

February 23, 2024

To the City Council
City of Snook, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of City of Snook, Texas for the year ended September 30, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 28, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with auditing standards generally accepted in the United States of America (GAAS). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Snook, Texas solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated February 23, 2024.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Significant Changes to Planned Audit Strategy or Significant Risks Initially Identified

There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated as part of our audit planning communications.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Snook, Texas is included in Note 1 to the financial statements. As described in Note 7 to the financial statements, the entity changed its method of accounting for leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Accumulated depreciation	\$5,108,665
Allowance for uncollectible accounts	\$10,694

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significant to financial statement users. The most sensitive disclosures affecting the City of Snook, Texas' financial statements relate to its pension and OPEB activities.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

GENERAL FUND	
Net change in fund balance, per books	\$ 127,787
Adjustments:	
Cash	(83,669)
Property tax receivable	(13,691)
Sales tax receivable	8,853
Unearned Revenue	6,575
Due from other funds	(58,062)
Due to component unit	(5,042)
Accounts payable	13,026
Accrued expenses	(2,216)
Fund balance	<u>(19,382)</u>
Net effect of audit adjustments	<u>(153,608)</u>
Net change in fund balance, as adjusted	<u>\$ (25,821)</u>
ENTERPRISE FUND	
Change in net position, per books	\$ 89,852
Adjustments:	
Cash	248,516
Accounts receivable	17,151
Customer deposits	(26,800)
Grants receivable	195,179
Due to other funds	58,062
Capital assets	(101,997)
Accrued expenses	(16,569)
Accounts payable	(38,234)
Unearned revenue	(67,159)
Net position	<u>17,307</u>
Net effect of audit adjustments	<u>285,456</u>
Change in net position, as adjusted	<u>\$ 375,308</u>

COMPONENT UNIT - Snook 4B Development Corporation	
Change in net position, per books	\$ -
Adjustment:	
Sales tax income	30,051
Other income	5,173
Interest income	244
Net effect of audit adjustments	<u>35,468</u>
Change in net position, as adjusted	<u>\$ 35,468</u>

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

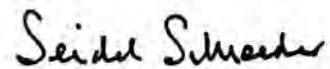
Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Snook, Texas, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Snook, Texas' auditors.

We applied certain limited procedures to management's discussion and analysis and the TMRS Schedule of Contributions, which are supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance.

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

Brenham, Texas
February 23, 2024



CITY OF SNOOK, TEXAS
Schedule of Unadjusted Audit Differences
September 30, 2022

Description of Audit Difference	Total Assets	Total Deferred Outflows of Resources	Total Liabilities	Total Deferred Inflows of Resources	Fund Balance/ Net Position	Change in Fund Balance/ Net Position
GOVERNMENTAL ACTIVITIES						
Prior year capital assets	\$ -	\$ -	\$ -	\$ -	\$ (1,120)	\$ 1,120
Prior year accrued expenses	-	-	-	-	(501)	501
Total unadjusted audit differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,621)</u>	<u>\$ 1,621</u>
Financial statement caption totals	\$ 466,236	\$ 283	\$ 57,579	\$ -	\$ 408,940	\$ (74,405)
Net audit differences as a percentage of financial statement caption totals	0.00%	0.00%	0.00%	0.00%	-0.40%	-2.18%
GENERAL FUND						
Prior year accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ (501)	\$ 501
Property tax receivable	(270)	-	-	-	-	(270)
Total unadjusted audit differences	<u>\$ (270)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (501)</u>	<u>\$ 231</u>
Financial statement caption totals	\$ 262,581	-	\$ 153,972	7,399	\$ 101,210	\$ (25,821)
Net audit differences as a percentage of financial statement caption totals	-0.10%	0.00%	0.00%	0.00%	-0.50%	-0.89%
ENTERPRISE FUNDS/ BUSINESS-TYPE ACTIVITIES						
Prior year allowance for doubtful accounts	\$ -	\$ -	\$ -	\$ -	\$ (5,490)	\$ 5,490
Accumulated depreciation	2,756	-	-	-	1,017	1,739
Prior year accounts payable	-	-	-	-	(3,519)	3,519
Total unadjusted audit differences	<u>\$ 2,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,992)</u>	<u>\$ 10,748</u>
Financial statement caption totals	\$ 5,269,784	\$ -	\$ 4,251,685	\$ -	\$ 1,018,099	\$ 375,308
Net audit differences as a percentage of financial statement caption totals	0.05%	0.00%	0.00%	0.00%	-0.78%	2.86%

CITY OF SNOOK, TEXAS

Financial Statements

with

Report of Independent Auditor

For the Year Ended September 30, 2022

CITY OF SNOOK, TEXAS
Financial Statements
For the Year Ended September 30, 2022

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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Snook, Texas, (the "City") as of and for the year ended September 30, 2022, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit and each major fund of the City of Snook, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund, for the year then ended in accordance 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the City of Snook, Texas 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.

Prior Period Adjustment

As discussed in Note 12 to the financial statements, the financial statements of the general fund, governmental activities, business-type activities, and aggregately presented component unit reflect prior period adjustments to beginning fund balance/net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

City of Snook, 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 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 the City of Snook, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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:

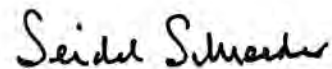
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 the City of Snook, 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 the City of Snook, 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 and the schedule of contributions, on pages 4 through 8 and 35, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Brenham, Texas
February 23, 2024



CITY OF SNOOK, TEXAS
P.O. Box 10
Snook, Texas 77878

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Snook, we offer readers of the City of Snook's financial statements this narrative overview and analysis of the financial activities of the City of Snook for the fiscal year ended September 30, 2022. Please read it in conjunction with the independent auditors' report and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Snook exceeded its liabilities at the close the most recent fiscal year by \$1,427,039 (*net position*). Of this amount, \$458,704 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$300,903.
- The City's governmental activities reported ending net position of \$408,940, which was a decrease of \$74,405 from the prior year.
- The City's business-type activities reported net position of \$1,018,099, which was an increase of \$375,308 from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements 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 funds, 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. For the proprietary fund, the financial statements tell how goods or services of the City were sold to customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. Their primary purpose is to show whether the City is better off as a result of the year's activities. The Statement of Net Position includes all of the City's assets, deferred outflows,

and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and 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.

In the Statement of Net Position and the Statement of Activities, we report the activities of the City as follows:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes and property taxes finance most of these activities.
- Business-type activities - The City receives revenue from its water and sewer services.
- Component units – The City includes one entity in its report - the Snook 4B Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for it.

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. The City establishes funds to help control and manage money for particular purposes. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds - Most 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 called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds - The City reports the activities for which it receives revenue in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The City's proprietary fund is included in the business-type activities reported in the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the City's governmental and business-type activities.

As can be seen in Table 1, net position of the City's governmental activities decreased by \$74,405 from \$483,345 in 2021 to \$408,940 in 2022. The decrease in the governmental activities net position is primarily due to the depreciation of capital assets.

In the governmental activities, the total assets decreased by \$77,353 from \$543,589 in 2021 to \$466,236 in 2022. The decrease in the governmental activities assets is primarily due to the depreciation of capital assets.

The net position of the business-type assets increased by \$375,308 from \$642,791 in 2021 to \$1,018,099 in 2022. In the business type activities, the total assets increased by \$629,386 from \$4,640,398 in 2021 to \$5,269,784 in 2022 primarily due to the increase in cash as a result of operations and amounts receivable related to ongoing grant projects. Total liabilities increased by \$254,078 from \$3,997,607 in 2021 to \$4,251,685 in 2022 primarily due to amounts payable related to ongoing grant projects.

Table 1
City of Snook, Texas
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 166,121	\$ 191,570	\$ 1,309,823	\$ 786,205	\$ 1,475,944	\$ 977,775
Capital assets	300,115	352,019	3,959,961	3,854,193	4,260,076	4,206,212
Total Assets	<u>466,236</u>	<u>543,589</u>	<u>5,269,784</u>	<u>4,640,398</u>	<u>5,736,020</u>	<u>5,183,987</u>
Deferred outflows of resources	283	-	-	-	283	-
Current liabilities	57,162	60,244	387,685	87,607	444,847	147,851
Non-current liabilities	417	-	3,864,000	3,910,000	3,864,417	3,910,000
Total Liabilities	<u>57,579</u>	<u>60,244</u>	<u>4,251,685</u>	<u>3,997,607</u>	<u>4,309,264</u>	<u>4,057,851</u>
Net Position:						
Net investment in capital assets	300,115	352,019	668,220	(100,807)	968,335	251,212
Unrestricted	108,825	131,326	349,879	743,598	458,704	874,924
Total Net Position	<u>\$ 408,940</u>	<u>\$ 483,345</u>	<u>\$ 1,018,099</u>	<u>\$ 642,791</u>	<u>\$ 1,427,039</u>	<u>\$ 1,126,136</u>

As can be seen in Table 2 on the next page, total expenses for governmental activities increased by \$121,310 from \$144,287 in 2021 to \$265,597 in 2022 primarily due to an increase in payroll expenses, professional services, and depreciation expense.

Total revenues from business-type activities increased by \$534,310 from \$517,801 in 2021 to \$1,052,111 in 2022 primarily due to capital grant revenue related to ongoing grant projects and other income from settlement proceeds. Total expenses for business-type expenses increased by \$53,349 from \$623,454 in 2021 to \$676,803 in 2022 primarily due to an increase in maintenance activities.

Table 2
City of Snook, Texas
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for services	\$ -	\$ 14,448	\$ 502,399	\$ 481,818	\$ 502,399	\$ 496,266
Operating grants and contributions	-	-	-	35,594	-	35,594
Capital grants and contributions	-	-	367,996	-	367,996	-
General Revenues						
Property taxes	75,891	74,075	-	-	75,891	74,075
Sales taxes	60,103	71,238	-	-	60,103	71,238
Franchise fees	40,577	33,164	-	-	40,577	33,164
Transfers in (out)	(52,800)	-	52,800	-	-	-
Miscellaneous revenues	67,255	1,110	127,171	-	194,426	1,110
Investment earnings	166	23	1,745	389	1,911	412
Total Revenues	191,192	194,058	1,052,111	517,801	1,243,303	711,859
Expenses						
General government	198,150	130,501	-	-	198,150	130,501
Culture and recreation	67,377	13,786	-	-	67,377	13,786
Interest/cost on long-term debt	70	-	132,278	185,099	132,348	185,099
Water and sewer	-	-	544,525	438,355	544,525	438,355
Total Expenses	265,597	144,287	676,803	623,454	942,400	767,741
Change in Net Position	(74,405)	49,771	375,308	(105,653)	300,903	(55,882)
Net Position, Beginning of Year, as previously reported	531,277	481,506	1,745,838	1,851,491	2,277,115	2,332,997
Prior period adjustment	(47,932)	-	(1,103,047)	-	(1,150,979)	-
Net Position, Beginning of Year, as restated	483,345	481,506	642,791	1,851,491	1,126,136	2,332,997
Net Position, End of Year	\$ 408,940	\$ 531,277	\$ 1,018,099	\$ 1,745,838	\$ 1,427,039	\$ 2,277,115

General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues for the governmental fund were more than the budgeted amount by approximately \$99,000, primarily due to other income from settlement proceeds and an increase in property tax revenue.

Actual expenditures were over budget by approximately \$70,000 primarily due to an increase in payroll expenditures.

In total, the net change in fund balance was over budget by approximately \$21,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the City had \$4,260,076 invested in capital assets as follows:

Table 3
City of Snook, Texas
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 125,366	\$ 125,366	\$ -	\$ -	\$ 125,366	\$ 125,366
Buildings and improvements	104,500	104,500	34,000	34,000	138,500	138,500
Machinery and equipment	-	-	136,808	136,808	136,808	136,808
Streets and improvements	2,828,596	2,828,596	-	-	2,828,596	2,828,596
Utility Plants	-	-	5,855,283	5,855,283	5,855,283	5,855,283
Construction in Progress	-	-	284,188	-	284,188	-
	3,058,462	3,058,462	6,310,279	6,026,091	9,368,741	9,084,553
Accumulated Depreciation	(2,758,347)	(2,707,563)	(2,350,318)	(2,171,898)	(5,108,665)	(4,879,461)
Net Capital Assets	\$ 300,115	\$ 350,899	\$ 3,959,961	\$ 3,854,193	\$ 4,260,076	\$ 4,205,092

The City's significant capital asset acquisitions consist of:

- Wastewater treatment plant improvements paid for with grant funds \$209,548
- Sewer line project paid for with grant funds \$74,640

Debt

As of September 30, 2022, the City had the following debt:

Table 4
City of Snook, Texas
Outstanding Debt at Year-end

	Business-Type Activities		Total	
	2022	2021	2022	2021
Bonds payable	\$ 3,910,000	\$ 3,955,000	\$ 3,910,000	\$ 3,955,000
Total	\$ 3,910,000	\$ 3,955,000	\$ 3,910,000	\$ 3,955,000

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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's business office, at the City of Snook, P. O. Box 10, Snook, TX 77878.

City of Snook, Texas
Statement of Net Position
September 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
Assets				
Cash and cash equivalents	\$ 235,016	\$ 352,137	\$ 587,153	\$ 191,930
Restricted assets:				
Cash and cash equivalents	-	618,259	618,259	-
Due from primary government	-	-	-	5,042
Receivables (net)	27,565	241,394	268,959	-
Internal balance	(98,033)	98,033	-	-
Right of use lease assets, net of amortization	1,573	-	1,573	-
Capital assets:				
Non-depreciable	125,366	284,188	409,554	-
Depreciable, net	174,749	3,675,773	3,850,522	-
Total assets	<u>466,236</u>	<u>5,269,784</u>	<u>5,736,020</u>	<u>196,972</u>
Deferred Outflows of Resources				
Deferred amounts related to pensions	277	-	277	-
Deferred amounts related to OPEB	6	-	6	-
Total deferred outflows	<u>283</u>	<u>-</u>	<u>283</u>	<u>-</u>
Liabilities				
Accounts payable	7,901	231,157	239,058	-
Accrued liabilities	4,896	16,569	21,465	-
Unearned revenue	-	67,159	67,159	-
Due to component unit	5,042	-	5,042	-
Customer and other deposits	38,100	26,800	64,900	-
Bonds payable, due within one year	-	46,000	46,000	-
Bonds payable, long-term	-	3,864,000	3,864,000	-
Finance lease liability, current portion	1,223	-	1,223	-
Finance lease liability, long-term portion	417	-	417	-
Total liabilities	<u>57,579</u>	<u>4,251,685</u>	<u>4,309,264</u>	<u>-</u>
Net Position				
Net investment in capital assets	300,115	668,220	968,335	-
Restricted for:				
Economic development	-	-	-	196,972
Unrestricted	108,825	349,879	458,704	-
Total net position	<u>\$ 408,940</u>	<u>\$ 1,018,099</u>	<u>\$ 1,427,039</u>	<u>\$ 196,972</u>

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 198,150	\$ -	\$ -	\$ -	\$ (198,150)	\$ -	\$ (198,150)	
Culture and recreation	67,377	-	-	-	(67,377)	-	(67,377)	
Interest and costs on long-term debt	70	-	-	-	(70)	-	(70)	
Total governmental activities	265,597	-	-	-	(265,597)	-	(265,597)	
Business-type activities:								
Proprietary fund	676,803	502,399	-	367,996	-	193,592	193,592	
Total business-type activities	676,803	502,399	-	367,996	-	193,592	193,592	
Total primary government	942,400	502,399	-	367,996	(265,597)	193,592	(72,005)	
Snook 4B Development Corporation	-	-	-	-	-	-	-	-
Total component units	-	-	-	-	-	-	-	-
General revenues:								
Taxes:								
Property					75,891	-	75,891	-
Sales					60,103	-	60,103	30,051
Franchise fees					40,577	-	40,577	-
Investment income					166	1,745	1,911	244
Miscellaneous revenues					67,255	127,171	194,426	5,173
Transfers					(52,800)	52,800	-	-
Total general revenues and transfers					191,192	181,716	372,908	35,468
Change in net position					(74,405)	375,308	300,903	35,468
Net position, beginning, as previously reported					531,277	1,745,838	2,277,115	165,251
Prior period adjustment (Note 12)					(47,932)	(1,103,047)	(1,150,979)	(3,747)
Net position, beginning, as restated					483,345	642,791	1,126,136	161,504
Net position, ending					\$ 408,940	\$ 1,018,099	\$ 1,427,039	\$ 196,972

The notes to the financial statements are an integral part of this statement.

**City of Snook, Texas
Balance Sheet
Governmental Funds
September 30, 2022**

	General Fund
Assets	
Cash and cash equivalents	\$ 235,016
Receivables (net of allowances for uncollectibles)	
Property tax	8,241
Sales tax	15,123
Other	4,201
Total assets	\$ 262,581
Liabilities, deferred inflows of resources and fund balances	
Liabilities:	
Accounts payable	\$ 7,901
Accrued liabilities	4,896
Deposit payable	38,100
Due to component unit	5,042
Due to other funds	98,033
Total liabilities	153,972
Deferred inflows of resources:	
Unavailable revenues	7,399
Total deferred inflows of resources	7,399
Fund balances:	
Unassigned	101,210
Total fund balances	101,210
Total liabilities, deferred inflows of resources and fund balances	\$ 262,581
Reconciliation of the balance sheet to the statement of net position:	
Fund balances of governmental funds	\$ 101,210
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	
Governmental capital assets	\$ 3,058,462
Less accumulated depreciation	(2,758,347)
	300,115
Leased assets and liabilities are not current financial resources.	(67)
Unavailable revenues reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	7,399
Deferred outflows are not receivable in the current period and, therefore, are not reported in the governmental funds.	283
Net position, governmental activities	\$ 408,940

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

	<u>General Fund</u>
Revenues:	
Taxes	
Property	\$ 72,787
Sales	60,103
Franchise fees	40,577
Rental income	5,855
Investment income	166
Other - settlement proceeds	61,399
Total revenues	<u>240,887</u>
Expenditures:	
Current:	
General government	\$ 193,733
Culture and recreation	18,915
Debt service:	
Principal	1,190
Interest	70
Capital outlay:	
General government	2,831
Total expenditures	<u>216,739</u>
Excess (deficiency) of revenues over (under) expenditures	24,148
Other financing sources/(uses):	
Proceeds from leases	2,831
Transfers out	(52,800)
Total other financing sources/(uses)	<u>(49,969)</u>
Net change in fund balance	(25,821)
Fund balance, beginning, as previously reported	170,154
Prior period adjustment (Note 12)	(43,123)
Fund balance, beginning, as restated	<u>127,031</u>
Fund balance, ending	<u>\$ 101,210</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities:	
Net change in fund balances - total governmental funds	\$ (25,821)
Amounts reported for the governmental activities in the statement of activities are different	
Depreciation expense on capital assets and amortization on right of use assets are reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation and amortization expense are not reported as expenditures in governmental funds.	(53,162)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated and amortized over their estimated useful lives.	2,831
The repayment of the principal of long-term debt consumes current financial resources of governmental funds, yet has no effect on net position.	1,190
Governmental funds report long-term debt proceeds as other financing sources, yet has no effect on net position.	(2,831)
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	283
Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the fund statements.	3,105
Change in net position, governmental activities	<u>\$ (74,405)</u>

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes				
Property	\$ 55,000	\$ 55,000	\$ 72,787	\$ 17,787
Sales	50,000	50,000	60,103	10,103
Franchise fees	32,000	32,000	40,577	8,577
Rental income	1,850	1,850	5,855	4,005
Investment income	-	-	166	166
Other - settlement proceeds	2,970	2,970	61,399	58,429
Total revenues	<u>141,820</u>	<u>141,820</u>	<u>240,887</u>	<u>99,067</u>
Expenditures:				
Current:				
General government	119,940	119,940	193,733	(73,793)
Public safety	2,400	2,400	-	2,400
Culture and recreation	6,000	6,000	18,915	(12,915)
Debt service:				
Principal	18,010	18,010	1,190	16,820
Interest	-	-	70	(70)
Capital outlay				
General government	-	-	2,831	(2,831)
Total expenditures	<u>146,350</u>	<u>146,350</u>	<u>216,739</u>	<u>(70,389)</u>
Excess (deficiency) of revenues over (under) expenditures	(4,530)	(4,530)	24,148	28,678
Other financing sources (uses):				
Proceeds from leases	-	-	2,831	2,831
Transfers out	-	-	(52,800)	(52,800)
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(49,969)</u>	<u>(49,969)</u>
Net change in fund balance	(4,530)	(4,530)	(25,821)	(21,291)
Fund balance, beginning, as previously reported	170,154	170,154	170,154	-
Prior period adjustment (Note 12)	(43,123)	(43,123)	(43,123)	-
Fund balance, beginning, as restated	<u>127,031</u>	<u>127,031</u>	<u>127,031</u>	<u>-</u>
Fund balance, ending	<u>\$ 122,501</u>	<u>\$ 122,501</u>	<u>\$ 101,210</u>	<u>\$ (21,291)</u>

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Net Position
Proprietary Fund
September 30, 2022

	Water & Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 352,137
Receivables, net of allowance for uncollectibles	46,215
Due from other funds	98,033
Due from other governments	195,179
Total current assets	691,564
Restricted assets:	
Cash and cash equivalents	618,259
Total restricted assets	618,259
Noncurrent assets:	
Capital assets:	
Nondepreciable	284,188
Depreciable (net of accumulated depreciation)	3,675,773
Total noncurrent assets	3,959,961
Total assets	\$ 5,269,784
Liabilities	
Current liabilities:	
Accounts payable	231,157
Accrued liabilities	16,569
Bonds payable, due within one year	46,000
Unearned revenue	67,159
Customer deposits	26,800
Total current liabilities	387,685
Noncurrent liabilities:	
Bonds payable, long-term	3,864,000
Total noncurrent liabilities	3,864,000
Total liabilities	4,251,685
Net position	
Net investment in capital assets	668,220
Unrestricted	349,879
Total net position	\$ 1,018,099

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
September 30, 2022

	Water & Sewer Fund
Operating revenues:	
Charges for water and sewer services	\$ 463,699
Tap fees	38,700
Total operating revenue	502,399
Operating expenses:	
Professional fees	5,028
Purchased professional and technical services	249,501
Repairs and maintenance	32,549
Other operating expenses	38,059
Utilities	40,969
Depreciation	178,419
Total operating expenses	544,525
Operating income (loss)	(42,126)
Nonoperating revenues (expenses)	
Grant proceeds	367,996
Other income - settlement proceeds	127,171
Investment income	1,745
Interest expense	(132,278)
Total nonoperating revenue	364,634
Change in net position before transfers	322,508
Transfers in	52,800
Total transfers	52,800
Change in net position	375,308
Net position, beginning, as previously reported	1,745,838
Prior period adjustment (Note 12)	(1,103,047)
Net position, beginning, as restated	642,791
Net position, ending	\$ 1,018,099

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2022

	<u>Water & Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 509,266
Cash payments to suppliers for goods and services	<u>(340,310)</u>
Net cash provided by (used in) operating activities	168,956
Cash flows from non-capital financing activities:	
Transfers in	<u>52,800</u>
Net cash provided (used) by non-capital financing activities	52,800
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(189,344)
Other income - settlement proceeds	127,171
Grant proceeds	239,976
Principal paid on long-term debt	(45,000)
Interest paid	<u>(132,481)</u>
Net cash provided (used) by capital and related financing activities	322
Cash flows from investing activities:	
Interest on cash and investments	<u>1,745</u>
Net increase (decrease) in cash and equivalents	223,823
Cash and equivalents, beginning of year	<u>746,573</u>
Cash and equivalents, end of year	<u><u>\$ 970,396</u></u>
Unrestricted cash	\$ 352,137
Restricted cash	<u>618,259</u>
	<u><u>\$ 970,396</u></u>

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Statement of Cash Flows
Proprietary Fund
September 30, 2022

	Water & Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (42,126)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	178,419
Bad debt expense (recovery)	10,694
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(17,277)
Accounts payable	123,829
Customer deposits	13,450
Due from other funds	(98,033)
Net cash provided by (used in) operating activities	\$ 168,956

The notes to the financial statements are an integral part of this statement.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Note 1. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City of Snook, Texas was incorporated 1972 as a Type B General Law Municipality, pursuant to the laws of the State of Texas. The City operates under a Council form of government and provides the following services as authorized by its charter: street repair and maintenance, planning and zoning, park maintenance, and general administrative services.

These financial statements present the City (the primary government) and its component unit, the City of Snook 4-B Development Board Corporation. As defined by GASBS No. 61, component units are legally separate entities that are included in the City's reporting entity because the City is financially accountable or closely related.

Discretely presented as part of the reporting entity:

City of Snook 4-B Development Board Corporation: The City incorporated the City of Snook 4-B Development Board Corporation (the "Corporation") in 1979. The purpose is to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City, and for improving the assessed valuation through the promotion of (a) existing business enterprises development and attraction by developing, implementing, providing and financing projects. A 1.5% City sales tax is designed for this purpose. The Corporation's board consists of members which were appointed by the City Council. The Corporation does not issue separate financial statements.

B. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the city and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector. Water and sewer services provided by the City are accounted for in the Business Type Utility Fund.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

D. Budgets

Annual appropriated budgets are adopted for the general and enterprise funds. The budget for the general fund is prepared and adopted on a basis consistent with generally accepted accounting principles, which is the same basis of accounting used for financial reporting in these financial statements. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year end.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

E. Cash and Investments

For the purpose of the Statement of Net Position and the Statement of Cash Flows, "Cash and cash equivalents" consists of cash on hand, amounts in demand deposit accounts and interest-bearing checking accounts, as well as certificates of deposits and investments with maturities of three months or less.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Any residual balances are classified as "due from other funds" and "due to other funds," respectively, on the balance sheet and statement of net position.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

G. Restricted Assets

Amounts in governmental funds which are legally identified for specific purposes either by City ordinance or contractual obligation are reflected as restricted assets. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are used first to fund the expense.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20 - 40 years
Infrastructure	20 - 45 years
Machinery and equipment	5 - 10 years

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

Fund financial statements

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

I. Debt Obligations

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Short-term debt

Short-term liabilities are reported as liabilities in the fund financial statements. Tax and revenue anticipation notes are reported as liabilities in the fund financial statements of the fund that receives the proceeds.

J. Fund Equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and/or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

K. Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions in expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Note 2. Legal Compliance - Budgets

The City's Mayor has ultimate responsibility for the budget and formulates the budget goals for the City under the direction of the City Council. In compliance with the State's uniform budget law, the Mayor files the proposed budget with the City Secretary and City Council. The City is required to publish a notice of a public hearing regarding the proposed budget and then hold that public hearing not less than 15 days after the budget is filed with the City Secretary. Once the hearing is concluded and before adoption of the proposed budget, the Council may make any changes it considers warranted by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the Council, the annual budget document becomes a matter of public record and is filed with the City Secretary.

The legal level of budgetary control is the fund level; therefore, expenditures may not legally exceed budget appropriations at the fund level. The Mayor can reclassify items within the fund without approval of the Council; however, to amend the total of a fund, a budget amendment approved by the Council is required. The general fund and the enterprise fund have legally adopted annual budgets. General fund expenditures exceeded budget by \$70,389 at the legal level of budgetary control.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Note 3. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,182,630 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Note 4. Receivables

Receivables at September 30, 2022, consist of the following:

	Governmental Funds	Proprietary Funds	Total
Receivables:			
Taxes:			
Property	\$ 8,241	\$ -	\$ 8,241
Sales	15,123	-	15,123
Franchise fees	4,201	-	4,201
Grants	-	195,179	195,179
Utility revenue	-	56,909	56,909
Less:			
allowance for uncollectibles	-	(10,694)	(10,694)
	<u>\$ 27,565</u>	<u>\$ 241,394</u>	<u>\$ 268,959</u>

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 125,366	\$ -	\$ -	\$ 125,366
Total capital assets not being depreciated	<u>125,366</u>	<u>-</u>	<u>-</u>	<u>125,366</u>
Capital assets being depreciated				
Buildings and improvements	104,500	-	-	104,500
Streets and infrastructure	2,828,596	-	-	2,828,596
Total at historical cost	<u>2,933,096</u>	<u>-</u>	<u>-</u>	<u>2,933,096</u>
Less: accumulated depreciation for:				
Buildings and improvements	47,647	3,442	-	51,089
Streets and infrastructure	2,658,796	48,462	-	2,707,258
Total accumulated depreciation	<u>2,706,443</u>	<u>51,904</u>	<u>-</u>	<u>2,758,347</u>
Total capital assets being depreciated, net	<u>226,653</u>	<u>(51,904)</u>	<u>-</u>	<u>174,749</u>
Governmental activities capital assets, net	<u>\$ 352,019</u>	<u>\$ (51,904)</u>	<u>\$ -</u>	<u>\$ 300,115</u>

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 284,188	\$ -	\$ 284,188
Total capital assets not being depreciated	<u>-</u>	<u>284,188</u>	<u>-</u>	<u>284,188</u>
Capital assets being depreciated				
Buildings and improvements	34,000	-	-	34,000
Machinery and equipment	136,808	-	-	136,808
Water and wastewater distribution	5,855,283	-	-	5,855,283
Total at historical cost	<u>6,026,091</u>	<u>-</u>	<u>-</u>	<u>6,026,091</u>
Less: accumulated depreciation for:				
Buildings and improvements	20,400	971	-	21,371
Machinery and equipment	56,532	8,414	-	64,946
Water and wastewater distribution	2,094,967	169,034	-	2,264,001
Total accumulated depreciation	<u>2,171,899</u>	<u>178,419</u>	<u>-</u>	<u>2,350,318</u>
Total capital assets being depreciated, net	<u>3,854,192</u>	<u>(178,419)</u>	<u>-</u>	<u>3,675,773</u>
Business-type activities capital assets, net	<u>\$ 3,854,192</u>	<u>\$ 105,769</u>	<u>\$ -</u>	<u>\$ 3,959,961</u>

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

General government	\$ 3,442
Culture and recreation	48,462
	<u>\$ 51,904</u>

Note 6. Long-term Liabilities

Long-term liabilities outstanding at September 30, 2022 are comprised of the following:

<u>Long-term debt</u>	<u>Business-type activities</u>
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 Refunding Bonds, Series 2013, \$208,000 due in annual amounts between \$15,000 and \$32,000, payments due 2/15, final payment due February 15, 2023, 2.27% interest rate.	18,000
Certificates of Obligation Bonds, Series 2013, \$400,000 due in annual amounts between \$28,000 and \$32,000, payments due 2/15, final payment due February 15, 2028, 2.93% interest rate.	182,000
	<u>\$ 3,910,000</u>

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Annual debt service requirements to maturity for the outstanding debt, including interest of \$1,830,569 are as follows:

Fiscal Year Ending September 30	Business-type activities	
	Principal	Interest
2023	\$ 46,000	\$ 131,272
2024	29,000	130,586
2025	30,000	129,367
2026	135,000	126,720
2027	140,000	122,193
2028-2032	776,000	536,512
2033-2037	918,000	392,610
2038-2042	1,088,000	222,454
2043-2047	748,000	38,855
	<u>\$ 3,910,000</u>	<u>\$ 1,830,569</u>

Changes in Long-term Liabilities

Long-term activity for the year-ended September 30, 2022, was as follows:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 36,000	\$ -	\$ (18,000)	\$ 18,000	\$ 18,000
Certificates of Obligation Bonds	209,000	-	(27,000)	182,000	28,000
Utility Systems Bonds	3,710,000	-	-	3,710,000	-
	<u>\$ 3,955,000</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 3,910,000</u>	<u>\$ 46,000</u>

Note 7. Leases

Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 87 had no impact on the City's net position as of the effective date and no restatement of net position was made.

Lessee

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide funds financial statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease right-to-use asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease right-to-use asset is amortized on a straight-line basis over its useful life.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported on the government-wide Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

Prior to beginning of the current fiscal year, the City entered into a lease agreement as lessee for the acquisition and use of office equipment. The lease term is for 60 months. At the beginning of the fiscal year the initial lease liability was recorded in the amount of \$2,831. As of September 30, 2022, the lease liability was \$1,640.

The future principal and interest payments as of September 30, 2022 were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 1,223	\$ 37	\$ 1,260
2024	417	3	420
	<u>\$ 1,640</u>	<u>\$ 40</u>	<u>\$ 1,680</u>

Right to use assets are amortized on a straight-line basis over the terms of the related leases. Right to use asset balances as September 30, 2022 were as follows:

<u>Asset Class</u>	<u>Governmental Activities</u>		
	<u>Right-to-use Asset</u>	<u>Accumulated Amortization</u>	<u>Right-to-use asset, net of amortization</u>
Equipment	\$ 2,831	\$ 1,258	\$ 1,573
	<u>\$ 2,831</u>	<u>\$ 1,258</u>	<u>\$ 1,573</u>

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Note 8. Pension Plans

A. Plan Description

The City participates as one of 901 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 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

B. 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 statute 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.

C. Contributions:

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.45% in calendar year 2022. The city's contributions to TMRS for the year ended September 30, 2022, were \$277, and were equal to the required contributions.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

D. Net Pension Liability

The City's participation in the TMRS plan was effective July 1, 2022, which was after the measurement date. Accordingly, the City has not recorded a net pension asset or liability in the accompanying financial statements.

E. Pension Expense and Deferred Outflows of Resources

Contributions of \$277 made subsequent to the measurement date are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability for the year ending September 30, 2023.

Note 9. Other Post-Employment Benefits

A. Plan Description

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 Benefit 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.

B. Benefits Provided

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".

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 to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust as defined by paragraph 4 of GASB Statement No. 75.

The total supplemental death benefit ("SDB") contribution rates were 0.47% for calendar year 2022. The City's contributions for the year ended September 30, 2022 were \$6 and were equal to the required contributions.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

C. Total OPEB Liability

The City's participation in the TMRS plan was effective July 1, 2022, which was after the measurement date. Accordingly, the City has not recorded a total OPEB asset or liability in the accompanying financial statements.

D. Expense and Deferred Outflows of Resources Related to OPEB

Contributions made subsequent to September 30, 2022 are reported as deferred outflows related to other postemployment benefits in the amount of \$6.

Note 10. Interfund receivables and payables

As of September 30, 2022, interfund receivables and payables consist of the following:

<u>Due from:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Purpose</u>
General fund	\$ -	\$ 98,033	Various transactions paid for by Proprietary fund. Various transactions paid on behalf of General fund.
Proprietary fund	<u>98,033</u>	<u>-</u>	
	<u>\$ 98,033</u>	<u>\$ 98,033</u>	

Note 11. 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 participates in the Texas Municipal League Intergovernmental Risk Pool for its insurance. The City pays annually to the Pool. The Pool is intended to be self-sustaining through member premiums and reinsures through commercial companies for excessive claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Note 12. Prior Period Adjustment

Fund balance as of September 30, 2021 was restated related to the following items:

	Previously reported	As restated	Prior period adjustment
<u>General fund:</u>			
Cash	\$ 119,626	\$ 103,535	\$ (16,091)
Sales tax receivable	6,270	16,993	10,723
Property tax receivable	13,974	6,490	(7,484)
Franchise fee receivable	-	2,836	2,836
Due to component unit	-	11,936	(11,936)
Deposits payable	-	38,000	(38,000)
Accounts payable	13,442	6,293	7,149
Unavailable revenues	13,974	4,294	9,680
			<u>\$ (43,123)</u>

Net position as of September 30, 2021 was restated related to the following items:

	Previously reported	As restated	Prior period adjustment
<u>Governmental activities:</u>			
Cash	\$ 119,626	\$ 103,535	\$ (16,091)
Sales tax receivable	6,270	16,993	10,723
Property tax receivable	13,974	6,490	(7,484)
Franchise fee receivable	-	2,839	2,839
Due to component unit	-	11,936	(11,936)
Deposits payable	-	38,000	(38,000)
Accounts payable	13,442	6,293	7,149
Accrued liabilities	4,868	-	4,868
			<u>\$ (47,932)</u>
<u>Business-type activities/Proprietary fund</u>			
Cash	\$ 731,829	\$ 750,573	\$ 18,744
Accounts receivable	26,819	39,632	12,813
Capital assets	4,958,676	3,854,193	(1,104,483)
Customer deposits	-	13,349	(13,349)
Accrued expenses	-	16,772	(16,772)
			<u>\$ (1,103,047)</u>
<u>Component unit</u>			
Cash	\$ 118,295	\$ 149,568	\$ 31,273
Capital assets	45,356	-	(45,356)
Due from primary government	-	11,936	11,936
Accounts receivable	1,600	-	(1,600)
			<u>\$ (3,747)</u>

City of Snook, Texas
Notes to Basic Financial Statements
September 30, 2022

Note 13. Subsequent Events

In July 2023, City Council approved a financing in the amount of \$150,000 for five years for the purchase of water meters.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Snook, Texas
Texas Municipal Retirement System**

*Schedule of Contributions
Last 10 Fiscal Years
(unaudited)*

	2022
Actuarially Determined Contribution	\$ 277
Contributions in relation to the actuarially determined contributions	<u>277</u>
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 19,519
Contributions as a percentage of covered employee payroll	1.42%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year other than TMRS plan participation.



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S 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 have audited, 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, (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified

certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as 2022-001, 2022-002, 2022-003, and 2022-004 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 questions costs as 2022-005 and 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 audit performed 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.

Brenham, Texas
February 23, 2024



CITY OF SNOOK, TEXAS
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2022

2022-001 Capital asset listing

Condition: The City does not maintain complete and accurate detailed listings of capital assets and related accumulated depreciation for capital assets in the governmental or business-type activities.

Criteria: Capital assets should be safeguarded, and all capital asset activities be recorded in the general ledger.

Cause: The City has procedures in place to record capital outlay; however, a complete and accurate fixed asset listing is not maintained.

Effect: Failure to maintain and monitor capital asset listings limits the City's ability to safeguard capital assets. Inconsistent identification and improper recording of capital outlay and depreciation during the fiscal year limit the City's ability to identify and resolve differences such that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Recommendation: We recommend that a complete capital asset listing be maintained and regularly updated.

Response: Management will maintain these schedules for the governmental and business-type activities going forward.

2022-002 Utility receipts

Condition: The City Secretary/Administrator and Office Assistant have the ability to process billings, collect payments, post adjustments, and prepare and take deposits to the bank. The City's outsourced accountant posts the deposits to the general ledger.

Criteria: There should be adequate segregation of duties among those who maintain utility customer master data, process and mail billings, collect and post utility receipts, and post and approve adjustments.

Effect: Inadequate segregation of duties limits the City's ability to timely identify discrepancies and misappropriation of assets.

Recommendation: We recommend that the City reconcile the utility billing software's deposits to the general ledger on a monthly basis and the reconciliation be reviewed by a second person. In addition, billing adjustments should be reviewed and approved by someone other than the individual posting the adjustments.

Response: The City will implement the additional review controls.

2022-003 Utility billings and records

Condition: During the year, customers were not billed in accordance with the City's approved rate ordinance. In addition, the City did not maintain customer deposit records prior to the beginning of the fiscal year.

Criteria: Customer billings should be thoroughly reviewed prior to mailing and customer deposit records should be maintained and recorded in the general ledger.

Cause: Multiple errors in meter readings and postings occurred during the year causing significant billing adjustments.

Effect: Failure to properly bill customers limits the City's ability to collect funds to operate the water and sewer system. Failure to maintain historical records of customer deposits limits the City's ability to determine the amounts to be refunded to the customer.

Recommendation: We recommend that billings be thoroughly reviewed prior to mailing and customer deposit records be maintained and recorded in the general ledger.

Response: During the year ended September 30, 2022, the City implemented a utility billing software to track and maintain customer billings and deposit balances. The City will review customer records to accumulate deposits received prior to October 1, 2021.

2022-004 General ledger

Condition: During the year, transactions were coded by the City to a specific class, but were deposited and paid from the checking account of a different class.

Criteria: Care should be taken to record transactions in the appropriate class.

Cause: The City began using QuickBooks Online during the fiscal year.

Effect: Failure to properly code transactions to the proper class misstates balances within the funds.

Recommendation: We recommend that the City compare disbursements and revenue transactions by class to the corresponding bank activity to minimize the risk of incorrectly coding transactions.

Response: The City will implement the recommendation.

2022-005 Bank Reconciliations

Condition: Transactions are recorded in QuickBooks and bank reconciliations are performed by an outsourced accountant. There is no formal review of the bank reconciliations by someone other than the accountant.

Criteria: Bank reconciliations, bank statements, and images should be reviewed by someone other than the individual posting transactions and reconciling the accounts.

Cause: The City has procedures in place for transactions to be recorded and bank reconciliations to be performed; however, there is no formal review of the reconciliations, bank statements, and images.

Effect: Failure to review the bank reconciliations, bank statements, and images limits the City's ability to identify discrepancies and misappropriation of assets. As offsetting controls for unauthorized disbursements, three signatures are required on checks and Council reviews all disbursements monthly.

Recommendation: We recommend that the bank reconciliations, bank statements, and images be reviewed by the City Secretary/Administrator and that the review be documented.

Response: The City will implement the additional review procedures.

2022-006 Bank Reconciliations - 4B Development Board

Condition: Transactions are recorded in QuickBooks and bank reconciliations are performed by an outsourced accountant. There is no formal review of the bank reconciliations by someone other than the accountant.

Criteria: Bank reconciliations, bank statements, and images should be reviewed by someone other than the individual posting transactions and reconciling the accounts.

Cause: The Development Board has procedures in place for transactions to be recorded and bank reconciliations to be performed; however, there is no formal review of the reconciliations, bank statements, and images.

Effect: Failure to review the bank reconciliations, bank statements, and images limits the Development Board's ability to identify discrepancies and misappropriation of assets.

Recommendation: We recommend that the bank reconciliations, bank statements, and images be reviewed by the City Secretary/Administrator and a member of the Board and that the review be documented.

Response: The Board will implement the additional review controls.



February 23, 2024

Mayor Frank Fields
City Secretary/Administrator David Junek
City of Snook, Texas
P.O. Box 10
Snook, Texas 77878

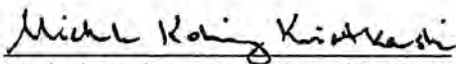
Dear Mayor Fields and Mr. Junek:

In planning and performing our audit of the financial statements of the City of Snook, Texas for the year ended September 30, 2022, we considered its internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the City of Snook, Texas compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions.

During our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The page that accompanies this letter lists our comments and suggestions regarding those matters. This letter does not affect our report dated February 23, 2024, on the September 30, 2022 financial statements of the City of Snook, Texas.

Sincerely,

SEIDEL SCHROEDER

By: 
Michele Kohring Kwiatkowski, CPA

City of Snook, Texas
Control Deficiencies
September 30, 2022

Description of Deficiencies Noted

The month-end RVS reports are not signed by a reviewer. We recommend that the City Secretary/Administrator sign and date the reports when reviewed.

Council members with related party interest abstain from voting on issues involving related parties. However, members are not required to complete affidavits declaring related party interest and the minutes do not consistently reflect related party-abstentions.

The City does not have a capitalization policy for fixed assets. We recommend the City approve a formal capitalization policy.

While the City has a policy that requires three signatures on checks, five checks only had two signatures. We recommend that City policies be followed.

While the Council minutes reported the approval the fiscal year 2022 budget, a copy of the approved budget was not maintained. We recommend that a copy of the approved budget be maintained.

The City did not maintain the approved Council minutes for several months. Copies of approved minutes should be maintained as part of the City's official records.