

CITY OF PINE FOREST, TEXAS

Financial Statements

For the Year Ended September 30, 2023

CITY OF PINE FOREST, TEXAS

Table of Contents

September 30, 2023

	<u>PAGE</u>
Accountant's Compilation Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	2
<u>Basic Financial Statements</u>	
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
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - General Fund	21

J.R. Edwards & Associates, LLC

Certified Public Accountants

May 30,2024

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, 2023, 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.

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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, 2023. 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 \$2,314,013. Of this amount, \$344,080 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 \$79,287 in this fiscal year.
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$294,652. 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 7-8 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 \$2,314,013 as of September 30, 2023.

NET POSITION

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 352,727	\$ 275,242
Capital assets	2,016,448	2,113,180
Total assets	<u>2,369,175</u>	<u>2,388,425</u>
Current liabilities	<u>55,162</u>	<u>87,285</u>
Long-term liabilities outstanding	-	-
Other liabilities	-	-
Total liabilities	<u>55,162</u>	<u>87,285</u>
Net position		
Net investment in capital assets	1,969,933	2,036,347
Restricted	-	-
Unrestricted	<u>344,080</u>	<u>264,793</u>
Total net position	<u>\$ 2,314,013</u>	<u>\$ 2,301,140</u>

The largest portion of the City's net position (85%) 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 \$344,080 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, 2023

The following table provides a summary of the City's operations for year ended September 30, 2023 with comparative totals for year ended September 30, 2022.

CHANGES IN NET POSITION

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Grants	34,792	269,858
General Revenues		
Property taxes	13,564	12,288
Franchise fees	27,209	27,097
Fees and permits	181,955	147,964
Loss on sale of equipment	(9,360)	-
Sales tax	153,310	141,863
Miscellaneous	2,948	9,898
Total revenues	404,418	608,968
Expenses		
General government	321,342	317,796
Public safety	-	-
Road maintenance	70,203	2,288
Disaster services	-	-
Total expenses	391,545	320,084
Increase (decrease) in net position	12,873	288,884
Net position beginning	2,301,140	2,012,256
Prior period adjustment	-	-
Net position beginning restated	2,301,140	2,012,256
Net position ending	2,314,013	2,301,140

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, 2023, the City's governmental funds reported an ending fund balance of \$294,652, all of which is unreserved and available for spending at the government's discretion. This balance represents an increase of \$110,066 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, 2023, amounted to \$2,016,448 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements and equipment.

	Governmental Activities	
	2023	2022
Land	85,000	85,000
Construction in Progress	211,403	178,843
Land & Sewer Improvements	477,185	477,186
Infrastructure	2,973,361	2,973,361
Buildings	465,648	465,648
Office Furniture & Equipment	36,647	67,693
Accumulated Depreciation	(2,232,796)	(2,134,550)
	\$ 2,016,448	\$2,113,181

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

DEBT ADMINISTRATION

Long-term debt. As of September 30, 2023, the City had no long-term debt. The current short-term note was paid off during the current fiscal year. During the current fiscal year, the City borrowed \$46,515. This is due September 30, 2023.

ECONOMIC FACTORS AND NET YEAR'S BUDGET

In the general fund, actual revenues exceeded budgeted revenues by \$129,198 and actual expenditures exceeded budgeted expenditures by \$33,955. These variances were due to grant revenue and expenses and capital expenditures, 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, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 213,677
Investments	136,137
Receivables - net of allowances for uncollectibles:	2,913
Non-current assets:	
Land	85,000
Capital assets - net of depreciation	1,931,448
Total Assets	<u>2,369,175</u>
LIABILITIES	
Accounts payable	2,307
Accrued expenses and other liabilities	6,340
Short-term debt	46,515
Non-current liabilities:	
Due within one year	-
Due in more than one year	-
Total Liabilities	<u>55,162</u>
NET POSITION	
Net investment in capital assets	1,969,933
Unrestricted	<u>344,080</u>
Total Net Position	<u>\$ 2,314,013</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, 2023

EXHIBIT B

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 321,342	\$ -	\$ 34,792	\$ (286,550)
Road Maintenance and Drainage	70,203	-	-	(70,203)
Total governmental activities	<u>391,545</u>	<u>-</u>	<u>34,792</u>	<u>\$ (356,753)</u>
	Property taxes			13,564
	Franchise fee income			27,209
	Fees and permits			181,955
	Loss on sale of equipment			(9,360)
	Sales tax			153,310
	Interest income and miscellaneous income			2,948
	Total general revenues			<u>369,626</u>
	Change in Net Position			12,873
	Net Position- Beginning			<u>2,301,140</u>
	Net Position - Ending			<u>\$ 2,314,013</u>

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, 2023

EXHIBIT C

	<u>General</u> <u>Fund</u>
ASSETS:	
Cash and cash equivalents	213,677
Investments	136,137
Receivables - net of allowances for uncollectibles	<u>2,913</u>
TOTAL ASSETS	<u>\$ 352,727</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:	
LIABILITIES:	
Accounts payable	\$ 2,307
Short-term debt	46,515
Accrued expenses and other liabilities	<u>6,340</u>
TOTAL LIABILITIES	<u>55,162</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>2,913</u>
Total Deferred Inflows of Resources	<u>2,913</u>
FUND BALANCES:	
Unassigned Fund Balance	<u>294,652</u>
Total fund balances	<u>294,652</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 352,727</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, 2022

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 294,652
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,913
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	2,016,448
Notes payable which are not due in the current period are not reported in the funds.	-
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u>\$ 2,314,013</u>

See accountant's compilation report.
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, 2023

	<u>General</u>
REVENUES	
Property taxes	\$ 14,025
Franchise fee income	27,209
Fees and permits	181,955
Sales tax	153,310
Grant income	34,792
Interest income and miscellaneous income	11,957
Total revenue	<u>423,248</u>
EXPENDITURES:	
Current:	
General government	207,969
Road Maintenance and Drainage	70,203
Capital Outlay	32,560
Interest on debt	2,450
Total expenditures	<u>313,182</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	110,066
FUND BALANCES - BEGINNING	<u>184,586</u>
FUND BALANCES - ENDING	<u>\$ 294,652</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, 2023

Net change in fund balances - total governmental funds (Exhibit D)		\$	110,066
<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	\$	32,560	
Depreciation		<u>(110,923)</u>	(78,363)
<p>Certain property tax revenues are deferred in the funds. This is the change in these amounts this year</p>			
			(461)
<p>Governmental funds report cash received on asset dispositions as income. However, in the statement of activities the gain is reported></p>			
Cash received		(9,009)	
Gain (loss) on disposition		<u>(9,360)</u>	(18,369)
<hr/>			
Change in net position of governmental activities (Exhibit B)		\$	<u>12,873</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*.

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 May 30, 2024 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 \$213,677 and the bank balance was \$217,600. 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, 2023.

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.

CITY OF PINE FOREST, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023

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, 2023.

The District's investments at September 31, 2023 are shown below:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average</u>
Investments not subject to categorization			
TexPool	136,137	136,137	20 days
Certificates of Deposit	-	-	-
Total Investments	<u>\$ 136,137</u>	<u>\$ 136,137</u>	

NOTE 3: RECEIVABLES

Receivables as of September 30, 2023 for the City are as follows:

<u>Type of Receivable</u>	<u>Governmental- Type Activities</u>
Property taxes	\$ 3,495
Allowance for uncollectibles	(582)
	<u>\$ 2,913</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2023 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	178,843	32,560	-	211,403
Total capital assets not being depreciated:	263,843	32,560	-	296,403
Capital assets being depreciated:				
Equipment	44,096	-	(31,046)	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:	3,983,887	-	(31,046)	3,952,841
Less accumulated depreciation:				
Equipment	(9,940)	(4,151)	12,677	(1,414)
Sewer and Land Improvements	(101,325)	(19,087)	-	(120,412)
Infrastructure	(2,007,019)	(74,334)	-	(2,081,353)
Buildings	(1,074)	(11,641)	-	(12,715)
Office furniture and equipment	(15,192)	(1,710)	-	(16,902)
Total accumulated depreciation	(2,134,550)	(110,923)	12,677	(2,232,796)
Total capital assets being depreciated, net	1,849,337	(110,923)	(18,369)	1,720,045
Governmental activities capital assets, net	\$ 2,113,180	\$ (78,363)	\$ (18,369)	\$ 2,016,448

Depreciation expense of the governmental activities charged to General Government was \$110,923.

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, 2023 was as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Governmental Activities:					
Short-term note payable					
Tax Anticipation Note,					
Series 2021A					
	4.00%	76,833	46,515	76,833	46,515
		\$ 76,833	\$ 46,515	\$ 76,833	\$ 46,515

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, 2023.

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 13,000	\$ 20,000	\$ 14,025	\$ (5,975)
Franchise fee income	12,000	12,000	27,209	15,209
Fees and permits	79,200	101,700	181,955	80,255
Sales tax	175,600	160,000	153,310	(6,690)
Grant income	-	-	34,792	34,792
Interest income and miscellaneous income	460	350	11,957	11,607
Total revenue	<u>280,260</u>	<u>294,050</u>	<u>423,248</u>	<u>129,198</u>
EXPENDITURES				
Current:				
General government	254,127	254,127	207,969	46,158
Public safety	4,100	4,100	-	4,100
Road maintenance and drainage	8,000	8,000	70,203	(62,203)
Capital outlay			32,560	(32,560)
Payments on debt	13,000	13,000	2,450	10,550
Total expenditures	<u>279,227</u>	<u>279,227</u>	<u>313,182</u>	<u>(33,955)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>1,033</u>	<u>14,823</u>	<u>110,066</u>	<u>95,243</u>
NET CHANGE IN FUND BALANCES				
	1,033	14,823	110,066	95,243
FUND BALANCES AT BEGINNING OF YEA				
	<u>184,586</u>	<u>184,586</u>	<u>184,586</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 185,619</u>	<u>\$ 199,409</u>	<u>\$ 294,652</u>	<u>\$ 95,243</u>

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