

CITY OF PINE FOREST, TEXAS

Audited Financial Statements

For the Year Ended September 30, 2024

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
Notes to the Financial Statements	15
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - General Fund	23
<u>Federal Awards</u>	
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 Governmental Auditing Standards	24
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	26
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30
Corrective Action Plan	32



Charles E. Reed & Associates, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Pine Forest, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of the City of Pine Forest, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Pine Forest, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Pine Forest, Texas, as of September 30, 2024, and the respective changes in financial position 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 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 Pine Forest, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Pine Forest, 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Pine Forest, 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 Pine Forest, 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 budgetary comparison information on pages 4-8 and 23 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pine Forest, Texas' basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025, on our consideration of the City of Pine Forest, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pine Forest, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pine Forest, Texas' internal control over financial reporting and compliance.

Charles E. Reed & Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants and Consultants

Port Arthur, Texas

June 27, 2025

As management of the City of Pine Forest (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of the most recent fiscal year was \$3,404,175. Of this amount, \$333,286 is the unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position decreased by \$10,794 in this fiscal year.
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$329,993. This is unassigned fund balance in the general fund and can be used for any lawful purpose.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and budgetary information.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general

government, public safety, road maintenance, disaster services and grant expenditures. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one governmental fund. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered a major fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this Report also presents certain required supplementary information concerning the City's budgetary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. The City's net position was \$3,404,175 as of September 30, 2024.

NET POSITION

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 365,021	\$ 352,727
Capital assets	3,070,889	2,016,448
Total assets	<u>3,435,910</u>	<u>2,369,175</u>
Current liabilities	<u>31,735</u>	<u>55,162</u>
Long-term liabilities outstanding	-	-
Other liabilities	-	-
Total liabilities	<u>31,735</u>	<u>55,162</u>
Net position		
Net investment in capital assets	3,070,889	1,969,993
Restricted	-	-
Unrestricted	<u>333,286</u>	<u>344,080</u>
Total net position	<u>\$ 3,404,175</u>	<u>\$ 2,314,013</u>

The largest portion of the City's net position (91%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of \$333,286 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF PINE FOREST, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2024

The following table provides a summary of the City's operations for year ended September 30, 2024 with comparative totals for year ended September 30, 2023.

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues:		
Grants	1,162,518	34,792
General Revenues		
Property taxes	14,199	13,564
Franchise fees	26,595	27,209
Fees and permits	149,170	181,955
Loss on sale of equipment	-	(9,360)
Sales tax	124,498	153,310
Miscellaneous	7,149	2,948
Total revenues	<u>1,484,129</u>	<u>404,418</u>
Expenses		
General government	291,204	321,342
Public safety	-	-
Road maintenance	102,763	70,203
Disaster services	-	-
Total expenses	<u>393,967</u>	<u>391,545</u>
Increase (decrease) in net position	<u>1,090,162</u>	<u>12,873</u>
Net position beginning	2,314,013	2,301,140
Prior period adjustment	-	-
Net position beginning restated	<u>2,314,013</u>	<u>2,301,140</u>
Net position ending	<u>3,404,175</u>	<u>2,314,013</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2024, the City's governmental funds reported an ending fund balance of \$329,993, all of which is unreserved and available for spending at the government's discretion. This balance represents an increase of \$35,341 in comparison with the prior year.

CAPITAL ASSETS

Capital assets. The City's investment in capital assets for governmental activities as of September 30, 2024, amounted to \$3,070,889 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements and equipment.

	Governmental Activities	
	2024	2023
Land	85,000	85,000
Construction in Progress	1,373,921	211,403
Land & Sewer Improvements	477,185	477,185
Infrastructure	2,973,361	2,973,361
Buildings	465,648	465,648
Office Furniture & Equipment	36,647	36,647
Accumulated Depreciation	(2,340,873)	(2,232,796)
	\$ 3,070,889	\$2,016,448

During the current fiscal year the City continued street and drainage improvements.

DEBT ADMINISTRATION

Long-term debt. As of September 30, 2024, the City had no long-term debt. The current short-term note was paid off during the current fiscal year.

ECONOMIC FACTORS AND NET YEAR'S BUDGET

In the general fund, actual revenues exceeded budgeted revenues by \$1,179,759 and actual expenditures exceeded budgeted expenditures by \$1,072,240. These variances were due to grant revenue and expenses which were not budgeted.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Pine Forest, Mayor, 305 Nagel Street, Vidor, Texas, 77662.

STATEMENT OF NET POSITION

September 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 192,759
Investments	142,969
Receivables - net of allowances for uncollectibles:	3,293
Due from other governments	26,000
Due to / from	
Non-current assets:	
Land	85,000
Construction in process	1,373,921
Capital assets - net of depreciation	1,611,968
Total Assets	<u>3,435,910</u>
LIABILITIES	
Accounts payable	29,159
Accrued expenses and other liabilities	2,576
Total Liabilities	<u>31,735</u>
NET POSITION	
Net investment in capital assets	3,070,889
Unrestricted	<u>333,286</u>
Total Net Position	<u><u>\$ 3,404,175</u></u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 291,204	\$ -	\$ -	\$ (291,204)
Road Maintenance and Drainage	102,763	-	1,162,518	1,059,755
Total governmental activities	393,967	-	1,162,518	\$ 768,551
	Property taxes			14,199
	Franchise fee income			26,595
	Fees and permits			149,170
	Sales tax			124,498
	Interest income and miscellaneous income			7,149
	Total general revenues			321,611
	Change in Net Position			1,090,162
	Net Position- Beginning			2,314,013
	Net Position - Ending			\$ 3,404,175

The accompanying notes are an integral part of this financial statement.

CITY OF PINE FOREST , TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2024

EXHIBIT C

	<u>General</u> <u>Fund</u>
ASSETS:	
Cash and cash equivalents	192,759
Investments	142,969
Receivables - net of allowances for uncollectibles	3,293
Due from other governments	26,000
Prepaid Insurance	
TOTAL ASSETS	<u>\$ 365,021</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 29,159
Accrued expenses and other liabilities	2,576
TOTAL LIABILITIES	<u>31,735</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>3,293</u>
Total Deferred Inflows of Resources	<u>3,293</u>
FUND BALANCES:	
Unassigned Fund Balance	<u>329,993</u>
Total fund balances	<u>329,993</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 365,021</u>

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 329,993
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	3,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of capital assets, net of accumulated depreciation	3,070,889
Notes payable which are not due in the current period are not reported in the funds.	-
	<hr/>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u>\$ 3,404,175</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General</u>
REVENUES	
Property taxes	\$ 13,819
Franchise fee income	26,595
Fees and permits	149,170
Sales tax	124,498
Grant income	1,162,518
Interest income and miscellaneous income	7,149
Total revenue	<u>1,483,749</u>
EXPENDITURES:	
Current:	
General government	181,793
Road maintenance and drainage	102,763
Capital Outlay	1,162,518
Debt Service	1,334
Total expenditures	<u>1,448,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	35,341
FUND BALANCES - BEGINNING	<u>294,652</u>
FUND BALANCES - ENDING	<u><u>\$ 329,993</u></u>

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds (Exhibit D) \$ 35,341

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

Capital Outlay	\$1,162,518	
Depreciation	<u>(108,077)</u>	1,054,441

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year 380

Change in net position of governmental activities (Exhibit B)	<u>\$ 1,090,162</u>
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The accompanying notes are an integral part of this financial statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the City of Pine Forest, Texas (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the City.

A. Reporting Entity

The City of Pine Forest, Texas operates under a Type A General Law form of government as per The Local Government Code, Title 2, Section 6.011 which was approved and became effective December 4, 1995. The City provides the following services as authorized by the charter: Streets, Public Improvements, Planning and Zoning, and General Administrative Services.

The City Council is comprised of the mayor and five council members. The Council has governance responsibilities over all activities related to city services within the jurisdiction of the City.

The City has adopted Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity”. In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no component units included in the reporting entity’s financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed by taxes and intergovernmental revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when the payment is due.

Franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Budgetary Data

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

1. On annual basis, the Mayor and the City Secretary submit to the City Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. The budget is legally adopted by the City Council.
4. Appropriations lapse at the end of each fiscal year.
5. The City Council may authorize supplemental appropriations during the year.

E. Interfund Transactions

Interfund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Nonrecurring or non-routine transfers between funds are reported as additions to or reductions of the fund balance of governmental funds. Transfers of equity to proprietary funds are reported as reductions of retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. At the present time, encumbrance accounting is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

G. Cash and Investments

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Cash and time deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 or collateralized by bank pledged securities.

For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. All certificates of deposits and investments in other securities and instruments are considered to be investments.

H. Receivables

Property taxes are levied by October 1, on the assessed value listed as of the prior January 1, for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the City are based upon historical experience in collecting property taxes.

I. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g. streets and waterlines, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to record infrastructure assets prospectively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

<u>Assets</u>	<u>Years</u>
Infrastructure/Buildings	40
Office equipment	5
Equipment	10

J. Fund Equity

The City of Pine Forest, Texas has implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable Fund Balance – includes the portion of net resources that cannot be spent because of their form or because they must remain in-tact.

Restricted Fund Balance – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes the portion of net resources upon which the City has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a formal action of the City Council, commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed). The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned Fund Balance- includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council.

Unassigned fund balance – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund can includes all amounts not contained in other classifications.

Order of Expenditure of Funds - When multiple categories of fund balance are available for expenditure, it is the City’s policy to use restricted fund balance first, then committed fund balance, then assigned fund balance, and finally unassigned fund balance. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance and formal action of Council. This is also done through adoption and amendment of the budget.

K. Date of Management’s Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through June 27, 2025, the date that the financial statements were available to be issued.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Cash Deposits

At year-end, the City's carrying amount of deposits was \$192,759 and the bank balance was \$447,484. The City's balances were fully collateralized by FDIC insurance and pledged securities.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- | | |
|------------|--|
| Category 1 | Deposits which are insured or collateralized with securities held by the entity or by its agent in the City's name. |
| Category 2 | Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, the City's cash deposits are classified as Category 1 deposits as of September 30, 2024.

The City's investment policy allows for the investment of City assets in certificates of deposit, governmental investment pools, and other cash investments. At year-end, the City had investments in TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company to provide a safe environment for the placement of local government funds. The State Comptroller of Texas administers TexPool. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operated in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. The fair value of the position in

TexPool is the same as the value of TexPool shares. TexPool is rated as AAA money market fund by Standard & Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Investments can also be categorized according to three categories of credit risk:

- | | |
|------------|--|
| Category 1 | Investments which are insured or registered, or securities held by the City or its agent in the City's name. |
|------------|--|

NOTE 2: CASH AND INVESTMENTS, Continued

Category 2 Investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 Investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Based on these three levels of risk, the City's investments are classified as Category 1 as of September 30, 2024.

The District's investments at September 31, 2024 are shown below:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average</u>
Investments not subject to categorization			
TexPool	142,969	142,969	20 days
Certificates of Deposit	-	-	-
Total Investments	<u>\$ 142,969</u>	<u>\$ 142,969</u>	

NOTE 3: RECEIVABLES

Receivables as of September 30, 2024 for the City are as follows:

<u>Type of Receivable</u>	<u>Governmental- Type Activities</u>
Property taxes	\$ 3,951
Allowance for uncollectibles	(658)
	<u>\$ 3,293</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2024 is described in the following table:

Governmental Activities	Beginning Balance	Current Year		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Construction in process	211,403	1,162,518	-	1,373,921
Total capital assets not being depreciated:	296,403	1,162,518	-	1,458,921
Capital assets being depreciated:				-
Equipment	13,050	-	-	13,050
Infrastructure	2,973,361	-	-	2,973,361
Buildings	465,648	-	-	465,648
Sewer Improvements	135,059	-	-	135,059
Land Improvements	342,126	-	-	342,126
Office furniture and equipment	23,597	-	-	23,597
Total capital assets being depreciated:	3,952,841	-	-	3,952,841
Less accumulated depreciation:				
Equipment	(1,414)	(1,305)		(2,719)
Sewer and Land Improvements	(120,412)	(19,087)		(139,499)
Infrastructure	(2,081,353)	(74,334)		(2,155,687)
Buildings	(12,715)	(11,641)		(24,356)
Office furniture and equipment	(16,902)	(1,710)		(18,612)
Total accumulated depreciation	(2,232,796)	(108,077)	-	(2,340,873)
Total capital assets being depreciated, net	1,720,045	(108,077)	-	1,611,968
Governmental activities capital assets, net	\$ 2,016,448	\$ 1,054,441	\$ -	\$ 3,070,889

Depreciation expense of the governmental activities charged to General Government was \$108,077.

NOTE 4: SHORT TERM DEBT

The City accounts for short-term borrowings in the General Fund. The proceeds of these notes provide temporary working capital funds. The activity for the year ended September 30, 2024 was as follows:

	Interest Rates	Beginning Balance	Additions	(Reductions)	Ending Balance
Governmental Activities:					
Short-term note payable					
Tax Anticipation Note, Series 2021A	4.00%	46,515	-	46,515	-
		<u>\$ 46,515</u>	<u>\$ -</u>	<u>\$ 46,515</u>	<u>\$ -</u>

NOTE 5: COMPENSATED ABSENCES

The City provides compensated sick leave accumulated at the rate of 1.5 days per month during the fiscal year. In addition, vacation time is earned annually as follows: 1-5 years of service – 10 days, 6-10 years of service – 15 days and 11 years of service and over – 20 days. All earned vacation, personal time and accumulated sick leave must be used annually and cannot be carried into subsequent fiscal years.

NOTE 6: OTHER INFORMATION

A. 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; and natural disasters. The City continues to carry commercial insurance for the risks of loss.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any to be immaterial.

From time to time the City is a defendant in legal proceedings relating to its operations. There is no known litigation or contingent liability affecting the City of Pine Forest, Texas at September 30, 2024.

CITY OF PINE FOREST, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GOVERNMENTAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 16,000	\$ 16,000	\$ 13,819	\$ (2,181)
Franchise fee income	14,000	14,000	26,595	12,595
Fees and permits	132,500	132,500	149,170	16,670
Sales tax	140,000	140,000	124,498	(15,502)
Grant income	-	-	1,162,518	1,162,518
Interest income and miscellaneous income	1,490	1,490	7,149	5,659
Total revenue	303,990	303,990	1,483,749	1,179,759
EXPENDITURES				
Current:				
General government	223,164	270,164	181,793	88,371
Public safety	4,100	4,100	-	4,100
Road maintenance and drainage	8,000	88,904	102,763	(13,859)
Grant expenses-roads and drainage	-	-	1,162,518	(1,162,518)
Payments on debt	13,500	13,000	1,334	11,666
Total expenditures	248,764	376,168	1,448,408	(1,072,240)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	55,226	(72,178)	35,341	107,519
NET CHANGE IN FUND BALANCES	55,226	(72,178)	35,341	107,519
FUND BALANCES AT BEGINNING OF YEAR	294,652	294,652	294,652	-
FUND BALANCE AT END OF YEAR	\$ 349,878	\$ 222,474	\$ 329,993	\$ 107,519

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 City Council
City of Pine Forest, 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 of City of Pine Forest, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Pine Forest, Texas' basic financial statements, and have issued our report thereon dated June 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Pine Forest, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Pine Forest, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Pine Forest, Texas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pine Forest, Texas' 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*.

City of Pine Forest, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Pine Forest, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Pine Forest, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Charles E. Reed & Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants and Consultants

Port Arthur, Texas

June 27, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of City Council
City of Pine Forest, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Pine Forest, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Pine Forest, Texas' major federal programs for the year ended September 30, 2024. City of Pine Forest, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Pine Forest, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Pine Forest, Texas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Pine Forest, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Pine Forest, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Pine Forest, Texas' compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Pine Forest, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Pine Forest, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Pine Forest, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Pine Forest, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E. Reed & Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants and Consultants

Port Arthur, Texas

June 27, 2025

CITY OF PINE FOREST, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>US Department of Housing and Urban Development</u>			
<u>Passthrough Agency: Texas General Land Office</u>			
Community Development Block Grant Disaster Recovery Program Infrastructure Projects	14.228	24-067-009-E196	106,400
Community Development Block Grant Disaster Recovery Program Infrastructure Projects	14.228	20-065-154-C933	<u>1,024,568</u>
Total passed through the Texas General Land Office			<u>1,130,968</u>
<u>Passthrough Agency: Texas Department of Agriculture</u>			
CDBG - Community Development Fund - 2023	14.228	CDV23-0171	<u>31,550</u>
Total passed through the Texas Department of Agriculture			<u>31,550</u>
Total US Department of Housing and Urban Development			<u>1,162,518</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,162,518</u></u>

CITY OF PINE FOREST, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of City of Pine Forest, Texas under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of operations of City of Pine Forest, Texas it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Pine Forest, Texas.

Note 2 – Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

City of Pine Forest, Texas has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

Note 4 – Subrecipients

City of Pine Forest, Texas has no subrecipients.

Note 5 – Contingencies

These federal programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the City’s continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CITY OF PINE FOREST, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2024

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? ☐ Yes ☒ No
Significant deficiency that is not considered
to be a material weakness? ☒ Yes ☐ No
Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Material weakness identified? ☐ Yes ☒ No
Significant deficiency identified that is
not considered to be a material weakness? ☐ Yes ☒ No

Type auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with section 2 CFR 500.516(a) ☐ Yes ☒ No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
14.228	Department of Housing and Urban Development Community Development Block Grant	\$1,162,518

The threshold used to distinguish the type of federal program was \$ 750,000.

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

CITY OF PINE FOREST, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2024

Section II-Financial Statements Findings and Responses

2024-001 Internal Control Over Financial Reporting

Criteria: The Texas Local Government Code, Title 4, Subtitle A, Chapter 103, requires the City to have its books and records audited annually within 180 days after the last day of the City's fiscal year.

Condition: The City did not have financial statement audits performed within 180 days of its fiscal years ended September 30, 2024, and September 30, 2023. The City will have met the single audit filing deadline for the current fiscal year.

Cause: The City was not familiar with the requirements of The Texas Local Government Code, Title 4, Subtitle A, Chapter 103.

Effect: The City is not in compliance with requirements of The Texas Local Government Code, Title 4, Subtitle A, Chapter 103.

Recommendation: We recommend the City Council members to familiarize themselves with the Texas Local Government Code and implement policies and procedures to ensure compliance with applicable requirements per the code.

Prior Year – Not applicable

Section III-Federal Award Findings and Questioned Costs

Current Year – None

Prior Year – Not applicable

Section IV- Status of Prior Year Findings

Not Applicable

CITY OF PINE FOREST, TEXAS
CORRECTIVE ACTION PLAN
SEPTEMBER 30, 2024

Financial Statement Findings

2024-001 – Financial Reporting

Corrective Action Plan: The City will ensure that an annual audit is completed per the Texas Local Government Code, Title 4, Subtitle A, Chapter 103.

Anticipated Completion Date: June 30, 2025

Responsible Parties: Connie Stanton, CFO