



ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025



CITY OF SANDY OAKS, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2025

CITY OFFICIALS

MAYOR

MICHAEL MARTINEZ, JR.

MAYOR PRO TERM

MONICA MADERO

CITY COUNCIL

CHARLES FILLINGER

CJ WALKER

THOMAS REPINO

DAVID TREMBLAY

CITY SECRETARY

DELMA DOYAL

CITY ATTORNEY

KASSAHN & ORTIZ, P.C.

CITY OF SANDY OAKS, TEXAS
 ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2025

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Sandy Oaks, Texas, as of and for the year ended September 30, 2025, 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, each major fund and the aggregate remaining fund information of the City of Sandy Oaks, Texas, as of September 30, 2025, 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 fund 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.

February 18, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

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, 2025. 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 \$2.4 million at September 30, 2025, an increase of \$446 thousand from September 30, 2024. Of this amount, \$550 thousand is unrestricted and available to cover future expenses and obligations of the City.
- The City's total revenues were \$1.9 million, compared to \$1.4 million in the prior year. The City utilized funds from the American Rescue Plan grant in 2025 and property taxes increased to fund personnel of the City.
- The City's expenses increased from \$1.0 million to \$1.4 million to staff the expanded police department.
- The General Fund reported a fund balance of \$398 thousand at the end of the fiscal year which was an increase of \$68 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 \$2.4 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.

Table 1
City of Sandy Oaks
Statement of Net Position

	2025	2024
Current Assets	\$ 702,061	\$ 795,101
Capital Assets	2,362,544	2,090,097
Total Assets	<u>3,064,605</u>	<u>2,885,198</u>
Deferred Outflows	<u>16,046</u>	<u>8,714</u>
Current Liabilities	170,896	378,915
Long-term Liabilities	534,102	601,596
Total Liabilities	<u>704,998</u>	<u>980,511</u>
Deferred Inflows	<u>19,499</u>	<u>2,924</u>
Net Invested in Capital Assets	1,792,544	1,470,096
Restricted	13,443	19,339
Unrestricted Assets	<u>550,167</u>	<u>421,042</u>
Total Net Position	<u>\$ 2,356,154</u>	<u>\$ 1,910,477</u>

Table 2 summarizes the expenses and revenues of the City’s governmental activities. Revenues increased \$502 thousand as more grants were utilized in 2025 and property taxes were increased to fund police expansion. Expenses increased \$403 thousand from a growing police department.

Table 2
City of Sandy Oaks
Changes in Net Position

	2025	2024
Program Revenues		
Charges for Services	\$ 67,460	\$ 144,950
Operating Grants & Contributions	500	3,602
General Revenues		
Tax Revenues	1,235,337	906,515
General Grants	555,945	304,951
Other Revenues	22,724	19,162
Total Revenues	<u>1,881,966</u>	<u>1,379,180</u>
General Administration	526,119	535,647
Public Safety	624,942	265,375
Public Works	268,753	214,140
Interest	16,475	17,743
Total Expenses	<u>1,436,289</u>	<u>1,032,905</u>
Change in Net Position	445,677	346,275
Beginning Net Position	1,910,477	1,564,202
Ending Net Position	<u>\$ 2,356,154</u>	<u>\$ 1,910,477</u>

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 three funds:

General Fund – Revenues increased \$575 thousand, primarily due to an increase in ad valorem tax and grant revenue. Expenditures increased \$570 thousand, primarily due to an increase in police personnel and grant funded capital projects. The fund balance increased \$68 thousand to \$398 thousand. This represents approximately four months of general fund expenditures.

Debt Service Fund – Property taxes levied for bond debt service are recorded in this fund and are restricted for debt service. A portion of the prior fund balance was utilized for debt payments in 2025.

ARPA Fund – This fund holds the American Rescue Plan grant that is refundable to the federal government if unspent. There is a balance of \$33 thousand to be utilized on future projects.

Budgetary Analysis

General fund expenditures were \$12 thousand less than budgeted expenditures, and revenues were \$55 thousand more than budgeted revenues. The largest variances were in grant revenues and grant funded capital outlay projects that were more than anticipated. Fund balance increased \$68 thousand compared to an expected increase in fund balance of \$1 thousand.

Capital Assets

Capital Asset additions for the year ended September 30, 2025 included the purchase of two vehicles, completion of the street drainage project, completion of Red Mountain Road project and the installation of a guard rail. 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 for street improvements, of which \$570 thousand is still outstanding. More detailed information about the City's debt is presented in the notes to the financial statements.

Financial Outlook

The City decreased the property tax rate for the 2026 fiscal year from 0.343907 per \$100 in valuation to 0.341800. Because of increasing valuations and new property, revenues are expected to increase \$66 thousand. 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.



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, 2025

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 433,840
Ad Valorem Taxes Receivable (net)	202,374
Other Receivables	65,847
<i>Total Current Assets</i>	<u>702,061</u>
 <i>Capital Assets:</i>	
Land	45,724
Buildings & Improvements	388,004
Furniture & Equipment	478,021
Infrastructure	1,928,345
Accumulated Depreciation	<u>(477,550)</u>
<i>Total Capital Assets</i>	<u>2,362,544</u>
TOTAL ASSETS	<u>3,064,605</u>
 DEFERRED OUTFLOWS	
Deferred Pension Related Outflows	14,485
Deferred Other Postemployment Benefits Outflows	<u>1,561</u>
TOTAL DEFERRED OUTFLOWS	<u>16,046</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	43,539
Accrued Wages	34,260
Accrued Interest Payable	1,321
Compensated Absences Payable	8,296
Unearned Grant Revenue	33,480
Long Term Debt Due within One Year	<u>50,000</u>
<i>Total Current Liabilities</i>	<u>170,896</u>
<i>Noncurrent Liabilities:</i>	
Long Term Debt Due in More Than One Year	520,000
Net Pension Liability	8,394
Total Other Postemployment Benefit Liability	<u>5,708</u>
<i>Total Noncurrent Liabilities</i>	<u>534,102</u>
TOTAL LIABILITIES	<u>704,998</u>
 DEFERRED INFLOWS	
Deferred Pension Inflows	17,706
Deferred Other Postemployment Benefits Inflows	<u>1,793</u>
TOTAL DEFERRED INFLOWS	<u>19,499</u>
 NET POSITION	
Net Investment in Capital Assets	1,792,544
Restricted for Debt Service	13,443
Unrestricted	<u>550,167</u>
TOTAL NET POSITION	<u>\$ 2,356,154</u>

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

FUNCTIONS AND PROGRAMS	Expenses	Program Revenues		Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:				
General Administration	\$ 526,119	\$ 67,460	\$ -	\$ (458,659)
Public Safety	624,942	-	500	(624,442)
Public Works	268,753	-	-	(268,753)
Interest	16,475	-	-	(16,475)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,436,289	\$ 67,460	\$ 500	(1,368,329)
 GENERAL REVENUES				
Taxes:				
Ad Valorem Taxes				864,573
Franchise Fees				154,915
Sales Tax				215,849
General Grants				555,945
Interest Income				6,127
Miscellaneous				16,597
TOTAL GENERAL REVENUES				1,814,006
Change in Net Position				445,677
BEGINNING NET POSITION				1,910,477
ENDING NET POSITION				\$ 2,356,154

See accompanying notes to basic financial statements.

CITY OF SANDY OAKS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Major Funds			Total Governmental Funds
	General Fund	ARPA Fund	Debt Service Fund	
ASSETS				
Cash and Cash Equivalents	\$ 400,359	\$ 33,480	\$ -	\$ 433,839
Ad Valorem Taxes Receivable (net)	186,913	-	15,461	202,374
Other Receivables	65,847	-	-	65,847
Due from Other Funds	697	-	-	697
TOTAL ASSETS	\$ 653,816	\$ 33,480	\$ 15,461	\$ 702,757
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 43,539	\$ -	\$ -	\$ 43,539
Accrued Wages	34,260	-	-	34,260
Due to Other Funds	-	-	697	697
Unearned Grant Revenue	-	33,480	-	33,480
<i>Total Liabilities</i>	<i>77,799</i>	<i>33,480</i>	<i>697</i>	<i>111,976</i>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	177,739	-	14,680	192,419
<i>Total Deferred Inflows</i>	<i>177,739</i>	<i>-</i>	<i>14,680</i>	<i>192,419</i>
<i>Fund Balances:</i>				
<i>Restricted for:</i>				
Debt Service	-	-	84	84
Unassigned	398,278	-	-	398,278
<i>Total Fund Balances</i>	<i>398,278</i>	<i>-</i>	<i>84</i>	<i>398,362</i>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 653,816	\$ 33,480	\$ 15,461	\$ 702,757

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, 2025

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$	398,362
Property Taxes receivable are not available to pay for current expenditures and therefore, are deferred in the fund statements.		192,420
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		2,362,544
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(8,296)
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		(570,000)
Net Pension Liability		(8,394)
Deferred Pension Outflows		14,485
Deferred OPEB Outflows		1,561
Total OPEB Liability		(5,708)
Deferred Pension Inflows		(17,706)
Deferred OPEB Inflows		(1,793)
		(587,555)
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, not reported in the governmental funds.		(1,321)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>2,356,154</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, 2025

	Major Funds		Debt Service Fund	Total Governmental Funds
	General Fund	ARPA Fund		
REVENUES				
Ad Valorem Taxes	\$ 745,105	\$ -	\$ 62,040	\$ 807,145
Franchise Fees	154,915	-	-	154,915
Sales Tax	215,849	-	-	215,849
Fines and Penalties	66,920	-	-	66,920
Grants	381,286	174,659	-	555,945
Interest Income	6,127	-	-	6,127
Miscellaneous	17,637	-	-	17,637
TOTAL REVENUES	<u>1,587,839</u>	<u>174,659</u>	<u>62,040</u>	<u>1,824,538</u>
EXPENDITURES				
Current:				
General Administration	494,229	-	-	494,229
Public Safety	472,266	115,293	-	587,559
Public Works	206,692	-	-	206,692
Capital Outlay	346,757	59,366	-	406,123
Debt Service:				
Principal	-	-	50,000	50,000
Interest	197	-	16,592	16,789
TOTAL EXPENDITURES	<u>1,520,141</u>	<u>174,659</u>	<u>66,592</u>	<u>1,761,392</u>
NET CHANGE IN FUND BALANCE	67,698	-	(4,552)	63,146
FUND BALANCE AT BEGINNING OF YEAR	<u>330,580</u>	<u>-</u>	<u>4,636</u>	<u>335,216</u>
FUND BALANCE AT END OF YEAR	<u>\$ 398,278</u>	<u>\$ -</u>	<u>\$ 84</u>	<u>\$ 398,362</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, 2025

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 63,146

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. 57,428

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	405,873	
Depreciation Expense	<u>(133,425)</u>	272,448

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		50,000
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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	9,471	
Other Postemployment Benefits	<u>(1,219)</u>	8,252

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	(5,712)	
Change in Accrued Interest	<u>115</u>	<u>(5,597)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 445,677

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 and ARPA fund.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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.

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.

The City has one nonmajor governmental fund:

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.

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, 2025

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 and are included in cash and cash equivalents.

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, 2024 and are past due after January 31, 2025. 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, 2025

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 120 hours per year. Employees with 6 years of service or more are allowed to accumulate an additional 40 hours.

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 as they accumulate to the employees.

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 as they come due.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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, 2025

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, 2025, 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, 2025, 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, 2025 was \$132,484 and is reported in cash and cash equivalents.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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, 2025, the assessed tax rate for the City was 0.343907 per \$100 on an assessed valuation (less exemptions) of \$247 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, 2025, was \$.343907 per \$100 of assessed value, which means that the City has a tax margin of \$2.156093 for each \$100 value and could increase its annual tax levy by approximately \$5.3 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, 2025 consisted of the following balances owed to the City:

Sales Tax	\$ 33,738
Franchise Fees	<u>32,109</u>
Total	<u>\$ 65,847</u>

NOTE F -- INTERFUND TRANSACTIONS

As of September 30, 2025 the Debt Service Fund owed \$697 to the general fund to reimburse for payments made on its behalf. This amount is reported as due to and from in each fund on the balance sheet.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was as follows:

<u>Governmental Activities</u>	Balance 10/1/24	Additions	Transfers/ Disposals	Balance 9/30/25
Land	\$ 45,724	\$ -	\$ -	\$ 45,724
Buildings and Improvements	388,004	-	-	388,004
Furniture & Equipment	464,021	14,000	-	478,021
Infrastructure	1,222,732	18,500	687,113	1,928,345
Construction in Progress	313,740	373,373	(687,113)	-
	<u>2,434,221</u>	<u>405,873</u>	<u>-</u>	<u>2,840,094</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(76,031)	(19,400)	-	(95,431)
Furniture & Equipment	(218,491)	(75,532)	-	(294,023)
Infrastructure	(49,603)	(38,493)	-	(88,096)
	<u>(344,125)</u>	<u>(133,425)</u>	<u>-</u>	<u>(477,550)</u>
Governmental Capital Assets, Net	<u>\$ 2,090,096</u>	<u>\$ 272,448</u>	<u>\$ -</u>	<u>\$ 2,362,544</u>

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

General Administration	\$ 38,275
Public Safety	33,709
Public Works	61,441
Total	<u>\$ 133,425</u>

NOTE H -- LONG-TERM DEBT

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.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE H -- LONG-TERM DEBT (Continued)

As of September 30, 2025 the City's long-term debt consisted of and changed as follows:

<u>Governmental Activities</u>	<u>Balance</u> 10/1/24	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 9/30/25	<u>Due Within</u> <u>One Year</u>
Compensated Absences Payable	\$ 2,584	\$ 5,712	\$ -	\$ 8,296	\$ 8,296
2020 Bond Payable	620,000	-	(50,000)	570,000	50,000
Total	<u>\$ 622,584</u>	<u>\$ 5,712</u>	<u>\$ (50,000)</u>	<u>\$ 578,296</u>	<u>\$ 58,296</u>

The change in compensated absences is a net figure. The annual requirements to amortize all bonded debt outstanding as of September 30, 2025, 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>
2026	\$ 50,000	\$ 15,151	\$ 65,151
2027	50,000	13,761	63,761
2028	55,000	12,302	67,302
2029	55,000	10,773	65,773
2030	55,000	9,244	64,244
2031-2035	305,000	21,476	326,476
Total	<u>\$ 570,000</u>	<u>\$ 82,707</u>	<u>\$ 652,707</u>

NOTE I -- TEXAS MUNICIPAL RETIREMENT SYSTEM

The City participates as one of 919 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.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE I -- TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

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 December 31, 2024, 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	7
Active employees	12
	19
	19

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, 7% or 8% 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.

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 2.54% in calendar year 2024 and 2.65% in calendar year 2025. The City’s contributions to TMRS for the year ended September 30, 2025 were \$16,829 and matched the required contributions.

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE I -- TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 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	12 Years (longest amortization ladder)
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.6% to 11.85% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement. PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE I -- 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, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 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 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	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	4.00%	7.30%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Infrastructure	6.00%	6.00%
Private Debt	13.00%	8.20%
Private Equity	13.00%	8.50%
	<u>100.00%</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, 2025

NOTE I -- TEXAS MUNICIPAL RETIREMENT SYSTEM (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2023	\$ 89,641	\$ 61,324	\$ 28,317
Changes for the year:			
Service Cost	29,390	-	29,390
Interest	6,763	-	6,763
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(17,059)	-	(17,059)
Changes of Assumptions	-	-	-
Contributions - Employer	-	11,307	(11,307)
Contributions - Employee	-	21,266	(21,266)
Net Investment Income	-	6,486	(6,486)
Benefit Payments, Including Refunds of Employee Contributions	(8,279)	(8,279)	-
Administrative Expense	-	(41)	41
Other Changes	-	(1)	1
Net Changes	10,815	30,738	(19,923)
Balance at December 31, 2024	\$ 100,456	\$ 92,062	\$ 8,394

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:

	Discount Rate		
	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$ 21,975	\$ 8,394	\$ (2,784)

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE I -- 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, 2025, the City recognized pension expense of \$7,862. Also as of September 30, 2025, 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	\$ 1,348	\$ 14,686
Changes in Actuarial Assumptions	-	295
Differences Between Projected and Actual Investment Earnings	-	2,725
Contributions Subsequent to the Measurement Date	13,137	-
	\$ 14,485	\$ 17,706

Deferred outflows of resources in the amount of \$13,137 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, 2025. The remaining deferred inflows and outflows will be included in pension expense as follows:

For the Plan Year ended December 31,	
2025	\$ (2,928)
2026	(2,928)
2027	(2,925)
2028	(2,640)
2029	(2,174)
Thereafter	(2,763)
	\$ (16,358)

CITY OF SANDY OAKS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NOTE J -- 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.

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	1
Active employees	12
	13

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	3.6% to 11.85% including Inflation
Discount Rate	4.08% (Bond Buyer "20-Bond GO Index")
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT
(Continued)

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

For the Calender Year Ended December 31,	Total Rate	Retiree Portion
2025	0.12%	0.00%
2024	0.16%	0.00%

The changes in the City’s Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2024, were as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 3,279
Changes for the year:	
Service Cost	1,148
Interest	145
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	1,551
Changes of Assumptions	(415)
Benefit Payments	-
Net Changes	2,429
Balance at December 31, 2024	\$ 5,708

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 4.08% 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		
	3.08%	4.08%	5.08%
Total OPEB Liability	\$ 7,251	\$ 5,708	\$ 4,597

CITY OF SANDY OAKS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT
(Continued)

For the year ended September 30, 2025, the City recognized OPEB expense of \$1,221. Also as of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,394	\$ 179
Changes in Actuarial Assumptions	167	1,614
Contributions Subsequent to the Measurement Date	-	-
	<u>\$ 1,561</u>	<u>\$ 1,793</u>

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,	
2025	\$ (72)
2026	(72)
2027	(72)
2028	(72)
2029	(72)
Thereafter	128
	<u>\$ (232)</u>

NOTE K -- 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, 2025

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.



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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad Valorem Tax	\$ 783,459	\$ 783,459	\$ 745,105	\$ (38,354)
Franchise Fees	142,700	142,700	154,915	12,215
Sales Tax	160,000	160,000	215,849	55,849
Fines and Penalties	136,900	136,900	66,920	(69,980)
Grants	300,000	300,000	381,286	81,286
Interest Income	-	-	6,127	6,127
Miscellaneous	10,100	10,100	17,637	7,537
TOTAL REVENUES	1,533,159	1,533,159	1,587,839	54,680
EXPENDITURES				
<i>General Administration:</i>				
City Hall	519,300	415,300	390,760	24,540
Elections	3,500	3,500	2,319	1,181
Municipal Court	124,000	124,000	101,150	22,850
<i>Total General Administration</i>	646,800	542,800	494,229	48,571
<i>Public Safety:</i>				
Police	295,500	399,500	362,709	36,791
Animal Control	98,000	98,000	109,557	(11,557)
<i>Total Public Safety</i>	393,500	497,500	472,266	25,234
<i>Public Works:</i>				
Street Maintenance	11,000	11,000	7,768	3,232
General and Parks	160,500	160,500	171,635	(11,135)
Public Facilities	30,000	30,000	27,289	2,711
<i>Total Public Works</i>	201,500	201,500	206,692	(5,192)
<i>Capital Outlay</i>	290,000	290,000	346,757	(56,757)
<i>Debt Service</i>	-	-	197	(197)
TOTAL EXPENDITURES	1,531,800	1,531,800	1,520,141	11,659
Net Change in Fund Balance	1,359	1,359	67,698	66,339
BEGINNING FUND BALANCE	330,580	330,580	330,580	-
ENDING FUND BALANCE	\$ 331,939	\$ 331,939	\$ 398,278	\$ 66,339

CITY OF SANDY OAKS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE-BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2025

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.

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	2023	2024
Service Cost	\$ 23,414	\$ 26,491	\$ 29,390
Interest (on the Total Pension Liability)	2,960	4,790	6,763
Changes of Benefit Terms	32,150	-	-
Difference between Expected and Actual Experience	-	1,858	(17,059)
Change of Assumptions	-	(407)	-
Benefit Payments, Including Refunds of Employee Contributions	-	(1,615)	(8,279)
Net Change in Total Pension Liability	58,524	31,117	10,815
Beginning Total Pension Liability	-	58,524	89,641
Ending Total Pension Liability	<u>\$ 58,524</u>	<u>\$ 89,641</u>	<u>\$ 100,456</u>
Plan Fiduciary Net Position			
	2022	2023	2024
Contributions - Employer	\$ 10,922	\$ 12,358	\$ 11,307
Contributions - Employee	17,065	19,308	21,266
Net Investment Income	-	3,307	6,486
Benefit Payments, Including Refunds of Employee Contributions	-	(1,615)	(8,279)
Administrative Expense	-	(21)	(41)
Other	-	-	(1)
Net Change	27,987	33,337	30,738
Beginning Plan Fiduciary Net Position	-	27,987	61,324
Ending Plan Fiduciary Net Position	<u>\$ 27,987</u>	<u>\$ 61,324</u>	<u>\$ 92,062</u>
Net Pension Liability (Asset) - Ending	\$ 30,537	\$ 28,317	\$ 8,394
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.82%	68.41%	91.64%
Covered Payroll	\$ 341,305	\$ 386,165	\$ 425,323
Net Pension Liability as a Percentage of Covered Payroll	8.95%	7.33%	1.97%

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
2022	\$ 7,752	\$ 7,752	\$ -	\$ 235,611	3.3%
2023	12,366	12,366	-	386,444	3.2%
2024	9,983	10,486	503	385,416	2.7%
2025	16,829	16,829	-	641,086	2.6%

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	2023	2024
Service Cost	\$ 1,502	\$ 927	\$ 1,148
Interest (on the Total OPEB Liability)	60	110	145
Changes of Benefit Terms	2,492	-	-
Difference between Expected and Actual Experience	-	(227)	1,551
Change of Assumptions	(1,796)	211	(415)
Benefit Payments	-	-	-
Net Change in Total Pension Liability	2,258	1,021	2,429
Total OPEB Liability - Beginning	-	2,258	3,279
Total OPEB Liability - Ending	\$ 2,258	\$ 3,279	\$ 5,708
 Covered Payroll	 \$ 341,305	 \$ 386,165	 \$ 425,323
 Total OPEB Liability as a Percentage of Covered Payroll	 0.66%	 0.85%	 1.34%

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

Changes in Benefit Terms:

None

Changes in Assumptions:

2023 New mortality and retirement assumptions

Other Postemployment Benefit Plan

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

Change in Benefit Terms:

None

Change in Assumptions:

2024 Discount rate increased to 4.08%

2023 Discount rate reduced to 3.77%



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
- American Rescue Plan Act Fund
- Debt Service Fund

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 GENERAL FUND
 SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 400,359	\$ 403,820
Ad Valorem Taxes Receivable, net	186,913	124,160
Other Receivables	65,847	59,266
Due from Other Funds	697	-
TOTAL ASSETS	\$ 653,816	\$ 587,246
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 43,539	\$ 45,581
Accrued Wages	34,260	19,611
Due to Other Funds	-	72,623
<i>Total Liabilities</i>	<i>77,799</i>	<i>137,815</i>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	177,739	118,851
<i>Total Deferred Inflows of Resources</i>	<i>177,739</i>	<i>118,851</i>
<i>Fund Balances:</i>		
Unassigned	398,278	330,580
<i>Total Fund Balances</i>	<i>398,278</i>	<i>330,580</i>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 653,816	\$ 587,246

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE -
 GENERAL FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Ad Valorem Tax	\$ 745,105	\$ 494,036
Franchise Fees	154,915	148,759
Sales Tax	215,849	178,915
Fines and Penalties	66,920	144,273
Grants	381,286	23,066
Interest Income	6,127	7,352
Miscellaneous Income	17,637	16,088
TOTAL REVENUES	1,587,839	1,012,489
 EXPENDITURES		
<i>Current:</i>		
City Hall	390,760	423,021
Elections	2,319	-
Municipal Court	101,150	68,358
Police	362,709	185,307
Animal Control	109,557	50,798
Street Maintenance	7,768	10,026
General Public Works and Parks	171,635	130,298
Public Facilities	27,289	19,290
Capital Outlay	346,757	63,318
<i>Debt Service:</i>		
Interest	197	-
TOTAL EXPENDITURES	1,520,141	950,416
 Net Change in Fund Balance	67,698	62,073
 Beginning Fund Balance	330,580	268,507
 Ending Fund Balance	\$ 398,278	\$ 330,580

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 AMERICAN RESCUE PLAN ACT FUND
 SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 33,480	\$ 190,997
Due from Other Funds	-	68,706
TOTAL ASSETS	\$ 33,480	\$ 259,703
 LIABILITIES AND FUND BALANCES		
<i>Liabilities</i>		
Unearned Grant Revenue	\$ 33,480	\$ 259,703
<i>Total Liabilities</i>	33,480	259,703
 <i>Fund Balances:</i>		
Unassigned	-	-
<i>Total Fund Balances</i>	-	-
 TOTAL LIABILITIES AND FUND BALANCES	\$ 33,480	\$ 259,703

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, 2025 AND 2024

	2025	2024
REVENUES		
Grants	\$ 174,659	\$ 281,885
TOTAL REVENUES	174,659	281,885
 EXPENDITURES		
General Administration	-	7,125
Public Safety	115,293	-
Capital Outlay	59,366	274,760
TOTAL EXPENDITURES	174,659	281,885
Net Change in Fund Balance	-	-
 Beginning Fund Balance	-	-
 Ending Fund Balance	\$ -	\$ -

CITY OF SANDY OAKS
 COMPARATIVE BALANCE SHEET
 DEBT SERVICE FUND
 SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Ad Valorem Taxes Receivable, net	\$ 15,461	\$ 16,858
Due from Other Funds	-	3,917
TOTAL ASSETS	\$ 15,461	\$ 20,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Due to Other Funds	697	-
<i>Total Liabilities</i>	697	-
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	14,680	16,139
<i>Total Deferred Inflows of Resources</i>	14,680	16,139
<i>Fund Balances:</i>		
Restricted for Debt Service	84	4,636
<i>Total Fund Balances</i>	84	4,636
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,461	\$ 20,775

CITY OF SANDY OAKS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Ad Valorem Tax	\$ 62,040	\$ 63,679
TOTAL REVENUES	62,040	63,679
 EXPENDITURES		
<i>Debt Service:</i>		
Principal	50,000	45,000
Interest	16,592	17,848
TOTAL EXPENDITURES	66,592	62,848
Net Change in Fund Balance	(4,552)	831
 BEGINNING FUND BALANCE	4,636	3,805
 ENDING FUND BALANCE	\$ 84	\$ 4,636

