

CITY OF PINE FOREST, TEXAS

Financial Statements

*the Year Ended September 30, 2021*

CITY OF PINE FOREST, TEXAS

Table of Contents

September 30, 2021

	<u>PAGE</u>
<b>Accountant's Compilation Report on Financial Statements</b>	1
<b>Management's Discussion and Analysis (Required Supplementary Information)</b>	2
<b><u>Basic Financial Statements</u></b>	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Fund	9
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	11
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	12
Notes to the Financial Statements	13
<b><u>Required Supplementary Information</u></b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - General Fund	22

# J.R. Edwards & Associates, LLC

## Certified Public Accountants

July 28, 2022

The Honorable Mayor and City Council  
City of Pine Forest, Texas

Management is responsible for the accompanying financial statements of the governmental activities and each major fund of the City of Pine Forest, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to the City of Pine Forest, Texas.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the budgetary comparisons as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. The information is the representation of management. The information was subject to our compilation engagement. We did not audit or review the required supplementary information and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on such information.

*J.R. Edwards & Associates, LLC*

1465 Cornerstone Court, Ste. A • Beaumont, Texas 77706  
Phone (409) 924-9100 • Fax (409) 924-0990

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, 2021. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and 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 \$2,012,256. Of this amount, \$236,412 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 increased by \$22,909 in fiscal year .
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$128,401. 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 7-9 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 \$2,012,256 as of September 30, 2021.

**NET POSITION**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 243,198	\$ 127,548
Capital assets	1,880,844	1,885,544
<b>Total assets</b>	<b>2,124,042</b>	<b>2,013,992</b>
Current liabilities	111,786	9,347
Long-term liabilities outstanding	-	14,398
Other liabilities	-	-
<b>Total liabilities</b>	<b>111,786</b>	<b>23,745</b>
Net position		
Net investment in capital assets	1,775,844	1,786,148
Restricted	-	-
Unrestricted	236,412	203,199
<b>Total net position</b>	<b>\$2,012,256</b>	<b>\$1,989,347</b>

The largest portion of the City's net position (88%) 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 \$236,412 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, 2021

The following table provides a summary of the City's operations for year ended September 30, 2021 with comparative totals for year ended September 30, 2020.

**CHANGES IN NET POSITION**

	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Grants	99,631	2,500
General Revenues		
Property taxes	9,997	9,737
Franchise fees	26,411	22,601
Fees and permits	75,306	101,501
Sales tax	184,040	148,334
Miscellaneous	1,075	33,806
Total revenues	<u>396,460</u>	<u>318,479</u>
Expenses		
General government	325,073	245,866
Public safety	152	454
Road maintenance	680	18,112
Disaster services	47,646	34,024
Grant expenditures	-	-
Total expenses	<u>373,551</u>	<u>298,456</u>
Increase (decrease) in net position	<u>22,909</u>	<u>20,023</u>
Net position beginning	1,989,347	1,969,324
Prior period adjustment	-	-
Net position beginning restated	<u>1,989,347</u>	<u>1,969,324</u>
Net position ending	<u>2,012,256</u>	<u>1,989,347</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.

CITY OF PINE FOREST, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 SEPTEMBER 30, 2021

As of September 30, 2021, the City's governmental funds reported an ending fund balance of \$128,401, all of which is unreserved and available for spending at the government's discretion. This balance represents an increase of \$14,208 in comparison with the prior year.

**CAPITAL ASSETS**

**Capital assets.** The City's investment in capital assets for governmental and business-type activities as of September 30, 2021, amounted to \$1,880,844 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements and equipment.

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Land	85,000	85,000
Construction in Progress	332,892	238,056
Land & Sewer Improvements	477,185	477,185
Infrastructure	2,973,361	2,973,361
Office Furniture & Equipment	46,096	46,095
Accumulated Depreciation	(2,033,690)	(1,934,153)
	<u>\$ 1,880,844</u>	<u>\$1,885,544</u>

There were no major capital asset events during the current fiscal year.

**DEBT ADMINISTRATION**

**Long-term debt.** As of September 30, 2021, the City had no long term debt. This note was paid off during the current fiscal year. During the current fiscal year, the City borrowed \$105,000. This is due September 30, 2022.

**ECONOMIC FACTORS AND NET YEAR'S BUDGET**

In the general fund, actual revenues exceeded budgeted revenues by \$115,110 (61%) and actual expenditures exceeded budgeted expenditures by \$158,555 (70%). These variances were due to disaster expenses and expenditures on City Hall, 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.



## BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION

September 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 189,262
Investments	50,925
Receivables - net of allowances for uncollectibles:	3,011
Non-current assets:	
Land	85,000
Capital assets - net of depreciation	<u>1,795,844</u>
Total Assets	<u>2,124,042</u>
<b>LIABILITIES</b>	
Accounts payable	571
Accrued expenses and other liabilities	6,215
Short-term debt	105,000
Non-current liabilities:	
Due within one year	-
Due in more than one year	-
Total Liabilities	<u>111,786</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,775,844
Unrestricted	<u>236,412</u>
Total Net Position	<u>\$ 2,012,256</u>

See accountant's compilation report.  
The accompanying notes are an integral part of this financial statement.

CITY OF PINE FOREST, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXHIBIT B

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 325,073	\$ -	\$ 99,631	\$ (225,442)
Public Safety	152	-	-	(152)
Road Maintenance and Drainage	680	-	-	(680)
Disaster Services	47,646	-	-	(47,646)
Total governmental activities	373,551	-	99,631	(273,920)
	Property taxes			9,997
	Franchise fee income			26,411
	Fees and permits			75,306
	Sales tax			184,040
	Interest income and miscellaneous income			1,075
	Total general revenues			296,829
	Change in Net Position			22,909
	Net Position- Beginning			1,989,347
	Net Position - Ending			\$ 2,012,256

See accountant's compilation report.  
The accompanying notes are an integral part of this financial statement.

CITY OF PINE FOREST, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2021

EXHIBIT C

	<u>General</u> <u>Fund</u>
ASSETS:	
Cash and cash equivalents	189,262
Investments	50,925
Receivables - net of allowances for uncollectibles	<u>3,011</u>
TOTAL ASSETS	<u>\$ 243,198</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 571
Short-term debt	105,000
Accrued expenses and other liabilities	<u>6,215</u>
TOTAL LIABILITIES	<u>111,786</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>3,011</u>
Total Deferred Inflows of Resources	<u>3,011</u>
FUND BALANCES:	
Unassigned Fund Balance	<u>128,401</u>
Total fund balances	<u>128,401</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 243,198</u>

See accountant's compilation report.  
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, 2021

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 128,401
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	3,011
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	1,880,844
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>\$ 2,012,256</u>

See accountant's compilation report.  
The accompanying notes are an integral part of this financial statement.

## CITY OF PINE FOREST, TEXAS

## EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General</u>
REVENUES	
Property taxes	\$ 10,994
Franchise fee income	26,411
Fees and permits	75,306
Sales tax	184,040
Grant income	99,631
Interest income and miscellaneous income	1,075
Total revenue	<u>397,457</u>
EXPENDITURES:	
Current:	
General government	225,065
Public Safety	152
Road Maintenance and Drainage	680
Disaster Services	47,646
Capital Outlay	94,836
Payments on debt	14,870
Total expenditures	<u>383,249</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,208
FUND BALANCES - BEGINNING	<u>114,193</u>
FUND BALANCES - ENDING	<u>\$ 128,401</u>

See accountant's compilation report.  
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, 2021

Net change in fund balances - total governmental funds (Exhibit D)		\$	14,208
<p>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.</p>			
Capital Outlay	\$	94,836	
Depreciation		<u>(99,536)</u>	(4,700)
<p>Certain property tax revenues are deferred in the funds. This is the change in these amounts this year</p>			
			(997)
<p>The Issuance of debt is recognized as an other financing source in the funds but not in the statement of activities.</p>			
			-
<p>Repayment of loan principal is an expenditure in the funds but is not and expense in the statement of activities.</p>			
			14,398
<hr/>			
Change in net position of governmental activities (Exhibit B)		\$	<u>22,909</u>

See accountant's compilation report.  
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*.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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.

**F. Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30<sup>th</sup>, 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. 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:

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. 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.

**J. Date of Management's Review**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through July 28, 2022 the date that the financial statements were available to be issued.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. 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 \$189,262 and the bank balance was \$204,412. 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, 2021.

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 AAAM 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.

CITY OF PINE FOREST, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**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, 2021.

The District's investments at September 31, 2021 are shown below:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average</u>
Investments not subject to categorization			
TexPool	50,925	50,925	20 days
Certificates of Deposit	-	-	0
Total Investments	<u>\$ 50,925</u>	<u>\$ 50,925</u>	

**NOTE 3: RECEIVABLES**

Receivables as of September 30, 2021 for the City are as follows:

<u>Type of Receivable</u>	<u>Governmental- Type Activities</u>
Property taxes	<u>\$ 3,011</u>
	<u>\$ 3,011</u>

CITY OF PINE FOREST, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2021 is described in the following table:

Governmental Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Construction in process	\$ 238,056	\$ 94,836	\$ -	\$ 332,892
Total capital assets not being depreciated:	323,056	94,836	-	417,892
Capital assets being depreciated:				
Equipment	31,047	-	-	31,047
Infrastructure	2,973,361	-	-	2,973,361
Sewer Improvements	135,059	-	-	135,059
Land Improvements	342,126	-	-	342,126
Office furniture and equipment	15,049	-	-	15,049
Total capital assets being depreciated:	3,496,642	-	-	3,496,642
Less accumulated depreciation:				
Equipment	(3,622)	(3,105)	-	(6,727)
Sewer and Land Improvements	(63,151)	(19,087)	-	(82,238)
Infrastructure	(1,858,351)	(74,334)	-	(1,932,685)
Office furniture and equipment	(9,030)	(3,010)	-	(12,040)
Total accumulated depreciation	(1,934,154)	(99,536)	-	(2,033,690)
Total capital assets being depreciated, net	1,562,488	(99,536)	-	1,462,952
Governmental activities capital assets, net	\$ 1,885,544	\$ (4,700)	\$ -	\$ 1,880,844

Depreciation expense of the governmental activities charged to General Government was \$99,536.

**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 31, 2021 was as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Short-term note payable					
Tax Anticipation Note, Series 2021A	4.00%	-	105,000		105,000
		\$ -	\$ 105,000	\$ -	\$ 105,000

**NOTE 5: LONG TERM DEBT**

During the year ended September 30, 2019, The City obtained financing from a local bank to provide fund to purchase an excavator. The \$30,330 promissory note is due in monthly installments of \$1,353, including interest at 6.5%. The note was paid off during the current fiscal year.

**NOTE 6: 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 7: 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, 2021.

**NOTE 10: SUBSEQUENT EVENTS**

During to year, many countries around the world, including the United States of America, were impacted by the COVID-19 outbreak. While the virus is continuing to evolve, its implications could involve interruptions to production and supply chains, unavailability of personnel, and reduction in sales. At this time, the City is not aware of any material risks to the financial statements caused by this event.



REQUIRED SUPPLEMENTARY  
INFORMATION

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 15,000	\$ 15,000	\$ 10,994	\$ (4,006)
Franchise fee income	13,390	13,390	26,411	13,021
Fees and permits	72,707	72,707	75,306	2,599
Sales tax	144,200	144,200	184,040	39,840
Grant income			99,631	99,631
Interest income and miscellaneous income	1,050	1,050	1,075	25
Total revenue	<u>246,347</u>	<u>246,347</u>	<u>397,457</u>	<u>151,110</u>
<b>EXPENDITURES</b>				
Current:				
General government	207,452	221,788	225,065	(3,277)
Public Safety	4,532	47	152	(105)
Road Maintenance and Drainage	12,210	2,859	680	2,179
Disaster Services			47,646	(47,646)
Capital Outlay			94,836	(94,836)
Principal payments on debt			14,870	(14,870)
Grant Expenditures			-	-
Total expenditures	<u>224,194</u>	<u>224,694</u>	<u>383,249</u>	<u>(158,555)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,153</u>	<u>21,653</u>	<u>14,208</u>	<u>(7,445)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt			-	-
Total other financing sources and uses			-	-
NET CHANGE IN FUND BALANCES	22,153	21,653	14,208	(7,445)
FUND BALANCES AT BEGINNING OF YEA	<u>114,193</u>	<u>114,193</u>	<u>114,193</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 136,346</u>	<u>\$ 135,846</u>	<u>\$ 128,401</u>	<u>\$ (7,445)</u>

See accountant's compilation report.  
 The accompanying notes are an integral part of this financial statement.