Accrued Interest Payable	1,541
Compensated Absences Payable	5,157
Unearned Grant Revenue	541,588
Long Term Debt Due within One Year	<u>45,000</u>
<i>Total Current Liabilities</i>	<u>875,628</u>
<i>Noncurrent Liabilities:</i>	
Long Term Debt Due in More Than One Year	620,000
Net Pension Liability	30,537
Total Other Postemployment Benefit Liability	<u>2,258</u>
<i>Total Noncurrent Liabilities</i>	<u>652,795</u>
TOTAL LIABILITIES	<u>1,528,423</u>
 DEFERRED INFLOWS	
Deferred Other Postemployment Benefits Inflows	<u>1,611</u>
 NET POSITION	
Net Investment in Capital Assets	1,210,148
Restricted for Debt Service	14,128
Unrestricted	<u>339,926</u>
TOTAL NET POSITION	<u>\$ 1,564,202</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS AND PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Administration	\$ 622,869	\$ 166,874	\$ -	\$ (455,995)
Public Safety	268,552	-	2,334	(266,218)
Public Works	207,307	-	360	(206,947)
Interest and Principal on Debt	19,716	-	-	(19,716)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,118,444</u>	<u>\$ 166,874</u>	<u>\$ 2,694</u>	<u>(948,876)</u>
GENERAL REVENUES				
Taxes:				
Ad Valorem Taxes				527,631
Franchise Fees				147,332
Sales Tax				165,187
General Grants				631,177
Interest Income				2,679
Miscellaneous				3,096
TOTAL GENERAL REVENUES				<u>1,477,102</u>
Change in Net Position				528,226
BEGINNING NET POSITION				<u>1,035,976</u>
ENDING NET POSITION				<u>\$ 1,564,202</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	ARPA Fund	
ASSETS					
Cash and Cash Equivalents	\$ 289,409	\$ -	\$ -	\$ 539,781	\$ 829,190
Ad Valorem Taxes Receivable	116,187	-	15,107	-	131,294
Allowance for Uncollectible Accounts	(6,353)	-	(1,205)	-	(7,558)
Other Receivables	251,177	-	-	-	251,177
Due from Other Funds	-	-	1,767	1,807	3,574
Prepaid Items	6,000	-	-	-	6,000
TOTAL ASSETS	<u>\$ 656,420</u>	<u>\$ -</u>	<u>\$ 15,669</u>	<u>\$ 541,588</u>	<u>\$ 1,213,677</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 264,909	\$ -	\$ -	\$ -	\$ 264,909
Accrued Wages	17,433	-	-	-	17,433
Due to Other Funds	3,574	-	-	-	3,574
Unearned Grant Revenue	-	-	-	541,588	541,588
<i>Total Liabilities</i>	<u>285,916</u>	<u>-</u>	<u>-</u>	<u>541,588</u>	<u>827,504</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Property Tax Revenue	101,997	-	11,864	-	113,861
<i>Total Deferred Inflows</i>	<u>101,997</u>	<u>-</u>	<u>11,864</u>	<u>-</u>	<u>113,861</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepaid Items	6,000	-	-	-	6,000
Restricted for:					
Debt Service	-	-	3,805	-	3,805
Unassigned	262,507	-	-	-	262,507
<i>Total Fund Balances</i>	<u>268,507</u>	<u>-</u>	<u>3,805</u>	<u>-</u>	<u>272,312</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 656,420</u>	<u>\$ -</u>	<u>\$ 15,669</u>	<u>\$ 541,588</u>	<u>\$ 1,213,677</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	272,312
Property Taxes receivable are not available to pay for current expenditures and therefore, are deferred in the fund statements.		113,862
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		1,875,148
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(5,157)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds Payable		(665,000)
Net Pension Liability		(30,537)
Deferred Pension Outflows		8,984
Total OPEB Liability		(2,258)
Deferred OPEB Inflows		(1,611)
		(690,422)
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, not reported in the governmental funds.		(1,541)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>1,564,202</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, 2023

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects Fund	Debt Service Fund	ARPA Fund	
REVENUES					
Ad Valorem Taxes	\$ 453,222	\$ -	\$ 59,176	\$ -	\$ 512,398
Franchise Fees	147,332	-	-	-	147,332
Sales Tax	165,187	-	-	-	165,187
Fines and Penalties	165,712	-	-	-	165,712
Grants	240,698	-	-	390,479	631,177
Interest Income	2,434	243	-	-	2,677
Miscellaneous	6,952	-	-	-	6,952
TOTAL REVENUES	<u>1,181,537</u>	<u>243</u>	<u>59,176</u>	<u>390,479</u>	<u>1,631,435</u>
EXPENDITURES					
Current:					
General Administration	429,951	-	-	124,779	554,730
Public Safety	245,968	-	-	-	245,968
Public Works	178,400	-	-	7,000	185,400
Capital Outlay	320,672	676,893	-	258,700	1,256,265
Debt Service:					
Principal	12,698	-	45,000	-	57,698
Interest & Fiscal Charges	708	-	19,113	-	19,821
TOTAL EXPENDITURES	<u>1,188,397</u>	<u>676,893</u>	<u>64,113</u>	<u>390,479</u>	<u>2,319,882</u>
NET CHANGE IN FUND BALANCE	(6,860)	(676,650)	(4,937)	-	(688,447)
FUND BALANCE AT BEGINNING OF YEAR	<u>275,367</u>	<u>676,650</u>	<u>8,742</u>	<u>-</u>	<u>960,759</u>
FUND BALANCE AT END OF YEAR	<u>\$ 268,507</u>	<u>\$ -</u>	<u>\$ 3,805</u>	<u>\$ -</u>	<u>\$ 272,312</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (688,447)

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. 15,233

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	1,256,250	
Depreciation Expense	<u>(80,645)</u>	1,175,605

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		57,698
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Governmental funds report required contributions to employee pensions and other postemployment benefits (OPEB) as expenditures. However on the Statement of Activities the cost of these benefits are recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) the actuarially determined plan expenses.

Pension Plan	(29,305)	
Other Postemployment Benefits	<u>(3,868)</u>	(33,173)

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:

Change in Compensated Absences	1,206	
Change in Accrued Interest	<u>104</u>	<u>1,310</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 528,226

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 major funds of the City are the general fund, capital projects fund, debt service fund and ARPA fund. There were no non-major funds.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

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.

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 related to the 2020 bonds.

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

ARPA Fund is used to account for resources received from the American Rescue Plan. The grant is refundable to the federal government if not spent in accordance with grant provisions.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits in a checking account and local government investment pools.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

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 currently only invests in local government investment pools which are reported at net asset value.

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.

7. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 and become due October 1, 2022 and are past due after January 31, 2023. 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.

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, 2023

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

9. COMPENSATED ABSENCES

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

Liabilities for compensated absences are recognized in the fund statements to the extent liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

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, 2023

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

11. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

A deferred outflow of resources represents a consumption of net assets that applies to future periods while a deferred inflow of resources represents an acquisition of net assets that applies to future periods. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position. 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. PENSIONS

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

13. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the TMRS supplemental death benefits fund, have been determine on the same basis as they are reported by TMRS.

14. 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.

15. 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.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

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

15. FUND BALANCES (Continued)

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.

16. 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 -- CASH AND CASH EQUIVALENTS

The City's bank deposits are secured by a combination of FDIC insurance and pledged collateral from the City's depository. As of September 30, 2023, the City's bank deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

NOTE C -- INVESTMENTS

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. For the year ending September 30, 2023, the City has materially complied with all requirements of the Act.

Investments consist of deposits with Texpool, a local government investment pool. The Pool is rated AAAM by Standard & Poor's and strives to maintain a consistent net asset value. It does not have any minimum or maximum transaction or balance amounts and the investment balances are accessible on the same day as the request pending end of business time constraints. The balance of the investment as of September 30, 2023 was \$134,535 and is reported in cash and cash equivalents.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE D -- 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, 2023, the assessed tax rate for the City was 0.256259 per \$100 on an assessed valuation (less exemptions) of \$202 million.

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, 2023, was \$.256259 per \$100 of assessed value, which means that the City has a tax margin of \$2.243741 for each \$100 value and could increase its annual tax levy by approximately \$4.5 million. However, the City is generally limited to annual increases of no more than 3.5%, with certain exceptions.

NOTE E -- OTHER RECEIVABLES

Other receivables as of September 30, 2023 consisted of the following balances owed to the City:

Sales Tax	\$ 29,797
Franchise Fees	30,182
Grant Receivable	191,198
Total	<u>\$ 251,177</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

<u>Governmental Activities</u>	Balance 10/1/22	Additions	Transfers/ Disposals	Balance 9/30/23
Land	\$ 45,724	\$ -	\$ -	\$ 45,724
Buildings and Improvements	346,230	15,995	25,779	388,004
Furniture & Equipment	254,391	96,765	-	351,156
Infrastructure	136,221	-	910,611	1,046,832
Construction in Progress	57,327	1,143,490	(936,390)	264,427
	<u>839,893</u>	<u>1,256,250</u>	<u>-</u>	<u>2,096,143</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(37,605)	(19,026)	-	(56,631)
Furniture & Equipment	(88,222)	(53,204)	-	(141,426)
Infrastructure	(14,523)	(8,415)	-	(22,938)
	<u>(140,350)</u>	<u>(80,645)</u>	<u>-</u>	<u>(220,995)</u>
Governmental Capital Assets, Net	<u>\$ 699,543</u>	<u>\$ 1,175,605</u>	<u>\$ -</u>	<u>\$ 1,875,148</u>

Land and construction in progress are not depreciated. Depreciation Expense was allocated to the following governmental functions:

General Administration	\$ 35,184
Public Safety	21,811
Public Works	23,650
Total	<u>\$ 80,645</u>

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE G -- LONG-TERM DEBT

As of September 30, 2023 the City's long-term debt consisted of and changed as follows:

<u>Governmental Activities</u>	<u>Balance</u> 10/1/22	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 9/30/23	<u>Due Within</u> <u>One Year</u>
Compensated Absences Payable	\$ 6,363	\$ 2,013	\$ (3,219)	\$ 5,157	\$ 5,157
Note Payable	12,698	-	(12,698)	-	-
2020 Bond Payable	710,000	-	(45,000)	665,000	45,000
Total	<u>\$ 729,061</u>	<u>\$ 2,013</u>	<u>\$ (60,917)</u>	<u>\$ 670,157</u>	<u>\$ 50,157</u>

In August 2020, the City issued a General Obligation Bond of \$800,000 with an interest rate of 2.780%. The bonds were voter approved for street improvements and were privately placed. The bond documents do not contain subjective acceleration clauses, events of default with finance-related consequences or termination events with finance-related consequences.

The annual requirements to amortize all bonded debt outstanding as of September 30, 2023, including interest payments, are as follows:

<u>Fiscal Year Ending</u> <u>September 30,</u>	<u>2020 Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 45,000	\$ 17,862	\$ 62,862
2025	50,000	16,541	66,541
2026	50,000	15,151	65,151
2027	50,000	13,761	63,761
2028	55,000	12,302	67,302
2029-2033	290,000	37,948	327,948
2034-2035	125,000	3,545	128,545
Total	<u>\$ 665,000</u>	<u>\$ 117,110</u>	<u>\$ 782,110</u>

The City financed the purchase of Public Works equipment totaling \$21,420 with an interest rate of 4.981%. The note required monthly payments of \$337 through May 2026. The City paid off this note early in 2023.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE H -- TEXAS MUNICIPAL RETIREMENT SYSTEM

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty and above with five or more years of service or with twenty years of service regardless of age. A member is vested after five years.

At the September 30, 2022, valuations and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	3
Active employees	9
	12

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year which the City matches 1 to 1. The contribution rates for the City were 3.20% in calendar years 2022 and 2023. The City's contributions to TMRS for the year ended September 30, 2023 were \$12,366 and matched the required contributions.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE H -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35%	7.70%
Core Fixed Income	6%	4.90%
Non-Core Fixed Income	20%	8.70%
Other Public and Private Markets	12%	8.10%
Real Estate	12%	5.80%
Hedge Funds	5%	6.90%
Private Equity	10%	11.80%
	<u>100%</u>	

Discount Rate

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

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at December 31, 2021	\$ -	\$ -	\$ -
Changes for the year:			
Service Cost	23,414	-	23,414
Interest	2,960	-	2,960
Change of Benefit Terms	32,150	-	32,150
Difference Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	10,922	(10,922)
Contributions - Employee	-	17,065	(17,065)
Net Investment Income	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>58,524</u>	<u>27,987</u>	<u>30,537</u>
Balance at December 31, 2022	<u>\$ 58,524</u>	<u>\$ 27,987</u>	<u>\$ 30,537</u>

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

	<u>Discount Rate</u>		
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Net Pension Liability (Asset)	\$ 41,352	\$ 30,537	\$ 21,779

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- TEXAS MUNICIPAL RETIREMENT SYSTEM (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$41,459. Also as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	-
Contributions Subsequent to the Measurement Date	8,984	-
	\$ 8,984	\$ -

Deferred outflows of resources in the amount of \$8,984 are related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023.

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT
 (CONTINUED)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. Membership in the plan at December 31, 2022, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	9
	9
	9

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. The assumptions of the plan are as follows:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	4.05%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT
 (CONTINUED)

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Plan Year Ended December 31,	Total Rate	Retiree Portion
2023	0.09%	0.00%
2022	0.09%	0.00%

The changes in the City’s Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2022, were as follows:

	Total OPEB Liability
Balance at December 31, 2021	\$ -
Changes for the year:	
Service Cost	1,502
Interest	60
Change of Benefit Terms	2,492
Difference Between Expected and Actual Experience	-
Changes of Assumptions	(1,796)
Benefit Payments	-
Net Changes	2,258
Balance at December 31, 2022	\$ 2,258

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 4.05% as well as what the City’s TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate		
	3.05%	4.05%	5.05%
Total OPEB Liability	\$ 2,897	\$ 2,258	\$ 1,783

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT
 (CONTINUED)

For the year ended September 30, 2023, the City recognized OPEB expense of \$3,869. Also as of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	1,611
Contributions Subsequent to the Measurement Date	-	-
	\$ -	\$ 1,611

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ending December 31,	
2023	\$ (185)
2024	(185)
2025	(185)
2026	(185)
2027	(185)
Thereafter	(686)
	\$ (1,611)

NOTE J -- 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.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2023

NOTE K -- COMMITMENTS

The City entered into a three year contract with a vendor during the prior fiscal year. The contract is to provide software maintenance services. The agreement is to pay \$5,000 per year for three years beginning in fiscal year 2022 and ending in fiscal year 2024. The City entered into a three year contract with the same vendor during the current fiscal year. The contract is to provide software maintenance services. The agreement is to pay \$6,000 per year for three years beginning in fiscal year 2023 and ending in fiscal year 2026. The City also has an outstanding City parking lot renovation as well as a Road Drainage project as of September 30, 2023. Future estimated commitments are as follows:

Project	Total Commitment	Incurred Through 9/30/2023	Estimated Future Commitment
City Parking Lot Renovations	\$ 165,845	\$ -	\$ 165,845
Grant Drainage Project	279,264	259,442	19,822
Software Service Agreements	33,000	22,000	11,000
	<u>\$ 478,109</u>	<u>\$ 281,442</u>	<u>\$ 196,667</u>

NOTE L -- LITIGATION

The City is subject to various claims and litigation that have arisen in the course of its operations. Management and legal counsel are not aware of any claims that will have a material effect on the City's financial position.



Discussion Draft

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
- Schedule of Changes in Net Pension Liability
- Schedule of Pension Contributions
- Schedule of Changes in Other Postemployment Benefit Liability

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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 441,000	\$ 441,000	\$ 453,222	\$ 12,222
Franchise Fees	125,000	125,000	147,332	22,332
Sales Tax	181,000	181,000	165,187	(15,813)
Fines and Penalties	93,100	93,100	165,712	72,612
Grants	-	240,698	240,698	-
Interest Income	-	-	2,434	2,434
Miscellaneous	12,900	12,900	6,952	(5,948)
TOTAL REVENUES	853,000	1,093,698	1,181,537	87,839
EXPENDITURES				
<i>General Administration:</i>				
City Hall	360,339	360,339	385,474	(25,135)
Elections	3,500	3,500	-	3,500
Municipal Court	33,157	33,157	44,477	(11,320)
<i>Total General Administration</i>	<i>396,996</i>	<i>396,996</i>	<i>429,951</i>	<i>(32,955)</i>
<i>Public Safety:</i>				
Police	280,231	280,231	218,982	61,249
Animal Control	58,009	58,009	26,986	31,023
<i>Total Public Safety</i>	<i>338,240</i>	<i>338,240</i>	<i>245,968</i>	<i>92,272</i>
<i>Public Works:</i>				
Street Maintenance	4,500	4,500	8,161	(3,661)
General and Parks	177,608	177,608	149,747	27,861
Public Facilities	50,000	50,000	20,492	29,508
<i>Total Public Works</i>	<i>232,108</i>	<i>232,108</i>	<i>178,400</i>	<i>53,708</i>
<i>Capital Outlay</i>	<i>-</i>	<i>240,698</i>	<i>320,672</i>	<i>(79,974)</i>
<i>Debt Service:</i>				
Principal	12,698	12,698	12,698	-
Interest	708	708	708	-
TOTAL EXPENDITURES	980,750	1,221,448	1,188,397	33,051
Net Change in Fund Balance	(127,750)	(127,750)	(6,860)	120,890
BEGINNING FUND BALANCE	275,367	275,367	275,367	-
ENDING FUND BALANCE	\$ 147,617	\$ 147,617	\$ 268,507	\$ 120,890

CITY OF SANDY OAKS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2023

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.

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.

Discussion Draft

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST TEN PLAN (CALENDAR) YEARS

Total Pension Liability	
	2022
Service Cost	\$ 23,414
Interest (on the Total Pension Liability)	2,960
Changes of Benefit Terms	32,150
Difference between Expected and Actual Experience	-
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	-
Net Change in Total Pension Liability	58,524
Beginning Total Pension Liability	-
Ending Total Pension Liability	\$ 58,524
Plan Fiduciary Net Position	
	2022
Contributions - Employer	\$ 10,922
Contributions - Employee	17,065
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	-
Administrative Expense	-
Other	-
Net Change	27,987
Beginning Plan Fiduciary Net Position	-
Ending Plan Fiduciary Net Position	\$ 27,987
Net Pension Liability (Asset) - Ending	\$ 30,537
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.82%
Covered Payroll	\$341,305
Net Pension Liability as a Percentage of Covered Payroll	8.95%

The City began participation in the pension plan in 2022. Information is being accumulated until 10 years are presented.

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 LAST TEN FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 12,366	\$ 12,366	\$ -	\$ 386,444	3.2%
2022	\$ 7,752	\$ 7,752	\$ -	\$ 235,611	3.3%

The City began participation in the pension plan in 2022. Information is being accumulated until 10 years are presented.

CITY OF SANDY OAKS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND
 RELATED RATIOS
 LAST TEN PLAN (CALENDAR) YEARS

Total OPEB Liability	2022
Service Cost	\$ 1,502
Interest (on the Total OPEB Liability)	60
Changes of Benefit Terms	2,492
Difference between Expected and Actual Experience	-
Change of Assumptions	(1,796)
Benefit Payments	-
Net Change in Total Pension Liability	2,258
Total OPEB Liability - Beginning	-
Total OPEB Liability - Ending	\$ 2,258
 Covered Payroll	 \$ 341,305
 Total OPEB Liability as a Percentage of Covered Payroll	 0.66%

The City began participation in the pension plan in 2022. Information is being accumulated until 10 years are presented.

CITY OF SANDY OAKS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO POSTEMPLOYMENT BENEFIT SCHEDULES

Pension Plan

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Benefit Changes	None other than plan implementation
Assumption Changes	None other than plan implementation

CITY OF SANDY OAKS
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO POSTEMPLOYMENT BENEFIT SCHEDULES (CONTINUED)

Other Postemployment Benefit Plan

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	4.05%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information

No assets are accumulated to meet future OPEB benefits.

Benefit Changes	None other than plan implementation
Changes in Assumptions	None other than plan implementation

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 Fund Financial Statements for the

- General Fund
- Capital Projects Fund
- American Rescue Plan Act Fund
- Debt Service Fund

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 GENERAL FUND
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 289,409	\$ 288,483
Ad Valorem Taxes Receivable	116,187	93,473
Allowance for Uncollectible Accounts	(6,353)	(5,388)
Other Receivables	251,177	55,964
Prepaid Items	6,000	-
Due from Other Funds	-	1,929
TOTAL ASSETS	\$ 656,420	\$ 434,461
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 264,909	\$ 60,851
Accrued Wages	17,433	14,891
Due to Other Funds	3,574	-
<i>Total Liabilities</i>	285,916	75,742
 <i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	101,997	83,352
<i>Total Deferred Inflows of Resources</i>	101,997	83,352
 <i>Fund Balances:</i>		
Nonspendable Prepaid Items	6,000	-
Unassigned	262,507	275,367
<i>Total Fund Balances</i>	268,507	275,367
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 656,420	\$ 434,461

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE -
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Ad Valorem Tax	\$ 453,222	\$ 425,022
Franchise Fees	147,332	157,820
Sales Tax	165,187	156,918
Fines and Penalties	165,712	102,320
Grants	240,698	-
Interest Income	2,434	3,267
Miscellaneous Income	6,952	2,922
TOTAL REVENUES	1,181,537	848,269
 EXPENDITURES		
<i>Current:</i>		
City Hall	385,474	336,987
Municipal Court	44,477	65,917
Police	218,982	189,496
Animal Control	26,986	45,188
Street Maintenance	8,161	6,928
General Public Works and Parks	149,747	91,938
Public Facilities	20,492	9,807
Capital Outlay	320,672	64,635
<i>Debt Service:</i>		
Principal	12,698	3,327
Interest	708	723
TOTAL EXPENDITURES	1,188,397	814,946
 Net Change in Fund Balance	 (6,860)	 33,323
Beginning Fund Balance	275,367	242,044
Ending Fund Balance	\$ 268,507	\$ 275,367

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 CAPITAL PROJECTS FUND
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 704,402
TOTAL ASSETS	\$ -	\$ 704,402
LIABILITIES AND FUND BALANCES		
<i>Liabilities</i>		
Accounts Payable	\$ -	\$ 18,920
Due to Other Funds	-	8,832
<i>Total Liabilities</i>	-	27,752
<i>Fund Balances:</i>		
Restricted for Street Improvements	-	676,650
<i>Total Fund Balances</i>	-	676,650
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 704,402

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Interest Income	\$ 243	\$ 343
TOTAL REVENUES	243	343
EXPENDITURES		
Capital Outlay	676,893	44,439
TOTAL EXPENDITURES	676,893	44,439
Net Change in Fund Balance	(676,650)	(44,096)
Beginning Fund Balance	676,650	720,746
Ending Fund Balance	\$ -	\$ 676,650

Discussion Draft

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 AMERICAN RESCUE PLAN ACT FUND
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 539,781	\$ 934,467
Due from Other Funds	1,807	-
TOTAL ASSETS	\$ 541,588	\$ 934,467
LIABILITIES AND FUND BALANCES		
<i>Liabilities</i>		
Accounts Payable	\$ -	\$ 2,400
Unearned Grant Revenue	541,588	932,067
<i>Total Liabilities</i>	541,588	934,467
<i>Fund Balances:</i>		
Unassigned	-	-
<i>Total Fund Balances</i>	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 541,588	\$ 934,467

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 AMERICAN RESCUE PLAN ACT FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Grants	\$ 390,479	\$ 194,334
TOTAL REVENUES	390,479	194,334
 EXPENDITURES		
General Administration	124,779	107,198
Public Safety	-	2,871
Public Works	7,000	-
Capital Outlay	258,700	84,265
TOTAL EXPENDITURES	390,479	194,334
 Net Change in Fund Balance	-	-
 Beginning Fund Balance	-	-
 Ending Fund Balance	\$ -	\$ -

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 DEBT SERVICE FUND
 SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Ad Valorem Taxes Receivable	\$ 15,107	\$ 18,162
Allowance for Uncollectible Accounts	(1,205)	(1,047)
Due from Other Funds	1,767	6,903
TOTAL ASSETS	\$ 15,669	\$ 24,018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	11,864	15,276
<i>Total Deferred Inflows of Resources</i>	11,864	15,276
<i>Fund Balances:</i>		
Restricted for Debt Service	3,805	8,742
<i>Total Fund Balances</i>	3,805	8,742
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,669	\$ 24,018

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Ad Valorem Tax	\$ 59,176	\$ 75,261
TOTAL REVENUES	59,176	75,261
 EXPENDITURES		
<i>Debt Service:</i>		
Principal	45,000	45,000
Interest	19,113	20,364
TOTAL EXPENDITURES	64,113	65,364
 Net Change in Fund Balance	(4,937)	9,897
 BEGINNING FUND BALANCE	8,742	(1,155)
 ENDING FUND BALANCE	\$ 3,805	\$ 8,742

Discussion Draft



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