

CITY OF PINELAND, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025

CITY OF PINELAND, TEXAS
Annual Financial Report
For the Year Ended December 31, 2025

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FINANCIAL SECTION



Certified Public Accountants

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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, 2025, 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, 2025, 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 41), and the pension and other post-employment benefits (OPEB) schedules (pages 42-51) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report

Honorable Mayor and Members of City Council

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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 comparative schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 comparative financial statements and the schedule of expenditures of federal awards 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 March 3, 2026, 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

March 3, 2026

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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, 2025. 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 \$12,384,032 as of December 31, 2025. Of this amount, \$5,003,802 (unrestricted) may be used to meet the City's continuing obligations to citizens, customers and creditors.
- During the year ended December 31, 2025, the City's net position increased by \$1,763,092 from operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$744,774 or 46.12 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the fiscal year ended December 31, 2025, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. GASB 101 establishes updated recognition and measurement guidance for compensated absences, including vacation leave and certain types of sick leave.

Management evaluated the City's compensated absence policies and calculated the liability in accordance with the requirements of GASB 101. Based on this evaluation, the resulting liability was determined to be immaterial to the financial statements. Accordingly, no adjustment was recorded in the accompanying financial statements.

The implementation of GASB 101 did not have a material impact on the City's financial position, results of operations, or cash flows

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 government-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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 \$12,384,032 at the close of the fiscal year.

By far the largest portion of the City's net position (57.13 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	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	1,780,521	1,957,798	3,697,779	3,992,202	5,478,300	5,950,000
Capital and Non-Current Assets	3,231,815	3,071,650	4,405,860	2,580,210	7,637,675	5,651,860
Total Assets	5,012,336	5,029,448	8,103,639	6,572,412	13,115,975	11,601,860
Deferred Outflows - TMRS	29,443	59,552	38,427	74,773	67,870	134,325
Total Deferred Outflows	29,443	59,552	38,427	74,773	67,870	134,325
Other Liabilities	47,021	117,253	93,990	10,710	141,011	127,963
Long Term Liabilities	249,123	592,861	374,592	371,533	623,715	964,394
Total Liabilities	296,144	710,114	468,582	382,243	764,726	1,092,357
Deferred Inflows - TMRS	15,221	10,147	19,866	12,741	35,087	22,888
Total Deferred Inflows	15,221	10,147	19,866	12,741	35,087	22,888
Net Position:						
Net Investment in Capital	2,955,987	2,498,173	4,119,270	2,341,579	7,075,257	4,839,752
Restricted	304,973	323,012	-	-	304,973	323,012
Unrestricted	1,469,454	1,547,554	3,534,348	3,910,622	5,003,802	5,458,176
Total Net Position	4,730,414	4,368,739	7,653,618	6,252,201	12,384,032	10,620,940

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted net position (\$5,003,802) 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.

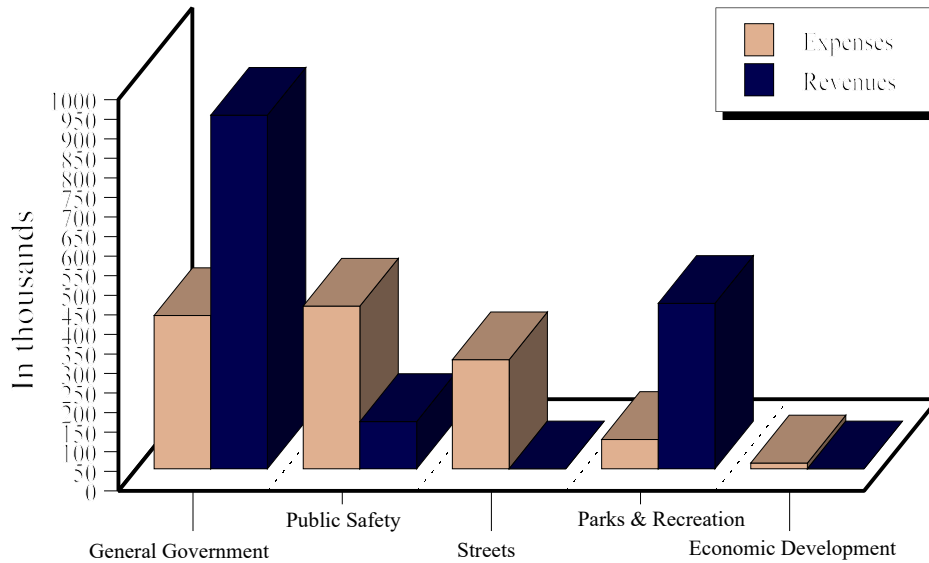
Changes in the City's Net Position

	Governmental Activities		Business-type		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	135,924	64,748	1,326,524	1,714,485	1,462,448	1,779,233
Operating grants and contributions	408,078	160,681	-	-	408,078	160,681
Capital grants and contributions	96,345	1,093,865	1,637,720	199,281	1,734,065	1,293,146
General Revenues:						
Property taxes	431,324	405,291	-	-	431,324	405,291
Sales taxes	218,468	184,551	-	-	218,468	184,551
Franchise fees	44,432	43,393	-	-	44,432	43,393
Investment earnings	54,013	69,759	146,487	162,087	200,500	231,846
Miscellaneous	58,967	519	41,490	101,195	100,457	101,714
Total revenues	1,447,551	2,022,807	3,152,221	2,177,048	4,599,772	4,199,855
Expenses:						
General government	404,740	342,012	-	-	404,740	342,012
Public safety	428,917	403,481	-	-	428,917	403,481
Streets	292,649	230,614	-	-	292,649	230,614
Parks and recreation	88,699	161,366	-	-	88,699	161,366
Economic development	14,833	14,833	-	-	14,833	14,833
Water	-	-	498,837	426,185	498,837	426,185
Sewer	-	-	618,662	527,218	618,662	527,218
Natural Gas	-	-	225,350	170,211	225,350	170,211
Solid Waste	-	-	249,968	185,878	249,968	185,878
Airport	-	-	14,027	21,220	14,027	21,220
Total expenses	1,229,836	1,152,306	1,606,844	1,330,712	2,836,680	2,483,018
Transfers	143,960	85,000	(143,960)	(85,000)	-	-
Increase (decrease) in net position	361,675	955,501	1,401,417	761,336	1,763,092	1,716,837
Beginning net position	4,368,739	3,413,238	6,252,201	5,490,865	10,620,940	8,904,103
Ending net position	<u>4,730,414</u>	<u>4,368,739</u>	<u>7,653,618</u>	<u>6,252,201</u>	<u>12,384,032</u>	<u>10,620,940</u>

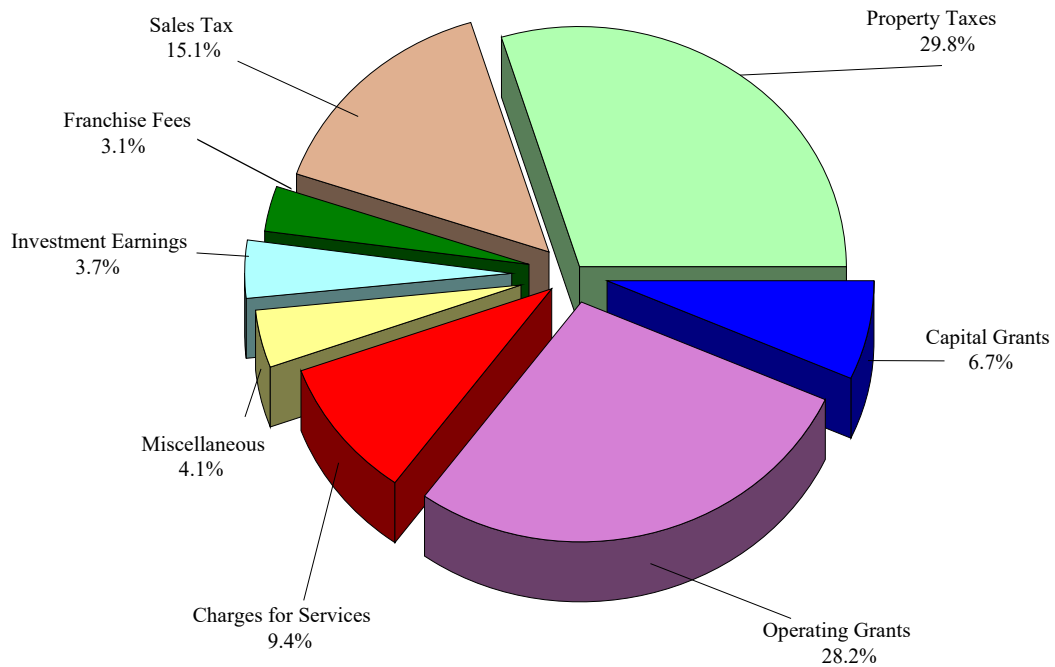
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities. Governmental activities increased the City's net position by \$361,675, contributing to the overall increase in the City's total net position.

Expenses and Revenues - Governmental Activities



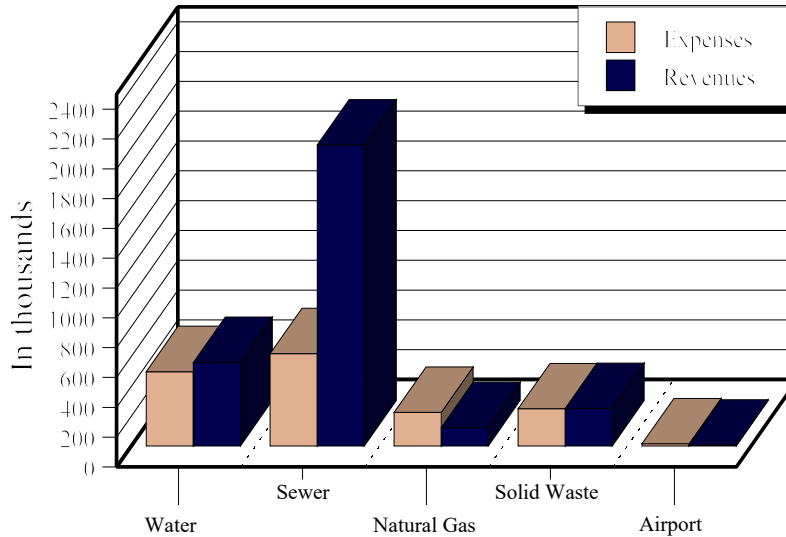
Revenues by Source - Governmental Activities



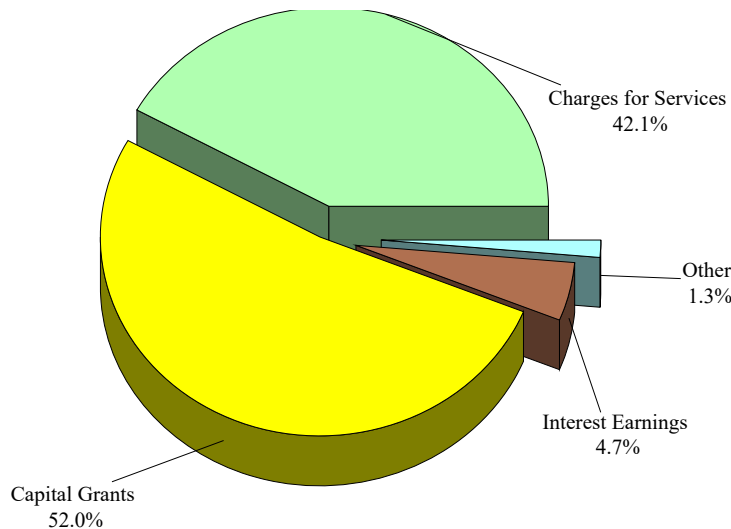
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities. Business-type activities increased the City's net position by \$1,401,417, 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 \$1,698,354, an increase of \$146,429 compared with the prior year. Of this balance, \$744,774 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 \$3,534,348.

General Fund Budgetary Highlights

Over the course of the year the City monitored its budget as actual results were analyzed. Actual expenditures were \$706,390 below the final budget amounts. The most significant negative variances were in the capital outlay and debt service functions, as actual expenditures were more than anticipated.

There was a positive budget variance of \$720,368 in overall revenues, mostly due to excess grants and contributions received in 2025.

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 \$7,531,833 (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	
	2025	2024	2025	2024	2025	2024
Land	197,667	197,667	13,289	13,289	210,956	210,956
Building & improvements	1,622,238	1,252,442	3,035	3,886	1,625,273	1,256,328
Utility systems	-	-	1,614,163	1,429,039	1,614,163	1,429,039
Vehicles and equipment	1,230,995	1,219,973	512,858	549,127	1,743,853	1,769,100
Construction in progress	134,999	401,568	2,202,589	584,869	2,337,588	986,437
Net capital assets	3,185,899	3,071,650	4,345,934	2,580,210	7,531,833	5,651,860

Significant capital additions include continued construction on the sewer plant funded by grants, other improvements to the utility systems, street improvements, and purchasing public safety vehicles and equipment. The 2026 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 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, 2025 was \$226,664.

During the year ended December 31, 2024, the City borrowed funds from the Government Capital Corporation to purchase public safety vehicles and machinery. The total loan was \$573,976 and will be paid back in variable annual installments, including interest. The interest rate on the loan is fixed at 6.15%. The total amount outstanding on this loan at December 31, 2025 was \$229,912.

Economic Factors and Next Year’s Budgets and Rates

The City considered many factors when setting the 2026 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 40.07% compared to actual 2025 results, mostly due to grants and contributions received in 2025 that are not included in the 2026 budget. The City expects System Fund operating revenues to decrease by 55.04% from 2025 actuals, also due to grant receipts in 2025 that are not included in the 2026 budget.

The 2026 General Fund operating expenditure budget is expected to decrease by 67.86% compared to 2025 actual results. The significant decrease is related to capital expenditures and debt service in 2025 that are not included in the 2026 budget.

The 2026 System Fund operating expense budget, without depreciation on capital assets acquired with grant funds, is expected to decrease 13.83% compared to 2025 actual results.

If these estimates are realized, the City’s budgetary General Fund balance is expected to increase slightly, and the System Fund reserves are expected to increase by the close of 2026.

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, 2025

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	822,441	2,379,707	3,202,148
Investments	882,089	1,154,446	2,036,535
Due from other funds	-	-	-
Property tax receivable (net)	52,781	-	52,781
Accounts receivable	-	144,931	144,931
Prepays and other assets	23,210	18,695	41,905
Net pension asset	45,916	59,926	105,842
Capital Assets (net of accumulated depreciation):			
Land	197,667	13,289	210,956
Other capital assets, net of depreciation	2,988,232	4,332,645	7,320,877
Total assets	5,012,336	8,103,639	13,115,975
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - TMRS Pension	26,474	34,551	61,025
Deferred outflows - TMRS OPEB	2,969	3,876	6,845
Total deferred outflows	29,443	38,427	67,870
LIABILITIES			
Accounts payable	-	79,754	79,754
Due to other funds	-	-	-
Accrued expenses	47,021	14,236	61,257
Long-term Liabilities:			
Customer meter deposits	-	122,856	122,856
Net OPEB liability	19,211	25,072	44,283
Long-term debt, due within one year	24,694	12,594	37,288
Long-term debt, due after one year	205,218	214,070	419,288
Total liabilities	296,144	468,582	764,726
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - TMRS Pension	11,381	14,855	26,236
Deferred inflows - TMRS OPEB	3,840	5,011	8,851
Total deferred inflows	15,221	19,866	35,087
NET POSITION			
Net investment in capital assets	2,955,987	4,119,270	7,075,257
Restricted	304,973	-	304,973
Unrestricted	1,469,454	3,534,348	5,003,802
Total net position	4,730,414	7,653,618	12,384,032

See accompanying notes to the financial statements

**CITY OF PINELAND, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	391,514	-	-	96,345
Public safety	415,691	121,252	-	-
Streets	279,423	-	-	-
Parks and recreation	75,473	14,672	408,078	-
Economic development	14,833	-	-	-
Debt service	52,902	-	-	-
Total governmental activities	1,229,836	135,924	408,078	96,345
Business-type activities:				
Water	498,837	559,281	-	-
Sewer	618,662	381,018	-	1,637,720
Natural Gas	225,350	129,770	-	-
Solid Waste	249,968	251,162	-	-
Airport	14,027	5,293	-	-
Total business-type activities	1,606,844	1,326,524	-	1,637,720
	2,836,680	1,462,448	408,078	1,734,065

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
(295,169)	-	(295,169)
(294,439)	-	(294,439)
(279,423)	-	(279,423)
347,277	-	347,277
(14,833)	-	(14,833)
(52,902)	-	(52,902)
(589,489)	-	(589,489)
-	60,444	60,444
-	1,400,076	1,400,076
-	(95,580)	(95,580)
-	1,194	1,194
-	(8,734)	(8,734)
-	1,357,400	1,357,400
(589,489)	1,357,400	767,911
431,324	-	431,324
218,468	-	218,468
44,432	-	44,432
54,013	146,487	200,500
58,967	-	58,967
-	41,490	41,490
143,960	(143,960)	-
951,164	44,017	995,181
361,675	1,401,417	1,763,092
4,368,739	6,252,201	10,620,940
4,730,414	7,653,618	12,384,032

See accompanying notes to the financial statements

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Fund Financial Statements

**CITY OF PINELAND, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	General Fund	Library Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	822,441	-	822,441
Investments	577,116	304,973	882,089
Property tax receivable (net)	52,781	-	52,781
Prepays and other assets	23,210	-	23,210
Total assets	<u>1,475,548</u>	<u>304,973</u>	<u>1,780,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued liabilities	29,385	-	29,385
Total liabilities	<u>29,385</u>	<u>-</u>	<u>29,385</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	52,782	-	52,782
Total deferred inflows	<u>52,782</u>	<u>-</u>	<u>52,782</u>
Fund balances:			
Nonspendible Fund Balance:			
Prepaid items	23,210	-	23,210
Library endowment	-	300,000	300,000
Restricted Fund Balance:			
Restricted for library operations	-	4,973	4,973
Committed Fund Balance:			
Committed for fire department operations	57,705	-	57,705
Committed for library operations	567,692	-	567,692
Unassigned Fund Balance	744,774	-	744,774
Total fund balances	<u>1,393,381</u>	<u>304,973</u>	<u>1,698,354</u>
Total liabilities, deferred inflows, and fund balances	<u>1,475,548</u>	<u>304,973</u>	<u>1,780,521</u>

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, 2025

Total fund balances - governmental funds	1,698,354
--	-----------

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 \$7,101,672 and the accumulated depreciation was \$4,030,022. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.

	1,816,367
--	-----------

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.

	1,369,532
--	-----------

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.

	(247,548)
--	-----------

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 \$45,916, a Deferred Resource Outflow in the amount of \$26,474, and a Deferred Inflow in the amount of \$11,381. This amounted to an increase in Net Position in the amount of \$61,009.

	61,009
--	--------

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 \$19,211, a Deferred Resource Outflow in the amount of \$2,969, and a Deferred Inflow in the amount of \$3,840. This amounted to a decrease in Net Position in the amount of \$20,082.

	(20,082)
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Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.

	52,782
--	--------

Net position of governmental activities	4,730,414
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CITY OF PINELAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Library Permanent Fund	Total Governmental Funds
REVENUES			
Taxes:			
Sales taxes	218,468	-	218,468
Franchise fees	44,432	-	44,432
Ad valorem	601,271	-	601,271
Fines	121,252	-	121,252
Charges for services	14,672	-	14,672
Interest income	51,792	2,221	54,013
Operating grants and contributions	504,423	-	504,423
Miscellaneous	58,969	-	58,969
Total revenues	<u>1,615,279</u>	<u>2,221</u>	<u>1,617,500</u>
EXPENDITURES			
Current:			
General government:			
Finance and administration	326,340	-	326,340
Public safety:			
Fire	33,759	-	33,759
Police	260,474	-	260,474
Streets	216,077	-	216,077
Parks and recreation	-	-	-
Debt service	378,834	-	378,834
Capital outlay	399,547	-	399,547
Total expenditures	<u>1,615,031</u>	<u>-</u>	<u>1,615,031</u>
Excess (deficiency) of revenues over expenditures	248	2,221	2,469
OTHER FINANCING SOURCES (USES)			
Transfers in	164,220	-	164,220
Transfers out	-	(20,260)	(20,260)
Total other financing sources and uses	<u>164,220</u>	<u>(20,260)</u>	<u>143,960</u>
Net change in fund balances	164,468	(18,039)	146,429
Fund balance - beginning	1,228,913	323,012	1,551,925
Fund balance - ending	<u>1,393,381</u>	<u>304,973</u>	<u>1,698,354</u>

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, 2025

Net change in fund balances - governmental funds	146,429
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.	399,547
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.	(285,298)
Current year debt proceeds/payments are revenues/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 activity is to decrease net position.	(355,532)
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 increased the net position.	(55,636)
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 increased the net position.	652
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 net position.	511,513
Change in net position of governmental activities	361,675

See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025

ASSETS

Current assets:

Cash and cash equivalents	2,379,707
Investments	1,154,446
Accounts receivable	144,931
Other current assets	18,695
Due from other funds	-
Total current assets	<u>3,697,779</u>

Noncurrent assets:

Net pension asset	59,926
Land	13,289
Other capital assets, net of depreciation	4,332,645
Total noncurrent assets	<u>4,405,860</u>

Total assets	<u>8,103,639</u>
--------------	------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - TMRS Pension	34,551
Deferred outflows - TMRS OPEB	3,876

Total deferred outflows	<u>38,427</u>
-------------------------	---------------

Total assets and deferred outflows	<u>8,142,066</u>
------------------------------------	------------------

LIABILITIES

Current liabilities:

Accounts payable	79,754
Accrued liabilities	14,236
Current portion of long-term debt	12,594
Total current liabilities	<u>106,584</u>

Noncurrent liabilities:

Customer deposits	122,856
Long-term debt	214,070
Net OPEB liability	25,072
Total noncurrent liabilities	<u>361,998</u>

Total liabilities	<u>468,582</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows - TMRS Pension	14,855
Deferred inflows - TMRS OPEB	5,011

Total deferred inflows	<u>19,866</u>
------------------------	---------------

NET POSITION

Net investment in capital assets	4,119,270
Unrestricted	3,534,348

Total net position	<u>7,653,618</u>
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Total liabilities, deferred inflows, and net position	<u>8,142,066</u>
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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, 2025

REVENUES

Operating revenues:

Water sales	571,253
Sewer charges	394,090
Gas sales	142,838
Sanitation charges	251,162
Operating grants and contributions	-
Refunds	(75,438)
Other services	42,619
Total operating revenues	<u>1,326,524</u>

EXPENSES

Operating expenses:

Personnel	552,996
Cost of services	260,111
Materials and supplies	171,048
Utilities	92,258
Maintenance and repairs	28,686
Contractual services	54,117
Other operating expenses	58,879
Depreciation	293,579
Total operating expenses	<u>1,511,674</u>

Operating income (loss)	(185,150)
-------------------------	-----------

OTHER REVENUES & EXPENSES

Nonoperating revenues (expenses):

Grant proceeds - capital	1,637,720
Insurance proceeds	41,490
Interest income	146,487
Interest expense	(17,842)
Pension benefit (expense)	(76,637)
OPEB benefit (expense)	(691)
Total nonoperating revenue (expenses)	<u>1,730,527</u>

OTHER FINANCING SOURCES (USES)

Transfers in	-
Transfers out	(143,960)
Total other financing sources and uses	<u>(143,960)</u>

Change in net position	1,401,417
------------------------	-----------

Total net position - beginning	<u>6,252,201</u>
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Total net position - ending	<u><u>7,653,618</u></u>
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See accompanying notes to the financial statements

CITY OF PINELAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Cash flows from operating activities:	
Receipts from customers	1,334,129
Payments to suppliers and contractors	(525,559)
Payments to employees	(573,314)
Net cash provided by operating activities	<u>235,256</u>
Cash flows from capital and related financing activities:	
Payments on long-term debt	(11,967)
Proceeds from insurance claims	41,490
Proceeds from capital grants	1,637,720
Purchases of capital assets	(2,059,303)
Net cash used for capital activities	<u>(392,060)</u>
Cash flows from investing activities:	
Operating transfers	(143,960)
Interest received	94,943
Net cash provided by investing activities	<u>(49,017)</u>
Net increase in cash and cash equivalents	(205,821)
Cash and cash equivalents, beginning	<u>2,585,528</u>
Cash and cash equivalents, ending	<u><u>2,379,707</u></u>
Reconciliation of operating income to net cash provided by operating	
Operating income	(185,150)
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	293,579
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(6,687)
(Increase) decrease in other current assets	64,102
Increase (decrease) in accounts payable	75,438
Increase (decrease) in accrued liabilities	(20,318)
Increase (decrease) in customer meter deposits	14,292
Net cash provided by operating activities	<u><u>235,256</u></u>

See accompanying notes to the financial statements

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CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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, 2025

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, 2025

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, 2025

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 and sick pay benefits do not accumulate beyond each employee’s anniversary date. During the fiscal year ended December 31, 2025, the District implemented GASB Statement No. 101, Compensated Absences. Management determined that the calculated liability under the new standard was immaterial to the financial statements; therefore, no adjustment was recorded.

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

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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.

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 March 3, 2026, 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

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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. 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, 2025, 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 fulfill 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, 2025.

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, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City has not experienced any losses in such accounts and believes that it is not exposed to any significant financial risk on cash.

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, 2025.

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, 2025.

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, 2025.

The City's temporary investments in operating accounts as of December 31, 2025 were in the certificates of deposit at the City's depository bank with a carrying amount and market value of \$1,043,029, and investment pools with a carrying amount and market value of \$688,533. 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 \$4,973 and certificates of deposit in the amount of \$300,000.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

The investment pools used by the City are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the City's funds in authorized short-term investments.

The investment in the Pools are based on contractual agreements and not the individual security itself, therefore; the City's investment in the Pools are not categorized as to credit risk. The market value of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the Pool is the same as the value of the shares in the pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the City's discretion.

RESTRICTED ASSETS

At December 31, 2025, 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 \$16,656 as of December 31, 2025.

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, 2025

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

Governmental Activities:	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Land	197,667	-	-	197,667
Buildings and improvements	4,241,277	58,039	466,505	4,765,821
Vehicles and equipment	2,261,160	141,570	(13,604)	2,389,126
Construction in progress	401,568	199,938	(466,506)	135,000
Totals at cost	7,101,672	399,547	(13,605)	7,487,614
Less accumulated depreciation for:				
Buildings and improvements	2,988,833	154,749	-	3,143,582
Vehicles and equipment	1,041,189	130,549	(13,605)	1,158,133
Total accumulated depreciation	4,030,022	285,298	(13,605)	4,301,715
Governmental activities capital assets, net	3,071,650	114,249	-	3,185,899

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	4,612,929	382,902	-	4,995,831
Vehicles and equipment	917,436	58,681	-	976,117
Construction in progress	584,869	1,617,720	-	2,202,589
Totals at cost	6,554,806	2,059,303	-	8,614,109
Less accumulated depreciation:				
Buildings and improvements	422,397	851	-	423,248
Utility system and improvements	3,183,890	197,778	-	3,381,668
Vehicles and equipment	368,309	94,950	-	463,259
Total accumulated depreciation	3,974,596	293,579	-	4,268,175
Business-type activities capital assets, net	2,580,210	1,765,724	-	4,345,934

CITY OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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

Governmental activities:	
General government	10,189
Public safety	121,458
Streets	63,346
Economic development	14,833
Parks and recreation	75,472
Total depreciation expense - governmental activities	<u>285,298</u>
Business-type activities:	
Water	123,317
Sewer	136,382
Natural gas	33,030
Airport	850
Total depreciation expense - business-type activities	<u>293,579</u>

LONG-TERM DEBT

In prior years, 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, 2025 was \$226,664.

During the year ended December 31, 2024, the City borrowed funds from the Government Capital Corporation to purchase public safety vehicles and machinery. The total loan was \$573,976 and will be paid back in variable annual installments, including interest. The interest rate on the loan is fixed at 6.15%. The total amount outstanding on this loan at December 31, 2025 was \$229,912.

Long-term debt activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Governmental Activities:				
Public Safety Vehicles	<u>573,477</u>	<u>-</u>	<u>343,565</u>	<u>229,912</u>
Business-type Activities:				
Equipment loan	<u>238,631</u>	<u>-</u>	<u>11,967</u>	<u>226,664</u>

CITY OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

The annual debt service requirements to maturity for the City's long-term debt as of December 31, 2025, is as follows:

<u>Year ended</u> <u>December 31,</u>	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	12,594	11,900	24,694	14,140	37,288	26,040
2027	13,256	11,239	26,213	12,621	39,469	23,860
2028	13,951	10,543	27,825	11,009	41,776	21,552
2029	14,684	9,810	29,536	9,297	44,220	19,107
2030	15,455	9,039	31,352	7,481	46,807	16,520
2031-2035	90,331	32,140	90,292	20,186	180,623	52,326
2035-2039	66,393	7,090	-	-	66,393	7,090
	<u>226,664</u>	<u>91,761</u>	<u>229,912</u>	<u>74,734</u>	<u>456,576</u>	<u>166,495</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 OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

City management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of December 31, 2025.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 938 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, 2024 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	11
Active employees	<u>11</u>
	30

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 4.29% and 4.16% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's pension plan for the year ended December 31, 2025 was \$19,736, which equated the required contributions.

Net Pension Asset/Liability

The city's Net Pension Asset/Liability (NPL) was measured as of December 31, 2024, 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, 2024 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 110% of the Public Safety table used for males and 100% of 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-2021 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 3% floor.

CITY OF PINELAND, TEXAS

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DECEMBER 31, 2025

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected rates of return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Markets	4.00%	7.30%
Total	100.00%	

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

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 12/31/2024	\$2,363,487	\$ 2,512,108	\$ (148,621)
Changes for the year:			
Service cost	59,536	-	59,536
Interest	162,257	-	162,257
Change in benefit terms	85,687	-	85,687
Difference between expected and actual expense	35,963	-	35,963
Changes of assumptions	-	-	-
Contributions - employer	-	19,184	(19,184)
Contributions - employee	-	23,058	(23,058)
Net investment income	-	260,134	(260,134)
Benefit payments, including refunds of employee			
Contributions	(150,265)	(150,265)	-
Administrative expense	-	(1,674)	1,674
Other charges	-	(38)	38
Net Changes	193,178	150,399	42,779
Balance at 12/31/2025	\$2,556,665	\$ 2,662,507	\$ (105,842)

CITY OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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	\$ 178,501	\$ (105,842)	\$ (344,848)

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, 2025, the City recognized pension expense of \$135,358.

At December 31, 2025 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	41,289	-
Changes is actuarial assumptions	-	4,110
Difference between projected and actual Investment earnings	-	22,126
Contributions subsequent to measurement date	19,736	-
Total	<u>\$ 61,025</u>	<u>\$ 26,236</u>

The amount of \$19,736 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, 2025.

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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,	
2026	24,630
2027	43,522
2028	(34,988)
2029	(18,111)
2030	-
Thereafter	-
	<u>15,053</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.

Employees Covered by Benefit Terms

At December 31, 2024, 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	3
Active employees	<u>11</u>
	20

CITY OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 0.51% and 0.55% in calendar years 2025 and 2024, respectively. The city's contributions to TMRS's SDD plan for the year ended December 31, 2025, was \$2,346, which equated the required contributions .

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2024, 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, 2024 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	3.60% to 11.85% , including inflation
Discount Rate*	4.08%

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.*

Discount rate

The discount rate used to measure the total OPEB liability was 4.08rcent. 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.

CITY OF PINELAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 12/31/2023	\$ 43,722	\$ -	\$ 43,722
Changes for the year:			
Service cost	830	-	830
Interest	1,628	-	1,628
Change in benefit terms	-	-	-
Difference between expected and actual expense	1,982	-	1,982
Changes of assumptions	(1,988)	-	(1,988)
Contributions - employer	-	1,891	(1,891)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee			
Contributions	(1,891)	(1,891)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net Changes	561	-	561
Balance at 12/31/2024	\$ 44,283	\$ -	\$ 44,283

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Net OPEB (Asset)Liability	\$ 51,241	\$ 44,283	\$ 38,657

CITY OF PINELAND, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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

For the year ended December 31, 2025, the City recognized an OPEB expense of \$1,221.

At December 31, 2025 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	2,377	182
Changes in actuarial assumptions	2,122	8,669
Difference between projected and actual Investment earnings	-	-
Contributions subsequent to measurement date	2,346	-
Total	<u>\$ 6,845</u>	<u>\$ 8,851</u>

The amount of \$2,346 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, 2025. 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,	
2026	(2,062)
2027	(2,459)
2028	(49)
2029	219
2030	(1)
Thereafter	<u>-</u>
	<u>(4,352)</u>

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Required Supplementary Schedules

CITY OF PINELAND, TEXAS
BUDETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
REVENUES				
Taxes:				
Sales taxes	180,000	180,000	218,468	38,468
Franchise taxes	45,000	45,000	44,432	(568)
Ad valorem	409,250	409,250	601,271	192,021
Licenses and permits	500	500	-	(500)
Fines	39,400	39,400	121,252	81,852
Charges for services	10,100	10,100	14,672	4,572
Miscellaneous revenues	794	794	58,969	58,175
Interest income	20,000	20,000	51,792	31,792
Operating grants and contributions	189,867	189,867	504,423	314,556
Total revenues	894,911	894,911	1,615,279	720,368
EXPENDITURES				
General government				
Finance and administration	368,561	368,561	326,340	42,221
Public safety				
Fire	58,200	58,200	33,759	24,441
Police	326,580	326,580	260,474	66,106
Streets	80,000	80,000	216,077	(136,077)
Parks and recreation	75,300	75,300	-	75,300
Debt service	-	-	378,834	(378,834)
Capital outlay	-	-	399,547	(399,547)
Total expenditures	908,641	908,641	1,615,031	(706,390)
Excess (deficiency) of revenues over expenditures	(13,730)	(13,730)	248	13,978
OTHER FINANCING SOURCES (USES)				
Transfers in	14,244	14,244	164,220	149,976
Transfers out	-	-	-	-
Total other financing sources (uses)	14,244	14,244	164,220	149,976
Net change in fund	514	514	164,468	163,954
Fund balance - beginning	1,228,913	1,228,913	1,228,913	-
Fund balance - ending	1,229,427	1,229,427	1,393,381	163,954

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 2025 Plan Yr 2024	FY 2024 Plan Yr 2023	FY 2023 Plan Yr 2022	FY 2022 Plan Yr 2021
TOTAL PENSION LIABILITY				
Service cost	\$ 59,536	\$ 41,339	\$ 43,221	\$ 37,822
Interest (on the Total Pension Liability)	162,257	152,947	145,998	140,293
Changes of benefit terms	85,687	-	-	-
Difference between expected and actual experience	35,963	8,182	55,194	37,337
Changes in assumptions	-	(9,594)	-	-
Benefit payments, including refunds of employee contributions	(150,265)	(149,192)	(131,872)	(135,378)
Net Change in Total Pension Liability	<u>193,178</u>	<u>43,682</u>	<u>112,541</u>	<u>80,074</u>
Total Pension Liability - Beginning	2,363,487	2,319,805	2,207,264	2,127,190
Total Pension Liability - Ending (a)	<u><u>\$ 2,556,665</u></u>	<u><u>\$ 2,363,487</u></u>	<u><u>\$ 2,319,805</u></u>	<u><u>\$ 2,207,264</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions:				
Employer	\$ 19,184	\$ 12,534	\$ 13,811	\$ 14,210
Employee	23,058	19,463	20,310	17,773
Net investment income	260,134	272,303	(193,080)	317,393
Benefit payments, including refund of employee contributions	(150,265)	(149,192)	(131,872)	(135,378)
Administrative expense	(1,674)	(1,738)	(1,672)	(1,470)
Other	(38)	(12)	1,997	10
Net Change in Plan Fiduciary Net Position	<u>150,399</u>	<u>153,358</u>	<u>(290,506)</u>	<u>212,538</u>
Plan Fiduciary Net Position - Beginning	2,512,108	2,358,750	2,649,256	2,436,718
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 2,662,507</u></u>	<u><u>\$ 2,512,108</u></u>	<u><u>\$ 2,358,750</u></u>	<u><u>\$ 2,649,256</u></u>
Net Pension (Asset)Liability - Ending (a) - (b)	(105,842)	(148,621)	(38,945)	(441,992)
Plan Fiduciary Net Position as a Percentage of Total Pension Asset/Liability	104.14%	106.29%	101.68%	120.02%
Covered Payroll	461,163	389,255	406,209	355,466
Net Pension Asset/Liability as a Percentage of Covered Payroll	22.95%	38.18%	9.59%	124.34%

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, 2024 for fiscal year 2025, December 31, 2023 for fiscal year 2024, 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, and December 31, 2015 for the fiscal year 2016.

FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 2018 Plan Yr 2017	FY 2017 Plan Yr 2016	FY 2016 Plan Yr 2015
\$ 37,965	\$ 40,255	\$ 45,194	\$ 46,173	\$ 48,206	\$ 41,526
142,117	155,531	152,655	145,649	139,907	136,353
-	-	-	-	-	-
(13,755)	(197,218)	(43,818)	(3,976)	(28,501)	(30,493)
-	62	-	-	-	14,146
(251,189)	(141,237)	(76,659)	(90,472)	(56,571)	(23,589)
(84,862)	(142,607)	77,372	97,374	103,041	137,943
2,212,052	2,354,659	2,277,287	2,179,913	2,076,872	1,938,929
<u>\$ 2,127,190</u>	<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>
\$ 22,307	\$ 31,186	\$ 38,446	\$ 45,992	\$ 47,649	\$ 49,231
17,874	19,713	22,197	22,501	23,221	20,825
186,888	342,164	(68,883)	282,789	128,346	2,731
(251,189)	(141,237)	(76,659)	(90,472)	(56,571)	(23,589)
(1,209)	(1,933)	(1,331)	(1,465)	(1,449)	(1,663)
(47)	(58)	(70)	(72)	(78)	(81)
(25,376)	249,835	(86,300)	259,273	141,118	47,454
2,462,094	2,212,259	2,298,559	2,039,286	1,898,168	1,850,714
<u>\$ 2,436,718</u>	<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>
(309,528)	(250,042)	142,400	(21,272)	140,627	178,704
114.55%	111.30%	93.95%	100.93%	93.55%	91.40%
357,483	394,263	443,949	450,027	464,410	416,509
86.59%	63.42%	32.08%	4.73%	30.28%	42.91%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarial Determined Contributions	\$ 18,736	\$ 19,184	\$ 12,534	\$ 13,811
Contributions in relation to the actuarially determined contribution	<u>(18,736)</u>	<u>(19,184)</u>	<u>(12,534)</u>	<u>(13,811)</u>
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	460,047	461,163	389,255	406,209
Contributions as a Percentage of Covered Employer Payroll	4.07%	4.16%	3.22%	3.40%

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.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 14,239	\$ 22,831	\$ 31,186	\$ 38,446	\$ 45,993	\$ 47,648
<u>(14,239)</u>	<u>(22,831)</u>	<u>(31,186)</u>	<u>(38,446)</u>	<u>(45,993)</u>	<u>(47,648)</u>
-	-	-	-	-	-
355,466	357,483	394,263	443,949	450,027	464,410
4.01%	6.39%	7.91%	8.66%	10.22%	10.26%

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

	FY 2025 Plan Yr 2024	FY 2024 Plan Yr 2023
TOTAL OPEB LIABILITY		
Service cost	\$ 830	\$ 584
Interest (on the Total OPEB Liability)	1,628	1,630
Changes of benefit terms	-	-
Difference between expected and actual experience	1,982	525
Changes in assumptions	(1,988)	1,775
Benefit payments, including refunds of employee contributions	(1,891)	(1,518)
Net Change in Total OPEB Liability	<u>561</u>	<u>2,996</u>
Total OPEB Liability - Beginning	43,722	40,726
Total OPEB Liability - Ending (a)	<u><u>\$ 44,283</u></u>	<u><u>\$ 43,722</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions:		
Employer	1,891	1,518
Employee	-	-
Net investment income	-	-
Benefit payments, including refund of employee contributions	(1,891)	(1,518)
Administrative expense	-	-
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB (Asset) Liability - Ending (a) - (b)	44,283	43,722
 Plan Fiduciary Net Position as a Percentage of Total OPEB Asset/Liability	 0.00%	 0.00%
Covered Payroll	461,163	389,255
Net OPEB Asset/Liability as a Percentage of Covered Payroll	9.60%	11.23%

**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*

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 2025, 2024, 2023, 2022, 2021, 2020, 2019 and 2018 are based on the August 31, 2024, 2023, 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 Plan Yr 2022	FY 2022 Plan Yr 2021	FY 2021 Plan Yr 2020	FY 2020 Plan Yr 2019	FY 2019 Plan Yr 2018	FY 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
(1,300)	(1,244)	(250)	(513)	(400)	(405)
<u>(15,709)</u>	<u>4,513</u>	<u>6,849</u>	<u>4,710</u>	<u>(6,938)</u>	<u>5,903</u>
56,435	51,922	45,073	40,363	47,301	41,398
<u><u>\$ 40,726</u></u>	<u><u>\$ 56,435</u></u>	<u><u>\$ 51,922</u></u>	<u><u>\$ 45,073</u></u>	<u><u>\$ 40,363</u></u>	<u><u>\$ 47,301</u></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>	<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,**

	<u>2025</u>	<u>2024</u>
Actuarial Determined Contributions	\$ 2,346	\$ 2,536
Contributions in relation to the actuarially determined contribution	<u>(2,346)</u>	<u>(2,536)</u>
Contribution Deficiency (Excess)	-	-
Covered Payroll	460,047	461,163
Contributions as a Percentage of Covered Employer Payroll	0.51%	0.55%

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>
-	-	-	-	-	-
389,255	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, 2025**

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	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) Mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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, 2023 valuation were based on the results of an actuarial experience study for the period ended December 31, 2022.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
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, 2025

NOTE B: NOTES TO THE OPEB SCHEDULES (continued)

Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023.

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Other Schedules

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

	December 31,	
	2025	2024
ASSETS		
Cash and cash equivalents	2,379,707	2,585,528
Investments	1,154,446	1,102,902
Receivables:		
Utility accounts, net	144,931	138,244
Other current assets	18,695	8,213
Due from other funds	-	74,584
Total current assets	<u>3,697,779</u>	<u>3,909,471</u>
Net Pension asset	59,926	82,731
Property and equipment (net of accumulated depreciation)	4,345,934	2,580,210
Total assets	<u>8,103,639</u>	<u>6,572,412</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - TMRS Pension	34,551	71,477
Deferred outflows - TMRS OPEB	3,876	3,296
Total deferred outflows	<u>38,427</u>	<u>74,773</u>
Total assets and deferred outflows	<u>8,142,066</u>	<u>6,647,185</u>
LIABILITIES		
Accounts payable	79,754	4,316
Accrued liabilities	14,236	6,394
Current portion of long-term debt	12,594	11,966
Total current liabilities	<u>106,584</u>	<u>22,676</u>
Customer meter deposits	122,856	108,564
Long-term debt	214,070	226,665
Net OPEB liability	25,072	24,338
Total liabilities	<u>468,582</u>	<u>382,243</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - TMRS Pension	14,855	7,749
Deferred inflows - TMRS OPEB	5,011	4,992
Total deferred inflows	<u>19,866</u>	<u>12,741</u>
NET POSITION		
Contributed capital:		
Capital grants	3,017,013	2,997,013
Less depreciation on assets acquired by grants	(2,372,399)	(2,282,750)
Net contributed capital	<u>644,614</u>	<u>714,263</u>
Net investment in capital assets	3,701,320	1,865,947
Unrestricted	3,307,684	3,671,991
Total net position	<u>7,653,618</u>	<u>6,252,201</u>
Total liabilities, deferred inflows, and net position	<u>8,142,066</u>	<u>6,647,185</u>

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,	
	2025	2024
Operating revenues:		
Charges for services	1,326,524	1,714,485
Total operating revenues	1,326,524	1,714,485
Operating expenses:		
Personnel	552,996	509,073
Cost of services	260,111	207,315
Materials and supplies	171,048	160,134
Utilities	92,258	55,192
Maintenance and repairs	28,686	36,320
Contractual services	54,117	29,052
Other operating expenses	58,879	14,266
Depreciation	293,579	312,349
Total operating expenses	1,511,674	1,323,701
Operating income (loss)	(185,150)	390,784
Non-operating revenues (expenses):		
Grant proceeds - capital	1,637,720	199,281
Insurance proceeds	41,490	93,175
Gain on sale of capital assets	-	8,020
Interest income	146,487	162,087
Interest expense	(17,842)	(17,999)
Pension benefit (expense)	(76,637)	11,400
OPEB benefit (expense)	(691)	(412)
Total nonoperating revenues (expenses)	1,730,527	455,552
Income (loss) before transfers and	1,545,377	846,336
Less: Current year capital assets acquired by grants	(20,000)	-
Add: Depreciation on capital assets acquired by grants	89,649	87,648
Net income (loss) before transfers	1,615,026	933,984
Transfers (to) from other funds	(143,960)	(85,000)
Change in net position	1,471,066	848,984
Net position, beginning of year	5,537,938	4,688,954
Net contributed capital	644,614	714,263
Net position, end of year	7,653,618	6,252,201

See accompanying notes to the financial statements

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FEDERAL AWARDS SECTION



Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, 2025, 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 March 3, 2026.

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.

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 AUDITING STANDARDS

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

March 3, 2026



Goff&Herrington,P.C.

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pineland's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Honorable Mayor and Members of the City Council
City of Pineland, Texas
Page 3

Report on Internal Control over Compliance

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

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

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

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

March 3, 2026

**CITY OF PINELAND, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	___yes <u>X</u> no
Significant Deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> no
Noncompliance material to financial statements noted?	___yes <u>X</u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___yes <u>X</u> no
Significant Deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> no
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___yes <u>X</u> no

Identification of Major Programs

Fed. Asst. Listing No. 14.228	Community Development Block Grants (CDBG)
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Dollar threshold used to distinguish between Type A and Type B programs	\$1,000,000
Auditee qualified as a low risk auditee?	___yes <u>X</u> no

Section II - Financial Statement Findings

None identified.

Section III - Federal Award Findings and Questioned Costs

None identified.

**CITY OF PINELAND, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025**

There were no prior year findings.

**CITY OF PINELAND, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2025**

None Required.

CITY OF PINELAND, TEXAS
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through Texas Department of Agriculture:</i>			
CDBG - Fire, Ambulance, and Service Truck (FAST)	14.228	CFA22-0056	3,945
CDBG - Community Development - 2021	14.228	CDV21-0199	<u>3,290</u>
Total Passed through Texas Department of Agriculture			<u>7,235</u>
<i>Passed through Texas General Land Office:</i>			
CDBG - Mitigation Program Infrastructure Projects	14.228	22-085-076-D340	1,617,720
CDBG - Mitigation Program Infrastructure Projects	14.228	24-065-052-E554	<u>62,216</u>
Total Passed through Texas General Land Office			<u>1,679,936</u>
Total Department of Housing and Urban Development			<u>1,687,171</u>
Total Expenditures of Federal Awards			<u>1,687,171</u>

**CITY OF PINELAND, TEXAS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025**

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Summary of Significant Accounting Policies:

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due. Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as unearned revenues or accounts receivable, respectively.

The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the City at December 31, 2025.

Indirect Cost Rate:

The City has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.