

CITY OF PINELAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

CITY OF PINELAND, TEXAS
Annual Financial Report
For the Year Ended December 31, 2023

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FINANCIAL SECTION



Certified Public Accountants

Goff & Herrington, P.C.

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineland, Texas (City), as of and for the year ended December 31, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 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's 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.

Independent Auditor's Report

Honorable Mayor and Members of City Council

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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's 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's 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 (pages 4-11), the budgetary comparison information (page 42), and the pension and other post-employment benefits (OPEB) schedules (pages 43-52) 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.

Independent Auditor's Report

Honorable Mayor and Members of City Council

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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's basic financial statements. The accompanying other schedules are presented for purposes of additional analysis and are 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 other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2024, on our consideration of the City's 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's 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's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

July 3, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pineland, Texas' annual financial report presents our narrative discussion and analysis of the City's financial activities for the year ended December 31, 2023. Please read it in conjunction with the City's financial statements, which immediately follow this section.

Financial Highlights

- The City's total net position was \$8,904,103 as of December 31, 2023. Of this amount, \$4,696,147 (unrestricted) may be used to meet the City's continuing obligations to citizens, customers and creditors.
- During the year ended December 31, 2023, the City's net position increased by \$1,142,063 from operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$956,254 or 92.30 percent of total general fund expenditures.

Overview of the Financial Statements

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The City's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the City wide statement of financial position presenting information that includes all of the City's assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non financial factors such as changes to the City's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the City's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, parks and recreation, and economic development. Business-type activities include water and sewer operations, natural gas utilities, solid waste collection and disposal, and airport operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 near-term cash inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds, the general fund, which is considered a major fund, and the library permanent fund. The City adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The library permanent fund is comprised of an endowment and earnings on the endowment investments to be used for the support of the Arthur Temple Sr. Memorial Library. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Proprietary funds - Proprietary funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses an enterprise fund (a type of proprietary fund) to account for its water and sewer operations, natural gas utilities, solid waste collection and disposal and airport operations.

Notes to the financial statements - The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes comparative financial information. Supplementary information follows the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceed liabilities by \$8,904,103 at the close of the fiscal year.

By far the largest portion of the City's net position (43.68 percent) reflects its investment in capital assets (land, buildings, utility systems, machinery and equipment). The City uses these assets to provide services to the citizens, consequently, these assets are not available for future spending.

The City's Net Position

| | Governmental | | Business-type | | Total | |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and Other Assets | 1,584,466 | 1,518,375 | 3,454,716 | 2,840,111 | 5,039,182 | 4,358,486 |
| Capital and Non-Current Assets | 1,834,236 | 1,806,344 | 2,344,462 | 2,148,283 | 4,178,698 | 3,954,627 |
| Total Assets | 3,418,702 | 3,324,719 | 5,799,178 | 4,988,394 | 9,217,880 | 8,313,113 |
| Deferred Outflows - TMRS | 96,225 | 25,625 | 113,500 | 28,895 | 209,725 | 54,520 |
| Total Deferred Outflows | 96,225 | 25,625 | 113,500 | 28,895 | 209,725 | 54,520 |
| Other Liabilities | 64,974 | 74,720 | 25,553 | 50,332 | 90,527 | 125,052 |
| Long Term Liabilities | 18,686 | 82,773 | 374,993 | 126,162 | 393,679 | 208,935 |
| Total Liabilities | 83,660 | 157,493 | 400,546 | 176,494 | 484,206 | 333,987 |
| Deferred Inflows - TMRS | 18,029 | 127,655 | 21,267 | 143,951 | 39,296 | 271,606 |
| Total Deferred Inflows | 18,029 | 127,655 | 21,267 | 143,951 | 39,296 | 271,606 |
| Net Position: | | | | | | |
| Net Investment in Capital | 1,816,367 | 1,598,608 | 2,073,386 | 1,914,027 | 3,889,753 | 3,512,635 |
| Restricted | 318,203 | 310,769 | - | - | 318,203 | 310,769 |
| Unrestricted | 1,278,668 | 1,155,819 | 3,417,479 | 2,782,817 | 4,696,147 | 3,938,636 |
| Total Net Position | <u>3,413,238</u> | <u>3,065,196</u> | <u>5,490,865</u> | <u>4,696,844</u> | <u>8,904,103</u> | <u>7,762,040</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted net position (\$4,696,147) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

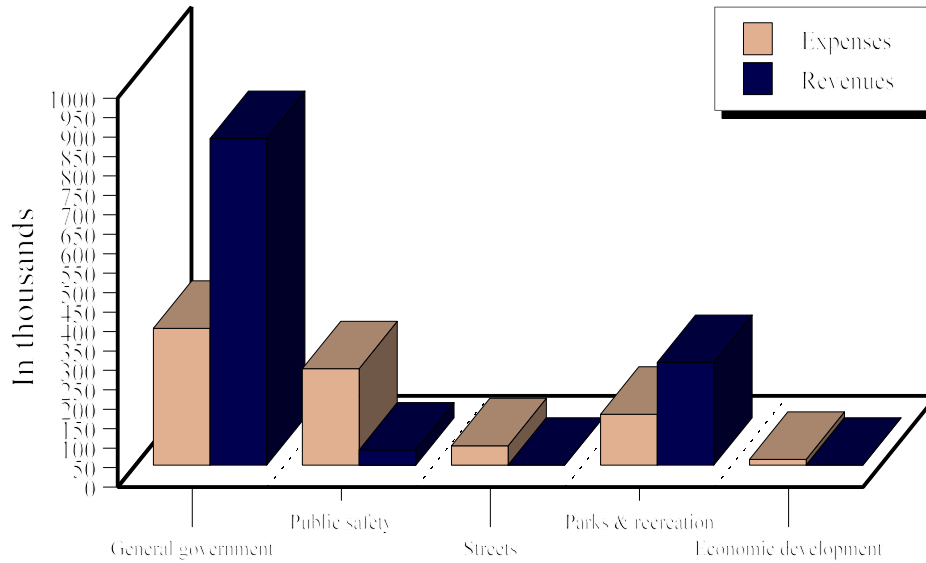
Changes in the City's Net Position

| | Governmental | | Business-type | | Total | |
|-------------------------------------|--------------|-----------|---------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | 53,441 | 57,024 | 1,720,538 | 1,405,160 | 1,773,979 | 1,462,184 |
| Operating grants and contributions | 249,998 | 260,095 | - | - | 249,998 | 260,095 |
| Capital grants and contributions | 255,760 | - | 117,772 | 372,586 | 373,532 | 372,586 |
| General Revenues: | | | | | | |
| Property taxes | 261,078 | 317,680 | - | - | 261,078 | 317,680 |
| Sales taxes | 264,395 | 317,827 | - | - | 264,395 | 317,827 |
| Franchise fees | 33,451 | 47,875 | - | - | 33,451 | 47,875 |
| Investment earnings | 18,220 | 13,280 | 39,016 | 13,292 | 57,236 | 26,572 |
| Miscellaneous | 7,585 | - | - | - | 7,585 | - |
| Total revenues | 1,143,928 | 1,013,781 | 1,877,326 | 1,791,038 | 3,021,254 | 2,804,819 |
| Expenses: | | | | | | |
| General government | 351,568 | 326,079 | - | - | 351,568 | 326,079 |
| Public safety | 247,808 | 250,934 | - | - | 247,808 | 250,934 |
| Streets | 50,452 | 52,748 | - | - | 50,452 | 52,748 |
| Parks and recreation | 131,225 | 101,170 | - | - | 131,225 | 101,170 |
| Economic development | 14,833 | 25,133 | - | - | 14,833 | 25,133 |
| Water | - | - | 343,332 | 276,259 | 343,332 | 276,259 |
| Sewer | - | - | 428,213 | 342,357 | 428,213 | 342,357 |
| Natural Gas | - | - | 158,553 | 149,730 | 158,553 | 149,730 |
| Solid Waste | - | - | 146,163 | 170,737 | 146,163 | 170,737 |
| Airport | - | - | 7,044 | 5,412 | 7,044 | 5,412 |
| Total expenses | 795,886 | 756,064 | 1,083,305 | 944,495 | 1,879,191 | 1,700,559 |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net position | 348,042 | 257,717 | 794,021 | 846,543 | 1,142,063 | 1,104,260 |
| Beginning net position | 3,065,196 | 2,807,479 | 4,696,844 | 3,850,301 | 7,762,040 | 6,657,780 |
| Ending net position | 3,413,238 | 3,065,196 | 5,490,865 | 4,696,844 | 8,904,103 | 7,762,040 |

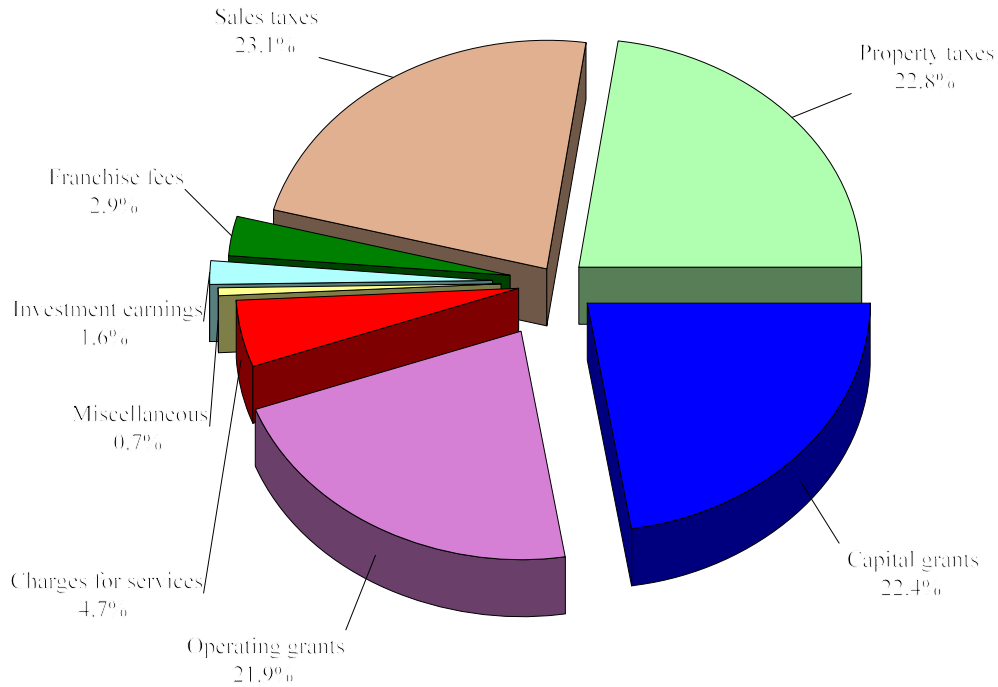
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the City's net position by \$348,042, contributing to the overall increase in the City's total net position.

Expenses and Revenues - Governmental Activities



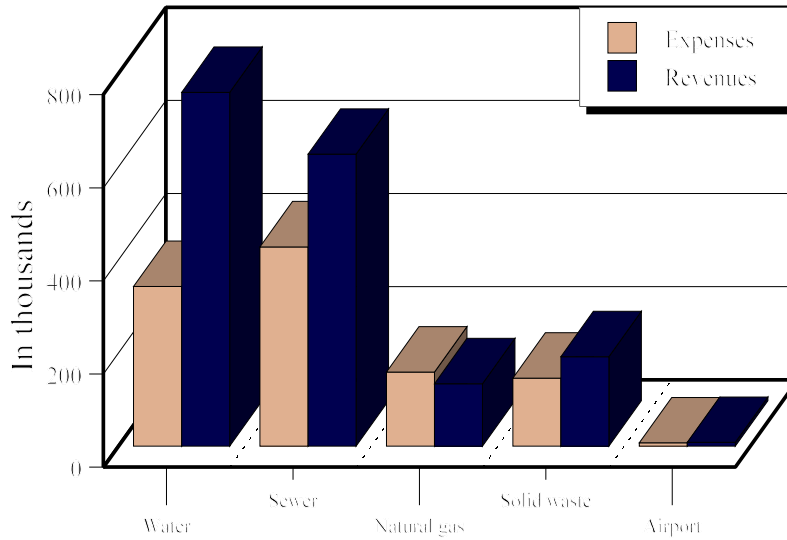
Revenues by Source - Governmental Activities



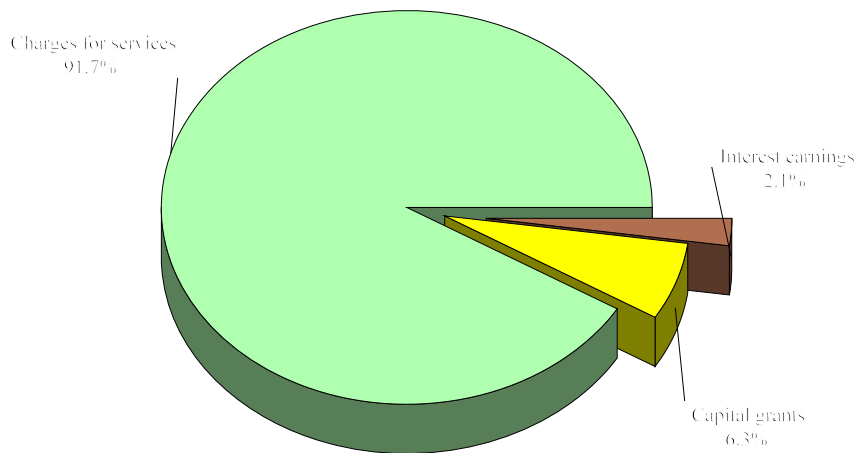
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities. Business-type activities increased the City's net position by \$794,021, contributing to the overall increase in the City's total net position

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the City's Funds

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the City’s governmental funds reported an ending fund balance of \$1,484,795, an increase of \$91,095 compared with the prior year. Of this balance, \$956,254 is unassigned, which is available for current expenditures.

Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary fund at the end of the year amounted to \$3,417,479.

General Fund Budgetary Highlights

Over the course of the year the City monitored its budget as actual results were analyzed. Actual expenditures were \$285,461 above the final budget amounts. The most significant negative variances was in the capital outlay function, as actual expenditures were more than anticipated.

There was a positive budget variance of \$376,759 in overall revenues, mostly due to excess grants and contributions received in 2023.

Capital Asset and Debt Administration

Capital Assets. At the end of the current fiscal year, the City’s investment in capital assets for its governmental and business-type activities amounts to \$4,139,753 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility systems and improvements, vehicles and equipment, airport facilities, and park facilities.

City’s Capital Assets (net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-----------|--------------------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | 197,667 | 188,667 | 13,289 | 13,289 | 210,956 | 201,956 |
| Building & improvements | 1,268,516 | 1,330,014 | 4,736 | 5,586 | 1,273,252 | 1,335,600 |
| Utility systems | - | - | 1,424,526 | 1,505,954 | 1,424,526 | 1,505,954 |
| Vehicles and equipment | 63,981 | 79,927 | 475,392 | 121,349 | 539,373 | 201,276 |
| Construction in progress | 286,203 | - | 405,443 | 267,849 | 691,646 | 267,849 |
| Net capital assets | 1,816,367 | 1,598,608 | 2,323,386 | 1,914,027 | 4,139,753 | 3,512,635 |

The 2024 budget does not include any significant capital outlays. More detailed information about the City’s capital assets is presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt. In prior years, the city reached various agreements with the Texas Comptroller of Public Accounts regarding repayment to the Comptroller for local sales and use tax paid to the City in error in prior years. During the year ended December 31, 2023, the City paid back all outstanding amounts and there is no balance due to the Comptroller at December 31, 2023.

During the year ended December 31, 2023, the City borrowed funds from the Government Capital Corporation to purchase heavy machinery. The total loan was \$250,000 and will be paid back in annual installments of \$24,494, including interest. The interest rate on the loan is fixed at 5.25%. The total amount outstanding on this loan at December 31, 2023 was \$250,000.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the 2024 budget, including property tax valuations and rates, estimated sales tax receipts, and fees that will be charged for business-type activities. The City estimates General Fund revenues to decrease by 29.14% compared to actual 2023 results, mostly due to grants and contributions received in 2023 that are not expected in 2024. The City expects System Fund operating revenues to decrease by 24.65% from 2023 actuals, also due to grant receipts in 2023 that are not expected in 2024.

The 2024 General Fund operating expenditure budget is expected to decrease by 16.51% compared to 2023 actual results.

The 2024 System Fund operating expense budget, without depreciation on capital assets acquired with grant funds, is expected to decrease 16.03% compared to 2023 actual results.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease and the System Fund reserves are expected to increase by the close of 2023.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Pineland's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the City Secretary, P. O. Box 6, Pineland, Texas, 75968.

Government-Wide Financial Statements

CITY OF PINELAND, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Primary Government | | |
|---|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | 948,268 | 2,155,290 | 3,103,558 |
| Investments | 593,005 | 1,086,532 | 1,679,537 |
| Due from other funds | - | 51,212 | 51,212 |
| Property tax receivable (net) | 34,697 | - | 34,697 |
| Accounts receivable | - | 155,487 | 155,487 |
| Prepays and other assets | 8,496 | 6,195 | 14,691 |
| Net pension asset | 17,869 | 21,076 | 38,945 |
| Capital Assets (net of accumulated depreciation): | | | |
| Land | 197,667 | 13,289 | 210,956 |
| Other capital assets, net of depreciation | 1,618,700 | 2,310,097 | 3,928,797 |
| Total assets | 3,418,702 | 5,799,178 | 9,217,880 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - TMRS Pension | 91,999 | 108,515 | 200,514 |
| Deferred outflows - TMRS OPEB | 4,226 | 4,985 | 9,211 |
| Total deferred outflows | 96,225 | 113,500 | 209,725 |
| LIABILITIES | | | |
| Accounts payable | - | 25,416 | 25,416 |
| Due to other funds | 51,212 | - | 51,212 |
| Accrued expenses | 13,762 | 137 | 13,899 |
| Long-term Liabilities: | | | |
| Customer meter deposits | - | 102,953 | 102,953 |
| Net OPEB liability | 18,686 | 22,040 | 40,726 |
| Long-term debt, due within one year | - | 11,369 | 11,369 |
| Long-term debt, due after one year | - | 238,631 | 238,631 |
| Total liabilities | 83,660 | 400,546 | 484,206 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - TMRS Pension | 10,493 | 12,377 | 22,870 |
| Deferred inflows - TMRS OPEB | 7,536 | 8,890 | 16,426 |
| Total deferred inflows | 18,029 | 21,267 | 39,296 |
| NET POSITION | | | |
| Net investment in capital assets | 1,816,367 | 2,073,386 | 3,889,753 |
| Restricted | 318,203 | - | 318,203 |
| Unrestricted | 1,278,668 | 3,417,479 | 4,696,147 |
| Total net position | 3,413,238 | 5,490,865 | 8,904,103 |

See accompanying notes to the financial statements

**CITY OF PINELAND, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

| Functions/Programs | Program Revenues | | | |
|--------------------------------|------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | 351,568 | 42 | - | 255,760 |
| Public safety | 247,808 | 39,431 | - | - |
| Streets | 50,452 | - | - | - |
| Parks and recreation | 131,225 | 13,968 | 249,998 | - |
| Economic development | 14,833 | - | - | - |
| Debt service | - | - | - | - |
| Total governmental activities | 795,886 | 53,441 | 249,998 | 255,760 |
| Business-type activities: | | | | |
| Water | 343,332 | 759,991 | - | - |
| Sewer | 428,213 | 626,794 | - | 117,772 |
| Natural Gas | 158,553 | 134,461 | - | - |
| Solid Waste | 146,163 | 191,716 | - | - |
| Airport | 7,044 | 7,576 | - | - |
| Total business-type activities | 1,083,305 | 1,720,538 | - | 117,772 |
| | 1,879,191 | 1,773,979 | 249,998 | 373,532 |

General revenues:
Property taxes
Sales taxes
Franchise fees
Investment earnings
Miscellaneous
Other funding sources
Transfers in (out)
Total general revenues and transfers
Change in net

Net position, beginning

Net position, ending

See accompanying notes to the financial statements

Net (Expense) Revenues and
Changes in Net Position

| Governmental Activities | Business Activities | Total |
|----------------------------|------------------------|-----------|
| (95,766) | - | (95,766) |
| (208,377) | - | (208,377) |
| (50,452) | - | (50,452) |
| 132,741 | - | 132,741 |
| (14,833) | - | (14,833) |
| - | - | - |
| (236,687) | - | (236,687) |
| - | 416,659 | 416,659 |
| - | 316,353 | 316,353 |
| - | (24,092) | (24,092) |
| - | 45,553 | 45,553 |
| - | 532 | 532 |
| - | 755,005 | 755,005 |
| (236,687) | 755,005 | 518,318 |
| 261,078 | - | 261,078 |
| 264,395 | - | 264,395 |
| 33,451 | - | 33,451 |
| 18,220 | 39,016 | 57,236 |
| 7,585 | - | 7,585 |
| - | - | - |
| - | - | - |
| 584,729 | 39,016 | 623,745 |
| 348,042 | 794,021 | 1,142,063 |
| 3,065,196 | 4,696,844 | 7,762,040 |
| 3,413,238 | 5,490,865 | 8,904,103 |

See accompanying notes to the financial statements

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Fund Financial Statements

**CITY OF PINELAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

| | General Fund | Library Permanent Fund | Total Governmental Funds |
|--|-------------------------|---------------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | 948,268 | - | 948,268 |
| Investments | 274,802 | 318,203 | 593,005 |
| Property tax receivable (net) | 34,697 | - | 34,697 |
| Prepays and other assets | 8,496 | - | 8,496 |
| Total assets | 1,266,263 | 318,203 | 1,584,466 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | - | - | - |
| Due to other funds | 51,212 | - | 51,212 |
| Accrued liabilities | 13,762 | - | 13,762 |
| Total liabilities | 64,974 | - | 64,974 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue - property taxes | 34,697 | - | 34,697 |
| Total deferred inflows | 34,697 | - | 34,697 |
| Fund balances: | | | |
| Nonspendable Fund Balance: | | | |
| Prepaid items | 8,496 | - | 8,496 |
| Library endowment | - | 300,000 | 300,000 |
| Restricted Fund Balance: | | | |
| Restricted for library operations | - | 18,203 | 18,203 |
| Committed Fund Balance: | | | |
| Committed for fire department operations | 19,443 | - | 19,443 |
| Committed for park improvements | - | - | - |
| Committed for library operations | 182,399 | - | 182,399 |
| Unassigned Fund Balance | 956,254 | - | 956,254 |
| Total fund balances | 1,166,592 | 318,203 | 1,484,795 |
| Total liabilities, deferred inflows, and fund balances | 1,266,263 | 318,203 | 1,584,466 |

See accompanying notes to the financial statements

**CITY OF PINELAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

| | |
|--|-------------------------|
| Total fund balances - governmental funds | 1,484,795 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,631,992 and the accumulated depreciation was \$4,033,384. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position. | 1,598,608 |
| Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays, less current year depreciation is to increase (decrease) net position. | 217,759 |
| Long-term debt is reported in the government-wide statement of net position, but does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds. | - |
| Included in the noncurrent assets is the recognition of the City's proportionate share of the net asset required by GASB 68 in the amount of \$17,896, a Deferred Resource Outflow in the amount of \$91,999, and a Deferred Inflow in the amount of \$10,493. This amounted to an increase in Net Position in the amount of \$99,375. | 99,375 |
| Included in the noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$18,686, a Deferred Resource Outflow in the amount of \$4,226, and a Deferred Inflow in the amount of \$7,536. This amounted to a decrease in Net Position in the amount of \$21,996. | (21,996) |
| Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds. | <u>34,697</u> |
| Net position of governmental activities | <u><u>3,413,238</u></u> |

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| REVENUES | General Fund | Library Permanent Fund | Total Governmental Funds |
|---|-------------------------|---------------------------------------|---|
| Taxes: | | | |
| Sales taxes | 232,281 | - | 232,281 |
| Franchise fees | 33,451 | - | 33,451 |
| Ad valorem | 276,336 | - | 276,336 |
| Fines | 39,431 | - | 39,431 |
| Charges for services | 14,010 | - | 14,010 |
| Interest income | 10,786 | 7,434 | 18,220 |
| Operating grants and contributions | 505,758 | - | 505,758 |
| Miscellaneous | 7,585 | - | 7,585 |
| Total revenues | 1,119,638 | 7,434 | 1,127,072 |
| | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General government: | | | |
| Finance and administration | 339,144 | - | 339,144 |
| Public safety: | | | |
| Fire | 54,198 | - | 54,198 |
| Police | 182,463 | - | 182,463 |
| Streets | 56,978 | - | 56,978 |
| Parks and recreation | 72,510 | - | 72,510 |
| Debt service | 24,135 | - | 24,135 |
| Capital outlay | 306,549 | - | 306,549 |
| Total expenditures | 1,035,977 | - | 1,035,977 |
| | | | |
| Excess (deficiency) of revenues over expenditures | 83,661 | 7,434 | 91,095 |
| | | | |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources and uses | - | - | - |
| | | | |
| Net change in fund balances | 83,661 | 7,434 | 91,095 |
| | | | |
| Fund balance - beginning | 1,082,931 | 310,769 | 1,393,700 |
| Fund balance - ending | 1,166,592 | 318,203 | 1,484,795 |

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|--|-----------------------|
| Net change in fund balances - governmental funds | 91,095 |
| Current year capital outlays are expenditures in the governmental fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year outlays is to increase net position. | 383,903 |
| Depreciation is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (166,144) |
| Current year debt payments are expenditures in the governmental fund financial statements but they should be shown as reductions of long-term debt in the government-wide financial statements. The effect of removing the current year debt is to increase net position. | 56,249 |
| The City recorded their share of the pension expense as part of GASB 68 requirement to record the net pension asset/liability. The effect of recording the current year pension expense decreased the net position. | (3,487) |
| The City recorded their share of the OPEB expense as part of GASB 75 requirement to record the net OPEB asset/liability. The effect of recording the current year OPEB expense decreased the net position. | (1,670) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and the change in accrued liabilities for net pension obligation. The net effect of these reclassifications is to increase (decrease) net position. | <u>(11,904)</u> |
| Change in net position of governmental activities | <u><u>348,042</u></u> |

See accompanying notes to the financial statements

**CITY OF PINELAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2023**

ASSETS

Current assets:

| | |
|---------------------------|-----------|
| Cash and cash equivalents | 2,155,290 |
| Investments | 1,086,532 |
| Accounts receivable | 155,487 |
| Other current assets | 6,195 |
| Due from other funds | 51,212 |
| Total current assets | 3,454,716 |

Noncurrent assets:

| | |
|---|-----------|
| Net pension asset | 21,076 |
| Land | 13,289 |
| Other capital assets, net of depreciation | 2,310,097 |
| Total noncurrent assets | 2,344,462 |

Total assets

5,799,178

DEFERRED OUTFLOWS OF RESOURCES

| | |
|----------------------------------|---------|
| Deferred outflows - TMRS Pension | 108,515 |
| Deferred outflows - TMRS OPEB | 4,985 |

Total deferred outflows

113,500

Total assets and deferred outflows

5,912,678

LIABILITIES

Current liabilities:

| | |
|-----------------------------------|--------|
| Accounts payable | 25,416 |
| Accrued liabilities | 137 |
| Current portion of long-term debt | 11,369 |
| Total current liabilities | 36,922 |

Noncurrent liabilities:

| | |
|------------------------------|---------|
| Customer deposits | 102,953 |
| Long-term debt | 238,631 |
| Net OPEB liability | 22,040 |
| Total noncurrent liabilities | 363,624 |

Total liabilities

400,546

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------------------|--------|
| Deferred inflows - TMRS Pension | 12,377 |
| Deferred inflows - TMRS OPEB | 8,890 |

Total deferred inflows

21,267

NET POSITION

| | |
|----------------------------------|-----------|
| Net investment in capital assets | 2,073,386 |
| Unrestricted | 3,417,479 |

Total net position

5,490,865

Total liabilities, deferred inflows, and net position

5,912,678

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUES

| | |
|------------------------------------|------------------|
| Operating revenues: | |
| Water sales | 738,568 |
| Sewer charges | 606,422 |
| Gas sales | 114,588 |
| Sanitation charges | 191,716 |
| Operating grants and contributions | 117,772 |
| Other services | 69,244 |
| Total operating revenues | <u>1,838,310</u> |

EXPENSES

| | |
|--------------------------|------------------|
| Operating expenses: | |
| Personnel | 417,366 |
| Cost of services | 161,470 |
| Materials and supplies | 141,785 |
| Utilities | 62,585 |
| Maintenance and repairs | 33,318 |
| Contractual services | 25,982 |
| Other operating expenses | 24,555 |
| Depreciation | 210,437 |
| Total operating expenses | <u>1,077,498</u> |

| | |
|-------------------------|---------|
| Operating income (loss) | 760,812 |
|-------------------------|---------|

OTHER REVENUES & EXPENSES

| | |
|-----------------------------------|--------------|
| Nonoperating revenues (expenses): | |
| Interest income | 39,016 |
| Pension benefit (expense) | (5,563) |
| OPEB benefit (expense) | <u>(244)</u> |

| | |
|---------------------------------------|--------|
| Total nonoperating revenue (expenses) | 33,209 |
|---------------------------------------|--------|

| | |
|------------------------|---------|
| Change in net position | 794,021 |
|------------------------|---------|

| | |
|--------------------------------|------------------|
| Total net position - beginning | <u>4,696,844</u> |
|--------------------------------|------------------|

| | |
|-----------------------------|-------------------------|
| Total net position - ending | <u><u>5,490,865</u></u> |
|-----------------------------|-------------------------|

**CITY OF PINELAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

| | |
|--|-----------|
| Cash flows from operating activities: | |
| Receipts from customers | 1,714,172 |
| Payments to suppliers and contractors | (474,718) |
| Payments to employees | (426,250) |
| Net cash provided by operating activities | 813,204 |
| Cash flows from capital and related financing activities: | |
| Proceeds form issuance of long-term debt | 250,000 |
| Proceeds from capital grants | 117,772 |
| Purchases of capital assets | (619,796) |
| Net cash used for capital activities | (252,024) |
| Cash flows from investing activities: | |
| Interest received | 11,332 |
| Net cash provided by investing activities | 11,332 |
| Net increase in cash and cash equivalents | 572,512 |
| Cash and cash equivalents, beginning | 1,582,778 |
| Cash and cash equivalents, ending | 2,155,290 |
| Reconciliation of operating income to net cash provided by operating | |
| Operating income | 643,040 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 210,437 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (13,068) |
| (Increase) decrease in other current assets | (1,341) |
| Increase (decrease) in accounts payable | (23,682) |
| Increase (decrease) in accrued liabilities | (8,884) |
| Increase (decrease) in customer meter deposits | 6,702 |
| Net cash provided by operating activities | 813,204 |

See accompanying notes to the financial statements

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CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Pineland, Texas, (City) operates under Section 4, Article XI of the Texas constitution as a general law city. The City is governed by a Mayor and five council members. The accompanying financial statements present the City's primary government which includes all functions for which the City's mayor and council exercise significant influence and are financially accountable. Significant influence or accountability is based on any budget adoption, rate setting, taxing authority, outstanding debt secured by the City to finance any deficits that may occur, and receipt of significant subsidies from the City.

Government-wide and Fund Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed in the government-wide financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. 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 and 2) grants and contributions that are committed to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be 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 expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. 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:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

Permanent Fund - The Arthur Temple Sr. Memorial Library permanent fund is used to account for an endowment to support the library operations.

The City reports the following major proprietary funds:

System Fund - The System Fund accounts for the activities of the City's water and sewer services, natural gas utilities, solid waste collection and disposal, and airport operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal operations. The principal operating revenues of the System Fund are charges to customers for sales and services. The System Fund also recognizes as operating revenues tap fees intended to recover the cost of connecting new customers to the system.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Operating expenses for the System Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budget - Annual appropriated budgets are adopted for the General Fund and System Fund. All annual appropriation lapse at year end. The General Fund budget presented includes any approved amendments.

Deposits and Investments - The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at cost, which approximates market.

Short-term Interfund Receivables/Payables - During the course of operations, transactions occur between individual funds for advances or for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds.

Inventory of Supplies - Inventory of supplies consist primarily of supplies held for consumption stated at cost, which approximates market. Inventory is expended at the time the individual items are used or consumed. Inventory had been fully expended at year end.

Committed Assets - Certain resources set aside for library operations, park improvements, and public safety operations are classified as committed assets, because use is limited by City Council authorization.

Capital assets - Capital assets, which includes land, utility systems, buildings, improvements, vehicles and equipment, are reported in the applicable governmental or business-types activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchases or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided on all capital assets used by governmental and business type activities over the estimated life of the asset using the straight-line method. The estimated useful lives are:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Buildings and other improvements | 20-30 |
| Utility distribution systems and improvements | 10-50 |
| Vehicles and equipment | 5-10 |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net Position and Fund Balance - Net position reported in the statement of net position include components that are committed for capital improvements and operations. Unreserved fund balance in the governmental fund financial statements represents that portion of fund balance that is available for budgeting for future periods.

Fund Balance Policy - The City reports fund balances for governmental funds in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or “must be maintained intact” and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the City Council.

The City’s committed fund balances represent resources committed for parks and library improvements as well as fire department operations.

Compensated Absences - The City accounts for expenditures related to sick pay when payments are made to employees as amounts do not vest beyond the City’s year end. Vacation pay benefits do not accumulate beyond each employee’s anniversary date.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Other Post-Employment Benefits (OPEB) - The fiduciary net position of the TMRS Supplemental Death and Disability Plan (SDD) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the TMRS SDD Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Interfund Transactions - Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows - For the purposes of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Subsequent Events - Management has evaluated subsequent events through July 3, 2024, which is the date that these financial statements were available to be issued.

DEPOSITS AND INVESTMENTS

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

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The City is in substantial compliance with the requirements of the Act and with local policies, except as identified below.

In compliance with the Public Funds Investments Act, the City has adopted a deposit and investment policy. At December 31, 2023, the City did not have a formal depository contract in place with the City's agent bank.

The following are disclosed concerning risks:

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfil its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City was not exposed to credit risk at December 31, 2023.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's cash deposits at December 31, 2023 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. As of December 31, 2023, the bank balances of the City's deposits (demand and certificates) were \$4,810,625.

| | |
|------------------------------------|-----------------------|
| Cash in Banks at 12/31/2023 | 4,810,625 |
| FDIC Insurance | 750,000 |
| NCAU Insurance | 250,000 |
| Market value of securities pledged | <u>4,672,620</u> |
| Total Coverage | <u>5,672,620</u> |
| Over (under) collateralized | <u><u>861,995</u></u> |

The City has not experienced any losses in such accounts and believes that it is not exposed to any significant financial risk on cash.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The City was not exposed to concentration of credit risk at December 31, 2023.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk at December 31, 2023.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City was not exposed to foreign currency risk at December 31, 2023.

The City’s temporary investments in operating accounts as of December 31, 2023 were in the certificates of deposit at the City’s depository bank with a carrying amount and market value of \$1,005,171, and certificates of deposit at other local banks with a carrying amount and market value of \$356,162. The City’s restricted investments, which consists of the Arthur Temple Sr. Memorial Library Fund, were invested in a multi-year guaranteed annuity with a carrying amount and market value of \$318,204.

RESTRICTED ASSETS

At December 31, 2023, the City’s restricted assets consisted of the following:

| | |
|--|----------------|
| Arthur Temple Sr. Memorial Library Endowment | 300,000 |
| | <u>300,000</u> |

RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

The System Fund’s significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. Customer accounts receivable are reported net of an allowance for uncollectible accounts. The allowance amount is estimated based on the City’s past experience with collections and is estimated at \$17,126 as of December 31, 2023.

PROPERTY TAXES

Property taxes are collected and remitted to the City by the Sabine County Tax Assessor Collector. The City recognizes property tax revenue based on the property assessments made January 1 in the preceding fiscal year. Property tax statements are typically mailed October 1 and taxes are considered delinquent as of February 1. Deferred inflows of resources are recorded for property taxes receivable in excess of the amount considered available for the current period.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| Governmental Activities: | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|---|------------------------------|-----------------------|-------------------------------------|---------------------------|
| Land | 188,667 | 9,000 | - | 197,667 |
| Buildings and improvements | 4,390,829 | 72,309 | (347,591) | 4,115,547 |
| Vehicles and equipment | 1,052,496 | 16,391 | (34,067) | 1,034,820 |
| Construction in progress | - | 286,203 | - | 286,203 |
| Totals at cost | <u>5,631,992</u> | <u>383,903</u> | <u>(381,658)</u> | <u>5,634,237</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 3,060,815 | 133,807 | (347,591) | 2,847,031 |
| Vehicles and equipment | 972,569 | 32,337 | (34,067) | 970,839 |
| Total accumulated depreciation | <u>4,033,384</u> | <u>166,144</u> | <u>(381,658)</u> | <u>3,817,870</u> |
| Governmental activities capital assets, net | <u><u>1,598,608</u></u> | <u><u>217,759</u></u> | <u><u>-</u></u> | <u><u>1,816,367</u></u> |

| Business-type Activities: | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|--|------------------------------|-----------------------|-------------------------------------|---------------------------|
| Land | 13,289 | - | - | 13,289 |
| Buildings and improvements | 426,283 | - | - | 426,283 |
| Utility systems and improvements | 5,118,363 | 67,750 | - | 5,186,113 |
| Vehicles and equipment | 428,275 | 414,452 | (48,900) | 793,827 |
| Construction in progress | 267,849 | 137,594 | - | 405,443 |
| Totals at cost | <u>6,254,059</u> | <u>619,796</u> | <u>(48,900)</u> | <u>6,824,955</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 420,697 | 850 | - | 421,547 |
| Utility system and improvements | 3,612,409 | 149,178 | - | 3,761,587 |
| Vehicles and equipment | 306,926 | 60,409 | (48,900) | 318,435 |
| Total accumulated depreciation | <u>4,340,032</u> | <u>210,437</u> | <u>(48,900)</u> | <u>4,501,569</u> |
| Business-type activities capital assets, net | <u><u>1,914,027</u></u> | <u><u>409,359</u></u> | <u><u>-</u></u> | <u><u>2,323,386</u></u> |

Depreciation expense was charged to functions of the City as follows:

| | |
|---|-----------------------|
| Governmental activities: | |
| General government | 10,621 |
| Public safety | 24,551 |
| Streets | 40,057 |
| Economic development | 14,833 |
| Parks and recreation | <u>76,082</u> |
| Total depreciation expense - governmental activities | <u><u>166,144</u></u> |
| Business-type activities: | |
| Water | 71,215 |
| Sewer | 118,513 |
| Natural Gas | 19,859 |
| Airport | <u>850</u> |
| Total depreciation expense - business-type activities | <u><u>210,437</u></u> |

LONG-TERM DEBT

In prior years, the city reached various agreements with the Texas Comptroller of Public Accounts regarding repayment to the Comptroller for local sales and use tax paid to the City in error in prior years. During the year ended December 31, 2023, the City paid back all outstanding amounts and there is no balance due to the Comptroller at December 31, 2023.

During the year ended December 31, 2023, the City borrowed funds from the Government Capital Corporation to purchase heavy machinery. The total loan was \$250,000 and will be paid back in annual installments of \$24,494, including interest. The interest rate on the loan is fixed at 5.25%. The total amount outstanding on this equipment loan at December 31, 2023 was \$250,000.

Long-term debt activity for the year ended December 31, 2023 was as follows:

| | Beginning Balance | Additions | Payments/ Adjustments | Ending Balance |
|----------------------------------|----------------------|----------------|--------------------------|-------------------|
| Governmental Activities: | | | | |
| Payable to State Comptroller | <u>56,249</u> | <u>-</u> | <u>56,249</u> | <u>-</u> |
| Business-type Activities: | | | | |
| Equipment loan | <u>-</u> | <u>250,000</u> | <u>-</u> | <u>250,000</u> |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The annual debt service requirements to maturity for the City’s long-term debt as of December 31, 2023, is as follows:

| <u>Year ended December 31,</u> | |
|---------------------------------------|-----------------------|
| 2024 | 11,369 |
| 2025 | 11,966 |
| 2026 | 12,594 |
| 2027 | 13,256 |
| 2028 | 13,952 |
| Thereafter | <u>186,863</u> |
| | <u><u>250,000</u></u> |

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers’ compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of \$1,100,000.

The City maintains other risks of loss coverage with various insurance companies. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. There have been no significant reductions in insurance coverage. Settled claims have not exceeded the commercial coverage during the current fiscal year.

COMMITMENTS AND CONTINGENCIES

Grants

Intergovernmental grants received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of City management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of December 31, 2023.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 919 plans in the defined benefit cash balanced pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tMrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Inactive employees entitled to but not yet receiving benefits | 12 |
| Active employees | <u>10</u> |
| | 30 |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.22% and 3.40% in calendar years 2023 and 2022, respectively. The city's contributions to TMRS's pension plan for the year ended December 31, 2023 was \$12,534, which equated the required contributions.

Net Pension Asset/Liability

The city's Net Pension Asset/Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset/Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall Payroll Growth | 2.75 % per year, adjusted down for population declines (if any) |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Global Equity | 35.00% | 7.70% |
| Core Fixed Income | 6.00% | 4.90% |
| Non-Core Fixed Income | 20.00% | 8.70% |
| Real Return | 12.00% | 8.10% |
| Real Estate | 12.00% | 5.80% |
| Absolute Return | 5.00% | 6.90% |
| Private Equity | 10.00% | 11.80% |
| Total | 100.00% | |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Asset/Liability

| | Increase (Decrease) | | |
|---|--------------------------------------|--|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension (Asset) Liability (a) - (b) |
| Balance at 12/31/2021 | \$2,207,264 | \$ 2,649,256 | \$ (441,992) |
| Changes for the year: | | | |
| Service cost | 43,221 | - | 43,221 |
| Interest | 145,998 | - | 145,998 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual expense | 55,194 | - | 55,194 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 13,811 | (13,811) |
| Contributions - employee | - | 20,310 | (20,310) |
| Net investment income | - | (193,080) | 193,080 |
| Benefit payments, including refunds of employee | | | |
| Contributions | (131,872) | (131,872) | - |
| Administrative expense | - | (1,672) | 1,672 |
| Other charges | - | 1,997 | (1,997) |
| Net Changes | 112,541 | (290,506) | 403,047 |
| Balance at 12/31/2022 | \$2,319,805 | \$ 2,358,750 | \$ (38,945) |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Sensitivity of the net pension asset/liability to changes in the discount rate.

The following presents the net pension (asset)liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension (asset)liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|-------------------------------------|--|--------------------------|--|
| City’s Net Pension (Asset)Liability | \$ 219,861 | \$ (38,945) | \$ (256,430) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended December 31, 2023, the City recognized pension expense of \$14,801.

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | 29,039 | 22,870 |
| Changes in actuarial assumptions | 14 | - |
| Difference between projected and actual investment earnings | 158,927 | - |
| Contributions subsequent to measurement date | 12,534 | - |
| Total | \$ 200,514 | \$ 22,870 |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The amount of \$12,534 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | |
|-------------------------|----------------|
| 2023 | (14,814) |
| 2024 | 49,852 |
| 2025 | 55,692 |
| 2026 | 74,380 |
| 2027 | - |
| Thereafter | - |
| | <u>165,110</u> |

POST EMPLOYMENT-BENEFIT OTHER THAN PENSIONS (OPEB)

Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Benefits provided

TMRS provides supplemental death benefits for retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 7 |
| Inactive employees entitled to but not yet receiving benefits | 2 |
| Active employees | <u>10</u> |
| | 19 |

Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City was 0.55% and 0.39% in calendar years 2023 and 2022, respectively. The city’s contributions to TMRS’s SDD plan for the year ended December 31, 2023, was \$2,141, which equated the required contributions .

Net OPEB Liability

The City’s net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------|---------------------------------------|
| Inflation | 2.50% per year |
| Overall Payroll Growth | 3.50% to 11.50% , including inflation |
| Discount Rate* | 4.05% |

**The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2022.*

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Discount rate

The discount rate used to measure the total OPEB liability was 4.05 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current, active, and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Asset/Liability

| | Increase (Decrease) | | |
|---|-----------------------------------|---|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB (Asset) Liability (a) - (b) |
| Balance at 12/31/2021 | \$ 56,435 | \$ - | \$ 56,435 |
| Changes for the year: | | | |
| Service cost | 1,747 | - | 1,747 |
| Interest | 1,043 | - | 1,043 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual expense | (227) | - | (227) |
| Changes of assumptions | (16,972) | - | (16,972) |
| Contributions - employer | - | 1,300 | (1,300) |
| Contributions - employee | - | - | - |
| Net investment income | - | - | - |
| Benefit payments, including refunds of employee | | | |
| Contributions | (1,300) | (1,300) | - |
| Administrative expense | - | - | - |
| Other charges | - | - | - |
| Net Changes | (15,709) | - | (15,709) |
| Balance at 12/31/2022 | \$ 40,726 | \$ - | \$ 40,726 |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00 percent) or 1-percentage-point higher (3.00 percent) than the current discount rate:

| | 1% Decrease in Discount Rate (3.05%) | Discount Rate (4.05%) | 1% Increase in Discount Rate (5.05%) |
|----------------------------------|--|--------------------------|--|
| City’s Net OPEB (Asset)Liability | \$ 47,358 | \$ 40,726 | \$ 35,436 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the City recognized an OPEB benefit of \$587.

At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | 1,006 | 2,670 |
| Changes in actuarial assumptions | 6,064 | 13,756 |
| Difference between projected and actual investment earnings | - | - |
| Contributions subsequent to measurement date | 2,141 | - |
| Total | \$ 9,211 | \$ 16,426 |

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

The amount of \$2,141 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | |
|-------------------------|-----------------|
| 2023 | (8,925) |
| 2024 | (13,640) |
| 2025 | (6,383) |
| 2026 | - |
| 2027 | - |
| Thereafter | - |
| | <u>(28,948)</u> |

Required Supplementary Schedules

**CITY OF PINELAND, TEXAS
 BUDETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|-------------------------|------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Sales taxes | 150,000 | 150,000 | 232,281 | 82,281 |
| Franchise taxes | 45,000 | 45,000 | 33,451 | (11,549) |
| Ad valorem | 329,585 | 329,585 | 276,336 | (53,249) |
| Licenses and permits | 500 | 500 | - | (500) |
| Fines | 30,400 | 30,400 | 39,431 | 9,031 |
| Charges for services | 10,100 | 10,100 | 14,010 | 3,910 |
| Miscellaneous revenues | 794 | 794 | 7,585 | 6,791 |
| Interest income | 1,500 | 1,500 | 10,786 | 9,286 |
| Operating grants and contributions | 175,000 | 175,000 | 505,758 | 330,758 |
| Capital grants and contributions | - | - | - | - |
| Total revenues | <u>742,879</u> | <u>742,879</u> | <u>1,119,638</u> | <u>376,759</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Finance and administration | 374,181 | 374,181 | 339,144 | 35,037 |
| Public safety | | | | |
| Fire | 51,800 | 51,800 | 54,198 | (2,398) |
| Police | 176,335 | 176,335 | 182,463 | (6,128) |
| Streets | 60,000 | 60,000 | 56,978 | 3,022 |
| Parks and recreation | 74,500 | 74,500 | 72,510 | 1,990 |
| Debt service | 13,700 | 13,700 | 24,135 | (10,435) |
| Capital outlay | - | - | 306,549 | (306,549) |
| Total expenditures | <u>750,516</u> | <u>750,516</u> | <u>1,035,977</u> | <u>(285,461)</u> |
| Excess (deficiency) of revenues over expenditures | (7,637) | (7,637) | 83,661 | 91,298 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund | (7,637) | (7,637) | 83,661 | 91,298 |
| Fund balance - beginning | 1,082,931 | 1,082,931 | 1,082,931 | - |
| Fund balance - ending | <u>1,075,294</u> | <u>1,075,294</u> | <u>1,166,592</u> | <u>91,298</u> |

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

| | FY 2023 | FY 2022 | FY 2021 |
|--|----------------------------|----------------------------|----------------------------|
| | Plan Yr 2022 | Plan Yr 2021 | Plan Yr 2020 |
| TOTAL PENSION LIABILITY | | | |
| Service cost | \$ 43,221 | \$ 37,822 | \$ 37,965 |
| Interest (on the Total Pension Liability) | 145,998 | 140,293 | 142,117 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | 55,194 | 37,337 | (13,755) |
| Changes in assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (131,872) | (135,378) | (251,189) |
| Net Change in Total Pension Liability | <u>112,541</u> | <u>80,074</u> | <u>(84,862)</u> |
| Total Pension Liability - Beginning | 2,207,264 | 2,127,190 | 2,212,052 |
| Total Pension Liability - Ending (a) | <u><u>\$ 2,319,805</u></u> | <u><u>\$ 2,207,264</u></u> | <u><u>\$ 2,127,190</u></u> |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions: | | | |
| Employer | \$ 13,811 | \$ 14,210 | \$ 22,307 |
| Employee | 20,310 | 17,773 | 17,874 |
| Net investment income | (193,080) | 317,393 | 186,888 |
| Benefit payments, including refund of employee contributions | (131,872) | (135,378) | (251,189) |
| Administrative expense | (1,672) | (1,470) | (1,209) |
| Other | 1,997 | 10 | (47) |
| Net Change in Plan Fiduciary Net Position | <u>(290,506)</u> | <u>212,538</u> | <u>(25,376)</u> |
| Plan Fiduciary Net Position - Beginning | 2,649,256 | 2,436,718 | 2,462,094 |
| Plan Fiduciary Net Position - Ending (b) | <u><u>\$ 2,358,750</u></u> | <u><u>\$ 2,649,256</u></u> | <u><u>\$ 2,436,718</u></u> |
| Net Pension (Asset) Liability - Ending (a) - (b) | (38,945) | (441,992) | (309,528) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Asset/Liability | 101.68% | 120.02% | 114.55% |
| Covered Payroll | 406,209 | 355,466 | 357,483 |
| Net Pension Asset/Liability as a Percentage of Covered Payroll | 9.59% | 124.34% | 86.59% |

GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of December 31, 2022 for fiscal year 2023, December 31, 2021 for fiscal year 2022, December 31, 2020 for fiscal year 2021, December 31, 2019 for fiscal year 2020, December 31, 2018 for fiscal year 2019, December 31, 2017 for fiscal year 2018, December 31, 2016 for the fiscal year 2017, December 31, 2015 for the fiscal year 2016, and December 31, 2014 for the fiscal year 2015.

In accordance with GASB 68, Paragraph 138, only eight years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

| FY 2020 | FY 2019 | FY 2018 | FY 2017 | FY 2016 | FY 2015 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Plan Yr 2019 | Plan Yr 2018 | Plan Yr 2017 | Plan Yr 2016 | Plan Yr 2015 | Plan Yr 2014 |
| \$ 40,255 | \$ 45,194 | \$ 46,173 | \$ 48,206 | \$ 41,526 | \$ 35,221 |
| 155,531 | 152,655 | 145,649 | 139,907 | 136,353 | 126,075 |
| - | - | - | - | - | - |
| (197,218) | (43,818) | (3,976) | (28,501) | (30,493) | 4,973 |
| 62 | - | - | - | 14,146 | - |
| <u>(141,237)</u> | <u>(76,659)</u> | <u>(90,472)</u> | <u>(56,571)</u> | <u>(23,589)</u> | <u>(21,610)</u> |
| (142,607) | 77,372 | 97,374 | 103,041 | 137,943 | 144,659 |
| 2,354,659 | 2,277,287 | 2,179,913 | 2,076,872 | 1,938,929 | 1,794,270 |
| <u>\$ 2,212,052</u> | <u>\$ 2,354,659</u> | <u>\$ 2,277,287</u> | <u>\$ 2,179,913</u> | <u>\$ 2,076,872</u> | <u>\$ 1,938,929</u> |
| \$ 31,186 | \$ 38,446 | \$ 45,992 | \$ 47,649 | \$ 49,231 | \$ 51,081 |
| 19,713 | 22,197 | 22,501 | 23,221 | 20,825 | 20,901 |
| 342,164 | (68,883) | 282,789 | 128,346 | 2,731 | 97,485 |
| (141,237) | (76,659) | (90,472) | (56,571) | (23,589) | (21,610) |
| (1,933) | (1,331) | (1,465) | (1,449) | (1,663) | (1,018) |
| <u>(58)</u> | <u>(70)</u> | <u>(72)</u> | <u>(78)</u> | <u>(81)</u> | <u>(84)</u> |
| 249,835 | (86,300) | 259,273 | 141,118 | 47,454 | 146,755 |
| 2,212,259 | 2,298,559 | 2,039,286 | 1,898,168 | 1,850,714 | 1,703,959 |
| <u>\$ 2,462,094</u> | <u>\$ 2,212,259</u> | <u>\$ 2,298,559</u> | <u>\$ 2,039,286</u> | <u>\$ 1,898,168</u> | <u>\$ 1,850,714</u> |
| (250,042) | 142,400 | (21,272) | 140,627 | 178,704 | 88,215 |
| 111.30% | 93.95% | 100.93% | 93.55% | 91.40% | 95.45% |
| 394,263 | 443,949 | 450,027 | 464,410 | 416,509 | 418,029 |
| 63.42% | 32.08% | 4.73% | 30.28% | 42.91% | 21.10% |

**CITY OF PINELAND, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|-----------------|
| Actuarial Determined Contributions | \$ 12,534 | \$ 13,811 | \$ 14,239 |
| Contributions in relation to the actuarially determined contribution | <u>(12,534)</u> | <u>(13,811)</u> | <u>(14,239)</u> |
| Contribution Deficiency (Excess) | - | - | - |
| Covered Payroll | 389,258 | 406,209 | 355,466 |
| Contributions as a Percentage of Covered Employer Payroll | 3.22% | 3.40% | 4.01% |

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end and should be built over the next 10-year period.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

| <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 22,831 | \$ 31,186 | \$ 38,446 | \$ 45,993 | \$ 47,648 | \$ 49,365 |
| <u>(22,831)</u> | <u>(31,186)</u> | <u>(38,446)</u> | <u>(45,993)</u> | <u>(47,648)</u> | <u>(49,365)</u> |
| - | - | - | - | - | - |
| 357,483 | 394,263 | 443,949 | 450,027 | 464,410 | 416,509 |
| 6.39% | 7.91% | 8.66% | 10.22% | 10.26% | 11.85% |

CITY OF PINELAND, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,

TOTAL OPEB LIABILITY

Service cost
Interest (on the Total OPEB Liability)
Changes of benefit terms
Difference between expected and actual experience
Changes in assumptions
Benefit payments, including refunds of employee contributions
Net Change in Total OPEB Liability
Total OPEB Liability - Beginning
Total OPEB Liability - Ending (a)

PLAN FIDUCIARY NET POSITION

Contributions:
 Employer
 Employee
Net investment income
Benefit payments, including refund of employee contributions
Administrative expense
Other
Net Change in Plan Fiduciary Net Position
Plan Fiduciary Net Position - Beginning
Plan Fiduciary Net Position - Ending (b)

Net OPEB (Asset) Liability - Ending (a) - (b)

Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability

Covered Payroll

Net OPEB Asset/Liability as a Percentage of Covered Payroll

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.*

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2023, 2022, 2021, 2020, 2019 and 2018 are based on the August 31, 2022, 2021, 2020, 2019, 2018 and 2017 measurement dates, respectively.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

| FY 2023 | FY 2022 | FY 2021 | FY 2020 | FY 2019 | FY 2018 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Plan Yr 2022 | Plan Yr 2021 | Plan Yr 2020 | Plan Yr 2019 | Plan Yr 2018 | Plan Yr 2017 |
| \$ 1,747 | \$ 1,671 | \$ 1,358 | \$ 1,262 | \$ 1,643 | \$ 1,440 |
| 1,043 | 1,043 | 1,255 | 1,511 | 1,586 | 1,584 |
| - | - | - | - | - | - |
| (227) | 1,518 | (1,780) | (4,673) | (7,011) | - |
| (16,972) | 1,525 | 6,266 | 7,123 | (2,756) | 3,284 |
| <u>(1,300)</u> | <u>(1,244)</u> | <u>(250)</u> | <u>(513)</u> | <u>(400)</u> | <u>(405)</u> |
| (15,709) | 4,513 | 6,849 | 4,710 | (6,938) | 5,903 |
| 56,435 | 51,922 | 45,073 | 40,363 | 47,301 | 41,398 |
| <u>\$ 40,726</u> | <u>\$ 56,435</u> | <u>\$ 51,922</u> | <u>\$ 45,073</u> | <u>\$ 40,363</u> | <u>\$ 47,301</u> |
| 1,300 | 1,244 | 250 | 513 | 400 | 405 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (1,300) | (1,244) | (250) | (513) | (400) | (405) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| 40,726 | 56,435 | 51,922 | 45,073 | 40,363 | 47,301 |
| 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 406,209 | 355,466 | 357,483 | 394,263 | 443,949 | 450,027 |
| 10.03% | 15.88% | 14.52% | 11.43% | 9.09% | 10.51% |

**CITY OF PINELAND, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31,**

Actuarial Determined Contributions

Contributions in relation to the actuarially
determined contribution

Contribution Deficiency (Excess)

Covered Payroll

Contributions as a Percentage of Covered Employer Payroll

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end and should be built over the next 10-year period.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

| <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------|----------------|----------------|--------------|----------------|----------------|
| \$ 2,141 | \$ 1,584 | \$ 1,495 | \$ 915 | \$ 1,183 | \$ 1,598 |
| <u>(2,141)</u> | <u>(1,584)</u> | <u>(1,495)</u> | <u>(915)</u> | <u>(1,183)</u> | <u>(1,598)</u> |
| - | - | - | - | - | - |
| 389,258 | 406,209 | 355,466 | 357,483 | 394,263 | 443,949 |
| 0.55% | 0.39% | 0.42% | 0.26% | 0.30% | 0.36% |

**CITY OF PINELAND, TEXAS
NOTES TO THE TMRS SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE A: NOTES TO THE PENSION SCHEDULES

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | N/A |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-Retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |
| Other Information: | There were no benefit changes during the year |

NOTE B: NOTES TO THE OPEB SCHEDULES

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|------------------------------------|--|
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.5% including inflation |
| Discount rate* | 4.05% |
| Retirees' share of benefit-related | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |

CITY OF PINELAND
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE B: NOTES TO THE OPEB SCHEDULES (continued)

| | |
|-------------------------------------|--|
| Mortality rates - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality rates - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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Other Schedules

CITY OF PINELAND, TEXAS
COMPARATIVE STATEMENT OF NET POSITION
ENTERPRISE FUND

| | December 31, | |
|--|---------------------|-------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and cash equivalents | 2,155,290 | 1,582,778 |
| Investments | 1,086,532 | 1,058,848 |
| Receivables: | | |
| Utility accounts, net | 155,487 | 142,419 |
| Other current assets | 6,195 | 6,514 |
| Due from other funds | 51,212 | 49,552 |
| Total current assets | 3,454,716 | 2,840,111 |
| Net Pension asset | 21,076 | 234,256 |
| Property and equipment (net of accumulated depreciation) | 2,323,386 | 1,914,027 |
| Total assets | 5,799,178 | 4,988,394 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows - TMRS Pension | 108,515 | 22,724 |
| Deferred outflows - TMRS OPEB | 4,985 | 6,171 |
| Total deferred outflows | 113,500 | 28,895 |
| Total assets and deferred outflows | 5,912,678 | 5,017,289 |
| LIABILITIES | | |
| Accounts payable | 25,416 | 49,098 |
| Accrued liabilities | 137 | 1,234 |
| Current portion of long-term debt | 11,369 | - |
| Total current liabilities | 36,922 | 50,332 |
| Customer meter deposits | 102,953 | 96,251 |
| Long-term debt | 238,631 | - |
| Net OPEB liability | 22,040 | 29,911 |
| Total liabilities | 400,546 | 176,494 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows - TMRS Pension | 12,377 | 140,986 |
| Deferred inflows - TMRS OPEB | 8,890 | 2,965 |
| Total deferred inflows | 21,267 | 143,951 |
| NET POSITION | | |
| Contributed capital: | | |
| Capital grants | 2,997,013 | 2,997,013 |
| Less depreciation on assets acquired by grants | (2,195,102) | (2,107,454) |
| Net contributed capital | 801,911 | 889,559 |
| Net investment in capital assets | 1,521,475 | 1,024,468 |
| Unrestricted | 3,167,479 | 2,782,817 |
| Total net position | 5,490,865 | 4,696,844 |
| Total liabilities, deferred inflows, and net position | 5,912,678 | 5,017,289 |

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
ENTERPRISE FUND

| | For the year ended | |
|---|---------------------------|-------------|
| | December 31, | |
| | 2023 | 2022 |
| Operating revenues: | | |
| Charges for services | 1,720,538 | 1,405,160 |
| Total operating revenues | 1,720,538 | 1,405,160 |
| Operating expenses: | | |
| Personnel | 417,366 | 386,446 |
| Cost of services | 161,470 | 204,402 |
| Materials and supplies | 141,785 | 104,359 |
| Utilities | 62,585 | 63,230 |
| Maintenance and repairs | 33,318 | 21,960 |
| Contractual services | 25,982 | 29,738 |
| Other operating expenses | 24,555 | 18,244 |
| Depreciation | 210,437 | 168,427 |
| Total operating expenses | 1,077,498 | 996,806 |
| Operating income (loss) | 643,040 | 408,354 |
| Non-operating revenues (expenses): | | |
| Grant proceeds - capital | 117,772 | 372,586 |
| Interest income | 39,016 | 13,292 |
| Pension benefit (expense) | (5,563) | 54,015 |
| OPEB benefit (expens) | (244) | (1,704) |
| Total nonoperating revenues (expenses) | 150,981 | 438,189 |
| Income (loss) before transfers and | 794,021 | 846,543 |
| Add depreciation on capital assets acquired by grants | 87,648 | 88,449 |
| Net income (loss) before transfers | 881,669 | 934,992 |
| Transfers (to) from other funds | - | - |
| Change in net position | 881,669 | 934,992 |
| Net position, beginning of year | 3,807,285 | 2,872,293 |
| Net contributed capital | 801,911 | 889,559 |
| Net position, end of year | 5,490,865 | 4,696,844 |

See accompanying notes to the financial statements

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FEDERAL AWARDS SECTION



Goff & Herrington, P.C.

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Certified Public Accountants

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA
Laurie Durbin, CPA

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 AUDIT STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pineland, Texas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Pineland, Texas' basic financial statements, and have issued our report thereon dated July 3, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency "2023-1" on page 58 "Schedule of Findings" to be a significant deficiency in the Corporation's internal control.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 AUDIT STANDARDS

Honorable Mayor and Members of the City Council
City of Pineland, Texas
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON
Certified Public Accountants

July 3, 2024

**CITY OF PINELAND, TEXAS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

2023-1 Segregation of Duties

Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction. Control over many of the financial transactions of the City is limited due to the limited number of personnel involved in accounting and financial areas. While the City's segregation of duties appears reasonable given the number of personnel, there are some inherent risks given the City's size.

Recommendation

Segregation of duties in a small organization such as yours is difficult, and we understand that it is often not economically feasible for the City to employ a larger accounting staff. However, it is imperative that the City Council continue to remain closely involved in the financial affairs of the City to provide oversight and independent review functions.

Management Response

Management is cognizant of the lack of segregating of duties and realize the possible consequences.

**CITY OF PINELAND, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023**

2022-1 Segregation of Duties

Condition Noted: Control over many of the financial transactions of the Corporation is limited due to the limited number of personnel involved in accounting and financial areas.

Status: The condition still exists.

**CITY OF PINELAND, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023**

2023-1 Segregation of Duties

Management and the City Council have committed to continue to be involved in monitoring daily operations.

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