

CITY OF SNOOK, TEXAS
AUDITED FINANCIAL STATEMENTS AS OF

SEPTEMBER 30, 2021

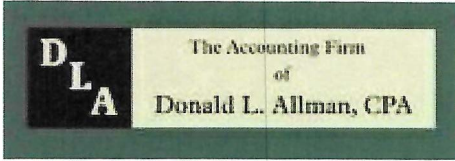
TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION

Prepared by:

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditors' Report

Honorable Mayor and
Members of the City Council
City of Snook, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Snook, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Snook, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof or the year then ended in accordance with accounting principles generally accepted in the United States of America.

MEMBER TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AICPA
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Donald L. Allman, CPA PC

Georgetown, TX

December 12, 2022

Management's Discussion and Analysis
City of Snook, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of City of Snook, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position decreased by (\$55,882) as a result of this year's operations.
- The City ended the year with net position of \$531,277 for the general fund, a \$49,771 increase over the prior year, and net position of \$1,745,838 for the proprietary fund, a \$(105,653) decrease over the prior year.
- The City ended the year with an unrestricted fund balance of \$170,154 under Governmental Funds accounting an increase of \$59,432 over the prior year.
- The total revenues of all the City's programs was \$711,859.
- The total cost of all the City's programs was \$767,741.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 through 13). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Management's Discussion and Analysis
City of Snook, Texas**

USING THIS ANNUAL REPORT (continued)

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all of the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however you should consider non-financial factors as well, such as changes in the property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

Governmental activities-Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activities are reported here.

**Management's Discussion and Analysis
City of Snook, Texas**

USING THIS ANNUAL REPORT (continued)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is detailed in a reconciliation following the fund financial statements.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net positions were \$2,277,115 as of September 30, 2021. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position are \$1,745,838 The following analysis focuses on the net position (Table I) and general revenues and significant expenses of the City's governmental and business-type activities (Table II).

**Management's Discussion and Analysis
City of Snook, Texas**

Table I

NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 197,570	\$ 123,742	\$ 754,648	\$ 2,613,210	\$ 952,218	\$ 2,736,952
Noncurrent and Capital Assets	352,019	365,049	4,958,676	3,368,092	5,310,695	3,733,141
Total Assets	\$ 549,589	\$ 488,791	\$ 5,713,324	\$ 5,981,302	\$ 6,262,913	\$ 6,470,093
Other Liabilities	\$ 18,312	\$ 7,285	\$ 57,486	\$ 132,811	\$ 75,798	\$ 140,096
Long-Term Liabilities	-	-	3,910,000	3,997,000	3,910,000	3,997,000
Total Liabilities	\$ 18,312	\$ 7,285	\$ 3,967,486	\$ 4,129,811	\$ 3,985,798	\$ 4,137,096
Net Position:						
Net Investment in Capital Assets	\$ 352,019	\$ 365,049	\$ 1,351,389	\$ 1,298,316	\$ 1,703,408	\$ 1,663,365
Restricted for:						
Debt Service	-	-	177,481	307,161	177,481	307,161
General Obligation Bond			-	-	-	-
Unrestricted	179,258	116,457	216,968	246,014	396,226	362,471
Total Net Position	\$ 531,277	\$ 481,506	\$ 1,745,838	\$ 1,851,491	\$ 2,277,115	\$ 2,332,997

**Management's Discussion and Analysis
City of Snook, Texas**

Table II

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for Services	\$ 14,448	\$ 14,307	\$ 481,818	\$ 301,773	\$ 496,266	\$ 316,080
Operating Grants and Contributions	-	-	35,594	17,745	35,594	17,745
General Revenues:						
Property Tax	74,075	63,764	-	-	74,075	63,764
Sales Tax	71,238	85,903	-	-	71,238	85,903
Franchise Fees	33,164	26,782	-	-	33,164	26,782
Investment Earnings	23	91	389	58	412	149
Miscellaneous	1,110	2,090	-	-	1,110	2,090
Transfers	-	(46,008)	-	46,008	-	-
Total Revenue	\$ 194,058	\$ 146,929	\$ 517,801	\$ 365,584	\$ 711,859	\$ 512,513
Expenses:						
General Government	\$ 130,501	\$ 163,925	\$ -	\$ -	\$ 130,501	\$ 163,925
Parks & Recreation	13,786	14,279	-	-	13,786	14,279
Grant Expenses	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	185,099	11,167	185,099	11,167
Water and Sewer	-	-	438,355	419,212	438,355	419,212
Transfers	-	-	-	-	-	-
Total Expenses	\$ 144,287	\$ 178,204	\$ 623,454	\$ 430,379	\$ 767,741	\$ 608,583
Change in Net Position	\$ 49,771	\$ (31,275)	\$ (105,653)	\$ (64,795)	\$ (55,882)	\$ (96,070)
Net Position - Beginning	\$ 481,506	\$ 512,781	\$ 1,851,491	\$ 1,916,286	\$ 2,332,997	\$ 2,429,067
Net Position - Ending	\$ 531,277	\$ 481,506	\$ 1,745,838	\$ 1,851,491	\$ 2,277,115	\$ 2,332,997

Management's Discussion and Analysis City of Snook, Texas

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

A large portion of the City's net assets (75 percent) reflect its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position*, \$396,226 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole.

For fiscal year 2021, revenues from governmental activities totaled \$194,058. Property, sales taxes and franchise fees are the largest components of revenues.

For fiscal year 2021, expenses for governmental activities totaled \$144,287. The City's largest funded programs are for general government, and park & recreational expenditures.

Charges for services of the City's business-type activities were \$517,801 for the fiscal year ending September 30, 2021. Expenses for the City's business-type activities were \$623,454. The City's largest expenses are the repair and replacement of water & sewer system parts and salaries & related expenses.

THE CITY'S FUNDS

As the City completed the year, its governmental funds, as presented in the balance sheet on page 14, reported a combined fund balance of \$170,154 which is higher than last year's total of \$110,722. This decrease is primarily due to decreased revenues.

Management's Discussion and Analysis City of Snook, Texas

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had \$5,310,695 invested in a broad range of capital assets, including facilities and equipment and land. The breakdown of capital assets by fund is as follows:

General Fund

Land	\$ 125,366
Park & Improvements	140,957
Buildings	76,089
Equipment	9,607
Sign	-
	<u>\$ 352,019</u>

Water & Sewer Fund

Water System	\$ 3,891,272
Sewer System	1,039,286
Machinery & Equipment	28,118
	<u>\$ 4,958,676</u>

Debt

At year-end, the City had \$3,955,000 in loans outstanding versus \$4,119,062 last year, which is an increase due to a new loan.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statement starting on page 25.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered service delivery and system maintenance costs when setting the fiscal year 2021 budget and tax rate. Economic growth in the form of increased sales and investment in business and residential property has contributed to the City's tax base, but increase in costs and infrastructure maintenance needs are expected.

The City adopted a \$443,494 budget for fiscal year 2021. It will be funded through property taxes via a \$0.25 tax rate, sales and franchise taxes, and other local revenues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Snook, P.O. Box 10, Snook, Texas 77878.

BASIC FINANCIAL STATEMENTS

CITY OF SNOOK, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Snook 4-B Development Corporation
<u>ASSETS</u>				
Cash	\$ 119,626	\$ 202,635	\$ 322,261	\$ 118,295
Investments	55,000	-	55,000	-
Restricted Cash		525,194	525,194	
Property Taxes, Net of Allowance for Uncollectibles	13,974	-	13,974	-
Other Receivables, Net of Allowance for Uncollectibles	8,970	26,819	35,789	1,600
Capital Assets not Being				
Land	125,366	-	125,366	-
Capital Assets, Net of				
Parks & Improvements	140,957	-	140,957	-
Machinery and Equipment	9,607	-	9,607	-
Buildings & Improvements	76,089	28,118	104,207	-
Sign	-	-	-	-
Infrastructure	-	4,930,558	4,930,558	-
Softball Field Lights and	-	-	-	45,356
Total Capital Assets	\$ 352,019	\$ 4,958,676	\$ 5,310,695	\$ 45,356
Total Assets	\$ 549,589	\$ 5,713,324	\$ 6,262,913	\$ 165,251
<u>LIABILITIES</u>				
Accounts Payable	\$ 13,442	\$ 12,486	\$ 25,928	\$ -
Accrued Liabilities	4,870	-	4,870	-
Customer Deposits	-	-	-	-
Noncurrent Liabilities:				
Due Within One Year	-	45,000	45,000	-
Due Within More Than One Year	-	3,910,000	3,910,000	-
Total Liabilities	\$ 18,312	\$ 3,967,486	\$ 3,985,798	\$ -
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 352,019	\$ 1,351,389	\$ 1,703,408	\$ -
Restricted for:				
Debt Service	-	177,481	177,481	-
General Obligation Bond		-	-	
Unrestricted	179,258	216,968	396,226	165,251
Total Net Position	\$ 531,277	\$ 1,745,838	\$ 2,277,115	\$ 165,251

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2021

<u>Functions / Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government:			
Governmental Activities:			
General Government	\$ 130,501	\$ 14,448	\$ -
Parks & Recreation	13,786	-	-
Grants	-	-	-
Interest on Long-Term Debt	-	-	-
Total Governmental Activities	<u>\$ 144,287</u>	<u>\$ 14,448</u>	<u>\$ -</u>
Business-Type Activities:			
Water, Sewer and Sanitation	\$ 438,355	\$ 481,818	\$ 35,594
Total Business-Type Activities	<u>\$ 438,355</u>	<u>\$ 481,818</u>	<u>\$ 35,594</u>
Total Primary Government	<u>\$ 582,642</u>	<u>\$ 496,266</u>	<u>\$ 35,594</u>
Component Unit:			
4-B Development Board Corporation	\$ 51,641		\$ -
Total Component Unit	<u>\$ 51,641</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Snook 4-B Development Corporation
	Governmental Activities	Business-type Activities	Total	
Functions / Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ (116,053)	\$ -	\$ (116,053)	\$ -
Parks & Recreation	(13,786)	-	(13,786)	-
Grants	-	-	-	-
Interest on Long-Term Debt	-	(185,099)	(185,099)	-
Total Governmental Activities	\$ (129,839)	\$ (185,099)	\$ (314,938)	\$ -
Business-Type Activities:				
Water, Sewer and Sanitation	\$ -	\$ 79,057	\$ 79,057	\$ -
Total Business-Type Activities	\$ -	\$ 79,057	\$ 79,057	\$ -
Total Primary Government	\$ (129,839)	\$ (106,042)	\$ (235,881)	\$ -
Component Unit:				
Economic Development Corporation				\$ -
Total Component Unit	\$ -	\$ -	\$ -	\$ (51,641)
General Revenues:				
Property Tax	\$ 74,075	\$ -	\$ 74,075	\$ -
Sales Tax	71,238	-	71,238	20,091
Franchise Fees	33,164	-	33,164	-
Donations	-	-	-	-
Dues	-	-	-	-
Snookfest and Other Income	-	-	-	-
Investment Earnings	23	389	412	214
Miscellaneous	1,110	-	1,110	-
Transfers	-	-	-	-
Total General Revenues	\$ 179,610	\$ 389	\$ 179,999	\$ 20,305
Change in Net Position	\$ 49,771	\$ (105,653)	\$ (55,882)	\$ (31,336)
Net Position - Beginning	\$ 481,506	\$ 1,851,491	\$ 2,332,997	\$ 196,587
Net Position - Ending	\$ 531,277	\$ 1,745,838	\$ 2,277,115	\$ 165,251

The accompanying notes are an integral part of the financial statements.

**CITY OF SNOOK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021**

<u>ASSETS</u>	<u>General</u>	<u>Total</u>
Cash	\$ 119,626	\$ 119,626
Investments	55,000	55,000
Taxes Receivable	13,974	13,974
Allowance for Uncollectible Taxes	-	-
Other Receivables, Net of Allowance for Uncollectibles	8,970	8,970
<hr/>		
Total Assets	<u>\$ 197,570</u>	<u>\$ 197,570</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts Payable & Accrued Expenses	\$ 13,442	\$ 13,442
Unearned Revenues	13,974	13,974
Total Liabilities	<u>\$ 27,416</u>	<u>\$ 27,416</u>
Fund Balances:		
Nonspendable	-	-
Restricted	\$ -	\$ -
Committed	-	-
Assigned	-	-
Unassigned	170,154	170,154
Total Fund Balances	<u>\$ 170,154</u>	<u>\$ - \$ 170,154</u>
Total Liabilities and Fund Balances	<u>\$ 197,570</u>	<u>\$ - \$ 197,570</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balances-governmental funds	170,154
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$125,366	
Park & Improvements	257,776	
Buildings and Improvements	171,763	
Machinery and Equipment	49,329	
Sign	16,500	
Accumulated Depreciation	<u>(268,715)</u>	
Total capital assets	<u>\$352,019</u>	\$352,019

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.

Unearned Property taxes not collected	<u>9,104</u>	\$9,104
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Net position of governmental activities	<u>\$531,277</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

<u>Revenues</u>	<u>General</u>	<u>Total</u>
Ad Valorem Tax	\$ 70,706	\$ 70,706
Sales Tax	71,238	71,238
Franchise Tax	33,164	33,164
Grant Income	-	-
Miscellaneous	15,558	15,558
Interest Income	23	23
Total Revenues	\$ 190,689	\$ 190,689
 <u>Expenditures</u>		
Current:		
General Government:		
Administration	\$ 117,471	\$ 117,471
Parks & Recreation	13,786	13,786
Grant Expenses	-	-
Debt Service:		
Principal	-	-
Interest and Fiscal Cost	-	-
Bond Issuance Cost	-	-
Capital Outlay	-	-
Total Expenditures	\$ 131,257	\$ 131,257
Deficiency of Revenues Over Expenditures	\$ 59,432	\$ 59,432
 Other Financing Sources:		
Transfers In	\$ -	\$ -
Transfers Out	-	-
Bonds Issued	-	-
Total Other Financing Sources	\$ -	\$ -
Net Change in Fund Balance	\$ 59,432	\$ 59,432
Fund Balances - Beginning of Year	\$ 110,722	\$ 110,722
Fund Balances - End of Year	\$ 170,154	\$ 170,154

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances ----- total governmental funds \$ 59,432

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay Expenditures	\$ -	
Depreciation Expense	<u>(13,030)</u>	
	<u><u>\$ (13,030)</u></u>	\$ (13,030)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes Not Collected	\$ 9,104	
Less Prior Year	<u>(5,735)</u>	
	<u><u>\$ 3,369</u></u>	\$ 3,369

Various accounting differences between governmental funds and government wide financial statements. -

Change in Net Position of Governmental Activities	<u><u>\$49,771</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2021

	Business-Type Activities Enterprise Fund <hr/> Water, Sewer and Sanitation Fund <hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 202,635
Accounts Receivable	26,819
Restricted Cash for General Bond Obligation	525,194
Capital Assets:	
Land	-
Water System	5,169,685
Sewer System	2,130,470
Machinery and Equipment	28,118
Less Accumulated Depreciation	(2,369,597)
Total Capital Assets	<u>\$ 4,958,676</u>
Total Assets	<u>\$ 5,713,324</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 12,486
Accrued Liabilities	-
Current portion of long term liabilities	45,000
Non-Current Liabilities	<u>3,910,000</u>
Total Liabilities	<u>\$ 3,967,486</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,351,389
Restricted for Debt Service	177,481
Restricted for General Obligation Bond	-
Unrestricted	<u>216,968</u>
Total Net Position	<u>\$ 1,745,838</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
For the Year Ended September 30, 2021

	Business-Type Activities Enterprise Fund
	Water, Sewer and Sanitation Fund
<u>Operating Revenues</u>	
Water & Sewer Fees	\$ 481,818
Other Revenues	-
Total Operating Revenues	\$ 481,818
<u>Operating Expenses</u>	
Purchased Water, Testing, Chemicals	\$ 38,583
Salaries and Related Expense	46,081
Supplies	18,516
Equipment Repairs and Replacement	82,568
Interest Expense	185,099
Depreciation	187,229
Other Services and Charges	65,378
Total Operating Expenses	\$ 623,454
Operating Income	\$ (141,636)
<u>Nonoperating Revenues</u>	
Interest Income	\$ 389
Total Nonoperating Revenues	\$ 389
Income Before Transfers	\$ (141,247)
Grant income	35,594
Transfers	-
Change in Net Position	\$ (105,653)
Net Position - Beginning	\$ 1,851,491
Net Position - Ending	\$ 1,745,838

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2021

	Business-type Activities	Enterprise Fund
	Water, Sewer and Sanitation Fund	
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$	488,324
Cash Paid to Suppliers		(430,407)
Cash Paid to Employees		(46,081)
Net Cash Provided by Operating Activities	\$	11,836
<u>Cash Flows from Noncapital Financing Activities</u>		
Restricted checking accounts	\$	1,925,281
Net Cash Used by Noncapital Financing Activities	\$	1,925,281
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Loan	\$	(122,062)
Loan Proceeds		-
Acquisition of Capital Assets		(1,777,813)
Net Cash Used by Capital and Related Financing Activities	\$	(1,899,875)
<u>Cash Flows from Investing Activities</u>		
Grant income		35,594
Transfers		-
Interest Received	\$	389
Net Cash Provided by Investing Activities	\$	35,983
Net Increase in Cash and Cash Equivalents	\$	73,225
Cash and Cash Equivalents - Beginning of Year	\$	129,410
Cash and Cash Equivalents - End of Year	\$	202,635
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Operating Income	\$	(141,636)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		(42,000)
Depreciation Expense		187,229
Decrease in Accounts Receivable		6,506
Increase in Accounts Payable		1,737
Total Adjustments	\$	153,472
Net Cash Provided by Operating Activities	\$	11,836

The accompanying notes are an integral part of the financial statements.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. REPORTING ENTITY

The City of Snook, Texas was incorporated in 1972 as a Type B General Law Municipality, pursuant to the laws of the State of Texas. The City operates under a “Mayor-Alderman” form of government and provides services authorized by its charter. Presently, these services include street repair and maintenance, planning and zoning, park maintenance, and general administrative services.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City of Snook (the City).

The City is an independent political subdivision of the State of Texas, governed by a mayor and 5 aldermen and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City’s financial reporting entity.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14, and includes all component units of which the City appoints a voting majority of the unit’s board; the City is either able to impose its will on the unit of a financial benefit or burden relationship exists,

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described above. Currently, the City of Snook 4-B Development Board Corporation meets the above criteria and is discretely presented within the government-wide financial statements of the City. The City of Snook 4-B Development Board Corporation is a non-profit corporation, and is an industrial development corporation organized under the Development Corporation Act of 1979, and is governed by Section 4B of the Act.

Based on the above, the City of Snook 4-B Development Board Corporation is a component unit of the City of Snook, Texas due to the City’s ability to exercise significant influence over its daily operations, approval of budgets, and also provides funding from the 1.5 percent sales tax received by the City of Snook, Texas. The agreement between the City of Snook, Texas and the 4-B Development Board Corporation is for the City to pay the Corporation 1/3 of the 1.5 percent sales tax received by the City.

Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business type activities include programs supported by water and sewer revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water and sewer payments, police fines, etc. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **General Fund** – the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

1. **Enterprise Fund** – used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. This fund includes the Utility Fund – Water & Sewer Fund.
2. **Debt Service Fund** – used to account for the resources accumulated and payments made for principal and interest on long-term certificate of obligation debt of governmental funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows, cash and cash equivalents include all cash and certificates of deposit having an original maturity date of less than three months.

Statutes authorize the City to invest in obligations of the United States or its agencies, certificates of deposit, certain municipal securities, and other investments specifically allowed by Chapter 2256, Public Funds Investment, of the Government Code. The depository bank deposits for safekeeping and trust with the City’s agent bank approved pledged securities as authorized by Chapter 2257, Collateral for Public Funds, of the Government Code. It is the City’s policy for deposits to be secured by collateral valued at market, less the amount of the Federal Deposit Insurance Corporation insurance. The City’s deposits are categorized to give an indication of the level of risk assumed by the City at September 30, 2021. The categories are as follows:

- Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity’s name.
- Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.
- Category 3 – Uncollateralized.

Based on these three levels of risk, all of the City’s deposits are classified as Category 1.

The City’s deposits at September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the City’s agent bank. Deposits were properly secured at all times.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. OTHER ACCOUNTING POLICIES (Continued)

2. Capital Assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$1,000 limit; all infrastructure, purchased after October 1, 2003 (prospective method) is capitalized regardless of cost. The City inventoried its general fixed assets at September 30, 2012 and they are valued at original cost where such cost was known, otherwise, they are valued at estimated historical cost.

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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives.

Buildings 45, Building improvements 45; Vehicle 5; Furniture 7; Equipment 7; Water and sewer system 35; Fencing 15; Water & Sewer equipment 7.

3. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payable are, for the most part, eliminated from the Government-Wide Statements of Net Assets and are classified a “due from other funds” or “due to other funds” in the fund financial statements. Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.
4. The City records the purchase of supplies as expenditures/expenses at the time of purchase and does not maintain inventory.
5. In the fund financial statements of the governmental funds, the City can reserve portions of fund equity in the governmental fund financial statements. Reserves of fund equity represent those portions of fund equity not appropriate for expenditure or legally restricted by outside parties for use for a specific purpose.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. OTHER ACCOUNTING POLICIES (Continued)

6. Full-time, permanent employees are granted vacation benefits and sick leave to specified maximums. The estimated liability for vested vacation and sick leave benefits attributable to the City's governmental fund is recorded as an expenditure and liability. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. As of September 30, 2018, such amounts were deemed immaterial.
7. 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.
8. The City applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
9. Property taxes are collected and remitted to the city by the Burleson County Tax Assessor-Collector. The Burleson County Appraisal District appraises property values for the City. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Code. Current taxes become delinquent on February 1 following the tax year. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. For the 2018 tax roll, the assessed valuation was \$25,745,281 and the net taxable value was \$26,887,727. The tax rate was \$0.22 per \$100 valuation. This resulted in a total tax levy of \$59,153. Delinquent property taxes receivable at September 30, 2020 were \$3,235 and current property taxes receivable were \$6,774.
10. Transactions between funds that would be treated as revenues, expenditures, or expenses, if they involved organizations external to the governmental unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursement of a fund for expenditures or expenses initially made from that fund, which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Nonrecurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental fund types. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary fund types.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET AND DATA

General Government	\$ 63,962
Water & Sewer	\$ (162,658)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council.
4. Any revisions that alter the total expenditures of any fund must be approved by the City Council, as must transfers from one department to another.
5. The City over-expended its budget in the general fund area as follows:

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investment, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS (Continued)

Additional Contracted Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits

As of September 30, 2021, the City's deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC)	\$ 322,261	\$ 118,295	\$ 440,556
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name.	-		-
4. Uninsured and uncollateralized			
Total Deposits	\$ 322,261	\$ 118,295	\$ 440,556
Carrying Amount	\$ 322,261	\$ 118,295	\$ 440,556

Investments

As of September, 30 2021, the City had the following investments:

	Carrying Amount	Fair Value
Certificates of Deposit	\$ 55,000	\$ 55,000

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Policies Governing Deposits and Investments

4. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2018, the City minimized credit risk loss due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Certificates of Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC); limiting the City’s investments to obligations issued, guaranteed, insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.
5. Concentration Risk – The City’s deposits and investments are not exposed to concentration risk.

B. PROPERTY TAXES

Property taxes for each year are levied on approximately October 1 and are due upon receipt of the tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the factor of the State and each taxing unit. Appraised values are established by the Central Appraisal District (CAD) of Burleson County, Texas, through procedures established by the Texas Legislature. The County Tax Assessor Collector bills and collects the City’s property taxes. The County bills the City’s tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April and July (which includes a surcharge for legal costs associated with collection).

In August, delinquent taxes are turned over to the County’s delinquent tax attorneys for final collection or other disposition.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. PROPERTY TAXES (Continued)

The City has enacted an ordinance providing for the exemption of \$5,000 of the assessed value of residential homesteads, for persons 65 years of age or older, from property taxes. This is provided by Section 1-b of Article 8 of the Constitution of Texas. An exemption of \$12,000 is allowed disabled veterans on any one piece of property. Additionally, the market value of agricultural land is reduced to agricultural value for purposes of the City's tax levy calculation.

The City is permitted, by Article XI, Section 5 of the State of Texas Constitution and the City Charter, to levy property taxes up to \$0.25 per \$100 of assessed valuation for general governmental services. Within the \$0.25 maximum levy, there is no legal limit upon the amount of property taxes which can be levied for debt service.

Property taxes as of September 30, 2021, are as follows:

	General Fund
Current Taxes Receivable	\$ 7,483
Delinquent Taxes Receivable	6,491
	\$ 13,974

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

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

	General	Water and Sewer	Component Unit
Receivables:			
Property Taxes	\$ 13,974	\$ -	\$ -
Sales Tax & Franchise Fees	6,270	-	-
Accounts Receivable	2,700	26,819	1,600
Net Total Receivables	\$ 22,944	\$ 26,819	\$ 1,600

In the proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES (Continued)

Payables at September 30, 2021, were as follows:

	General	Water and Sewer	Component Unit
Accounts Payable:	\$ 13,442	\$ 12,486	\$ -
Accrued Liabilities	-	-	-
Total Payables	\$ 13,442	\$ 12,486	\$ -

D. CAPITAL ASSETS

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

	Beginning Balance	Increase	(Decrease)	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 125,366	\$ -	\$ -	\$ 125,366
Total Capital Assets, Not Being Depreciated	\$ 125,366	\$ -	\$ -	\$ 125,366
Capital Assets, Being Depreciated:				
City Park and Improvements	\$ 257,776	\$ -	\$ -	\$ 257,776
Machinery and Equipment	43,688	-	-	43,688
City Hall and Improvements	171,763	-	-	171,763
Office Furniture & Equipment	5,641	-	-	5,641
Sign	16,500	-	-	16,500
Total Capital Assets, Being Depreciated	\$ 495,368	\$ -	\$ -	\$ 495,368
Less Accumulated Depreciation	\$ (255,685)	\$ (13,030)	\$ -	\$ (268,715)
Total Capital Assets, Being Depreciated Net	\$ 239,683	\$ (13,030)	\$ -	\$ 226,653
Governmental Capital Assets, Net	\$ 365,049	\$ (13,030)	\$ -	\$ 352,019

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. CAPITAL ASSETS (Continued)

	Beginning Balance	Increase	(Decrease)	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Water System	\$ 3,391,872	\$ 1,777,813	\$ -	\$ 5,169,685
Sewer System	2,130,470	-	-	2,130,470
Equipment	17,118	-	-	17,118
Backhoe	11,000	-	-	11,000
Total Capital Assets, Being Depreciated	\$ 5,550,460	\$ 1,777,813	\$ -	\$ 7,328,273
Less Accumulated Depreciation	\$ (2,182,368)	\$ (187,229)		\$ (2,369,597)
Total Capital Assets, Being Depreciated	\$ 3,368,092	\$ 1,590,584	\$ -	\$ 4,958,676
Business-Type Capital Assets, Net	\$ 3,368,092	\$ 1,590,584	\$ -	\$ 4,958,676

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities General Fund	<u>13,030</u>
Total Depreciation Expense - Governmental Activities	<u><u>13,030</u></u>
Business-Type Activities:	
Water, Sewer and Sanitation	<u>187,229</u>
Total Depreciation Expense - Business-Type Activities	<u><u>187,229</u></u>

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT

The City's long-term debt at September 30, 2021 is comprised of the following individual issues:

	Business-Type Activities
Utility System Revenue Bonds, Series 2020, due in annual installments from \$104,000 to \$258,000, payments due 2/15, 3.4% interest rate, final payment due February 15, 2045	3,710,000
General Obligation Bonds, Series 2013, \$208,000 due in semi-annual amounts between \$18K and \$36K, payments due 2/15 and 8/15, complete by 2023, interest rate 2.27%.	\$ 36,000
General Obligation Bonds, Series 2013, \$400,000 due in semi-annual amounts between \$32K and \$34K, payments due 2/15 and 8/15, complete by 2028, interest rate 2.93%.	\$ 209,000
	\$ -
	\$ 3,955,000

F. LONG-TERM DEBT

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2022	45,000	6,341	51,341
2023	46,000	5,126	51,126
2024	29,000	4,087	33,087
2025	30,000	3,223	33,223
2026	31,000	2,330	33,330
2027-2028	64,000	1,876	65,876
Total	245,000	22,983	267,983

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT

The annual requirements to maturity for the above long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
2022	-	126,140	126,140
2023	-	126,140	126,140
2024	-	126,140	126,140
2025	-	126,140	126,140
2026	104,000	124,372	228,372
2027-2030	526,000	457,674	983,674
2031-2035	858,000	452,676	1,310,676
2036-2040	1,016,000	293,692	1,309,692
2041-2045	1,206,000	105,298	1,311,298
Total	<u>3,710,000</u>	<u>1,938,272</u>	<u>5,648,272</u>

G. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

General Fund:	<u>\$ 13,974</u>
Property Taxes:	<u>\$13,974</u>

H. COMMITMENTS AND CONTINGENCIES

As of September 30, 2021, the City of Snook, Texas did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), and Intergovernmental Risk – Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides workers compensation insurance on its employees through TML.

CITY OF SNOOK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. GRANTS

The City of Snook received a TxCDBG Contract Grant for a Planning Capacity & Building Study in the amount of \$33,858 on December 22, 2014. \$30,780 was received and expended on June 6, 2017 with \$3078 matching funds from the City of Snook.

The Texas Department of Agriculture approved a TxCDBG Grant for a Community Enhancement Fund award for the City of Snook 4B Non-Profit Corporation. The amount of the Grant is \$350,000 with \$35,000 matching to be provided by the City of Snook 4B Non-Profit Corporation. \$385,000 was received and expended as of September 30, 2017. All funds were received or expended as of September 30, 2017.

The Texas Department of Agriculture approved another TxCDBG Grant for a Community Enhancement Fund award for the City of Snook 4B Non-Profit Corporation. The amount of the Grant is \$350,000 with \$35,000 matching to be provided by the City of Snook 4B Non-Profit Corporation. \$150,494 was received as of September 30, 2019. \$150,494 was expended as of September 30, 2020.

The Texas Department of Agriculture approved another TxCDBG Grant for a Community Enhancement Fund award for the City of Snook. The amount of the Grant is \$275,000. \$35,594 was received as of September 30, 2021. \$35,594 was expended as of September 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SNOOK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – GENERAL FUND
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		
<u>Revenues</u>				
Ad Valorem Tax	\$ 55,000	\$ 55,000	\$ 70,706	\$ 15,706
Sales Tax	73,000	73,000	71,238	(1,762)
Grant Income	-	-	-	-
Franchise Fees	32,000	32,000	33,164	1,164
Miscellaneous Income	4,820	4,820	15,558	10,738
Interest Income	-	-	23	23
Total Revenue	\$ 164,820	\$ 164,820	\$ 190,689	\$ 25,869
<u>Expenditures</u>				
4 B	\$ 23,000	\$ 23,000	\$ 31,591	\$ (8,591)
Audit & Accounting	4,500	4,500	-	4,500
Attorney	12,000	12,000	23,616	(11,616)
City Hall Advertising	2,000	2,000	1,464	536
City Hall Main	4,200	4,200	1,441	2,759
Computer, Phone, Internet	3,000	3,000	4,778	(1,778)
Copy Machine	1,200	1,200	1,866	(666)
Council Fees	4,200	4,200	4,380	(180)
Electric	5,000	5,000	3,368	1,632
Insurance	7,500	7,500	7,400	100
Payroll Taxes	4,200	4,200	748	3,452
Memberships	300	300	35	265
Meetings	700	700	-	700
Mowing	13,000	13,000	14,759	(1,759)
County Fees	5,000	5,000	5,870	(870)
Other	5,200	5,200	4,695	505
Office Supplies	2,500	2,500	3,042	(542)
Park	6,000	6,000	4,082	1,918
Transfer	18,010	18,010	-	18,010
Payroll	26,840	26,840	18,122	8,718
Capital Outlay:	21,000	21,000	-	21,000
Total Expenditures	\$ 169,350	\$ 169,350	\$ 131,257	\$ 38,093
Excess (Deficiency) of Revenues				
Over Expenditures:	\$ (4,530)	\$ (4,530)	\$ 59,432	\$ 63,962
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ (4,530)	\$ (4,530)	\$ 59,432	\$ 63,962
Fund Balances - Beginning of Year	<u>110,722</u>	<u>110,722</u>	<u>110,722</u>	<u>-</u>
Fund Balances - End of Year	\$ 106,192	\$ 106,192	\$ 170,154	\$ 63,962

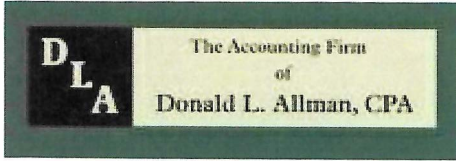
The accompanying notes are an integral part of the financial statements. 36

CITY OF SNOOK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET TO ACTUAL – PROPRIETARY FUND
For the Year Ended September 30, 2021

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	
<u>Revenues</u>				
Metered Sales	\$ 337,040	\$ 337,040	\$ 396,782	\$ 59,742
Miscellaneous Income/Transfers	59,249	59,249	85,036	25,787
Grant income	0	0	35,594	35,594
Interest Income	27	27	389	362
Total Revenue	\$ 396,316	\$ 396,316	\$ 517,801	\$ 121,485
<u>Expenditures</u>				
Audit	\$ 3,000	\$ 3,000	\$ 5,000	\$ (2,000)
Miscellaneous	-	\$ -	-	-
Chemicals	6,000	\$ 6,000	7,427	(1,427)
Conservation	800	\$ 800	762	38
Contractor (Base)	34,500	\$ 34,500	34,825	(325)
Backhoe/Labor	60,000	\$ 60,000	68,727	(8,727)
Electricity	26,000	\$ 26,000	27,194	(1,194)
Engineer	30,000	\$ 30,000	7,198	22,802
Mailings	-	\$ -	-	-
Mowing	5,000	\$ 5,000	3,970	1,030
Payroll	26,340	\$ 26,340	46,081	(19,741)
Permits	2,000	\$ 2,000	2,034	(34)
Testing	8,000	\$ 8,000	4,198	3,802
Water Meters	-	\$ -	1,500	(1,500)
Water & Sewer Repair Parts	40,000	\$ 40,000	42,210	(2,210)
Debt Service:		\$ -		
Principal	32,504	\$ 32,504	122,062	(89,558)
Interest and Fiscal Charges	-	\$ -	185,099	(185,099)
Capital Outlay:	-	\$ -	1,777,813	(1,777,813)
Depreciation	-	\$ -	187,229	(187,229)
Total Expenditures	\$ 274,144	\$ 274,144	\$ 2,523,329	\$ (2,249,185)
Excess (Deficiency) of Revenues				
Over Expenditures:	\$ 122,172	\$ 122,172	\$ (2,005,528)	\$ (2,127,700)
Transfers			-	
Net Change in Fund Balance	\$ 122,172	\$ 122,172	\$ (2,005,528)	\$ (2,127,700)
Fund Balances - Beginning of Year	1,851,491	1,851,491	1,851,491	
Add back capital outlay			1,777,813	1,777,813
Add Back Principal Payments	-	-	122,062	122,062
Fund Balances - End of Year GAAP	\$ 1,973,663	\$ 1,973,663	\$ 1,745,838	\$ (2,005,638)

The accompanying notes are an integral part of the financial statements.37

COMPLIANCE AND INTERNAL CONTROL SECTION



Donald Allman, CPA, PC
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CERTIFIED PUBLIC ACCOUNTANT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Snook, Texas

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Snook, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Snook, Texas' basic financial statements and have issued our report thereon dated December 12, 2022.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the City of Snook, Texas, we considered the City of Snook, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Snook, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Snook, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-3 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of Snook, Texas we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-4 and 2021-5. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City of Snook, Texas Response to Findings

City of Snook, Texas' response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. City of Snook, Texas' response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald L. Allman, CPA, PC



Georgetown, TX

December 12, 2022

CITY OF SNOOK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that
are not considered to be material weaknesses? X Yes No

Noncompliance material to financial
Statements noted? X Yes No

B. Financial Statement Findings

2021-1 General Accounting Procedures

Condition: There were material errors in the General Fund and Proprietary fund trial balance prepared by the previous administration. The General Fund and Enterprise Fund balance sheets and profit & loss statements were incomplete and did not contain all activity for the fiscal year ended September 30, 2021. The current administration had to recreate the balance sheet and income statement information from the bank statements.

Criteria: Internal control procedures should be in place to assure that the best accounting reports and records are available to enable the council to have accurate financial information for decision making and budgeting purposes.

Effect: Incorrect internal financial statements inhibit the budgetary process and do not allow the City Council to make informed decisions regarding the City's correct current position.

Cause: Enterprise Fund and General Fund financial statements were incomplete and did not contain 12 months of information.

Recommendation: The City of Snook needs to ensure the most accurate accounting information is used to prepare internal financial statements.

City's response: The city administrator will ensure the most accurate accounting information is used to prepare internal financial statements.

CITY OF SNOOK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2021-2 Fraudulent activity was found consisting of unauthorized payroll payments to the City Administrator and other payments coded as other expenses.

Condition: Excess payments for salary to the City Administrator that were not authorized were made in addition to payments coded to expenses but were actually to the City Administrator consisting of fraudulent activity.

Criteria: Internal control procedures should be in place to assure that only authorized payments for salary are made and only expenses for legitimate business expenses are made.

Effect: The City lost funds due to the lack of controls allowing the fraudulent activity to occur.

Cause: Lack of internal controls allowed the fraudulent activity to occur.

Recommendation: The City of Snook needs to ensure proper internal controls exists for authorizing all payments and reviewing expenses for fraudulent activity.

City's response: The city administrator was terminated and made restitution payments. The City also has enacted stronger internal controls to ensure defalcation doesn't occur again.

2021-3 The annual audit should be performed within 6 months of year end to ensure compliance with Loan and Grant conditions and requirements.

Condition: The annual audit for the fiscal year ended September 30, 2021 was not completed within the six-month filing deadline of March 31, 2022. The audit is being completed approximately 9 months late. This puts the City of Snook in an adverse position for loan compliance and in applying for grants.

Criteria: Internal control procedures should be in place to assure that the annual audit are completely timely and all information necessary to complete the audit is available in a timely manner.

Effect: Legal issues could exist for failure to complete the audit in a timely manner and loan and grant opportunities could be missed due to non-compliance with the audit requirements.

CITY OF SNOOK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cause: The September 30, 2021 annual audit for the City of Snook was due by March 31, 2022 and was not completed until December 12, 2022.

Recommendation: The City of Snook needs to ensure the annual audit is completed in a timely manner and all information is available to the auditor in a timely manner in order to comply with the 6 month after year-end deadline.

City's response: The city administrator will ensure all required information is ready and available for the annual audit to be completed within the 6 month deadline after fiscal year end.

CITY OF SNOOK
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The City Administrator will ensure the most accurate accounting information is used so the city council will have accurate and up to date information to assist in making decisions for the City.

The City Administrator will ensure internal control procedures are in place to deter unauthorized payments and ensure expenses are reviewed to reduce the risk of fraudulent activity occurring.

The City Administrator will ensure all information necessary for the completion of the annual audit is ready and available in order to complete the audit within the 6 month after year end filing deadline and be in compliance with loan and grant conditions and qualifications.