

Pleak Volunteer Fire Department
Annual Financial Report
For the Nine Months Ended September 30, 2023

Pleak Volunteer Fire Department
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September 30, 2023

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Pleak Volunteer Fire Department
Elected Officials, Administration and Other Information
September 30, 2023

Current Elected Governing Body of the Village of Pleak, Texas:

		<u>Term</u>
Larry Bittner	Mayor	May 1, 2021 to April 30, 2025
Michael John	Mayor Pro Tem and Alderman	May 1, 2023 to April 30, 2027
Wade A. Goates	Alderman	May 1, 2023 to April 30, 2027
Alex Gutierrez	Alderman	May 1, 2023 to April 30, 2025
Sophia Rico	Alderwoman	May 1, 2021 to April 30, 2025
Wayne Kelley	Alderman	May 1, 2023 to April 30, 2027

Administrative Officials

Erin Walley	City Secretary
Jordan Blegen	Fire Chief
Lora Lenzsch	City Attorney
Richard Stolleis	City Engineer

General Information

Village Hall, Pleak, Texas 6621 FM 2218 South, Richmond Texas, 77469
 Phone: Village Hall (281) 239-8504; Fire Department (282) 342-3692

Council Meetings 3rd Wednesday of each month at 7:00 p.m.
 Meeting place: Village Hall, Pleak, Texas

2023 State of Texas Sales Tax Rate 8.00%

2023 Property Tax Rate No Property Taxes.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Mayor and Alderpersons of Village of Pleak, Texas
and the Fire Chief and Board of Directors of
Pleak Volunteer Fire Department

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pleak Volunteer Fire Department ("PVFD"), a component unit of the Village of Pleak, Texas, as of and for the nine months ended September 30, 2023, and the related notes to the financial statements, which collectively comprise PVFD's basic financial statements as listed in the index to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PVFD as of September 30, 2023 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 PVFD, 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 PVFD'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.

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 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, 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 PVFD'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 PVFD'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 and budgetary comparison information 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2024, on our consideration of PVFD'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 PVFD'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 PVFD's internal control over financial reporting and compliance.

Stephenson, LeGrand & Pfeil, PLLC

Wharton, Texas
July 16, 2024

**Pleak Volunteer Fire Department
Management’s Discussion and Analysis
September 30, 2023**

The discussion and analysis of Pleak Volunteer Fire Department (“PVFD”) financial performance provides an overview of PVFD’s financial activities for the nine months ended September 30, 2023. The intent of this discussion and analysis is to look at PVFD’s financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of PVFD’s performance. PVFD is a component unit of the Village of Pleak, Texas.

Overview of the Financial Statements

This annual financial report of PVFD consists of the following parts: Management’s Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Government-Wide Financial Analysis

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets provide an indication of PVFD’s financial condition. PVFD’s net assets reflect the difference between assets and liabilities. The Statements of Revenues, Expenses and Change in Net Assets identify the various revenue and expense items that affect the change in net assets.

A summary of PVFD’s Statements of Net Assets is presented below.

	Governmental Activities
Current and other assets	\$ 16,561
Capital assets, net	11,554
Total assets	28,115
Current and other liabilities	-
Long-term debt	-
Total liabilities	-
Net assets	
Invested in capital assets, net of related debt	11,554
Restricted	-
Unrestricted	16,561
Total Net Assets	<u>\$ 28,115</u>

All of PVFD’s net assets reflect its unrestricted net assets (e.g., cash and investments). PVFD uses these assets to provide services to citizens.

Governmental activities decreased PVFD’s net assets by \$2,419.

**Pleak Volunteer Fire Department
Management's Discussion and Analysis
September 30, 2023**

A summary of PVFD's Changes in Net Assets is presented below.

	Governmental Activities
Program revenues	
Charges for services	206,149
Capital grants and contributions	-
General revenues	
Interest Income	243
Donations and Fundraiser income	5,489
Total revenues	<u>211,881</u>
Expenses	
Salary Costs	149,103
Operations Costs	63,202
Depreciation Expense	1,995
Total expenses	<u>214,300</u>
Change in net assets	(2,419)
Beginning net assets	<u>30,534</u>
Ending net assets	<u><u>\$ 28,115</u></u>

Following is a detail of revenue by source for the governmental activities:

Description	Governmental Activities	
	Revenues	% of Total
Charges for services	\$ 206,149	97.29%
Grants	-	0.00%
Donations and Contributions	5,489	2.59%
Investment earnings	243	0.11%
Miscellaneous	-	0.00%
Total	<u><u>\$ 211,881</u></u>	<u><u>100.00%</u></u>

Financial Analysis of Government Funds

The focus of PVFD's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing PVFD's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

**Pleak Volunteer Fire Department
Management's Discussion and Analysis
September 30, 2023**

As of the end of fiscal 2023, PVFD's governmental funds, consisting only of the General Fund, reported an ending fund balance of \$16,561, a decrease of \$424 in comparison with December 31, 2022. The entire fund balance is unreserved and is available for spending, subject to regulatory, statutory and budgetary restrictions.

The fund balance of PVFD's General Fund decreased \$2,419 during the nine months ended September 30, 2023. The main driver of the decrease relates to increased salaries and fire truck and equipment maintenance..

Analysis of Changes in Capital Assets and Long-Term Debt

Capital Assets

As of September 30, 2023, PVFD had total capital assets of \$11,554, net of accumulated depreciation of \$65,847. This investment in capital assets includes fire equipment. Additional information of PVFD's capital assets can be found in Note 1 of this report.

Long-Term Debt

As of September 30, 2023, PVFD did not have any debts outstanding.

Economic Factors and Next Year's Budget and Rates

PVFD has adopted its 2023-2024 budget. The approval of the budget provides funding for PVFD's operating and capital costs for the 2023-2024 fiscal year. PVFD expects revenues from all sources to remain consistent with the prior years and expects a positive growth in net assets during 2023-2024.

Additional Financial Information

This financial report is designed to present users with a general overview of PVFD's financial operations and financial condition and to demonstrate PVFD's accountability. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Pleak Volunteer Fire Department or the Village of Pleak, 6621 FM 2218 South, Richmond, Texas 77469.

BASIC FINANCIAL STATEMENTS

Pleak Volunteer Fire Department
Statement of Net Assets
September 30, 2023

Assets	<u>Governmental Activities</u>
Current assets	
Cash and cash equivalents	\$ 10,538
Investment in TexPool	6,023
Due from other governments	-
Total current assets	<u>16,561</u>
Noncurrent assets	
Capital assets	
Fire trucks and other fire equipment	77,401
Less accumulated depreciation	<u>(65,847)</u>
Total capital assets	11,554
Total assets	<u><u>\$ 28,115</u></u>
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	<u>\$ -</u>
Total current liabilities	-
Net assets	
Invested in capital assets, net of related debt	11,554
Restricted net assets	-
Unrestricted net assets	<u>16,561</u>
Total Net Assets	<u><u>\$ 28,115</u></u>

The accompanying notes are an integral part of these financial statements.

Pleak Volunteer Fire Department
Statement of Activities
For the Nine Months Ended September 30, 2023

Function/Program	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Assets Governmental Activities</u>
Governmental Activities				
Fire department	\$ 214,300	\$ 206,149	\$ -	\$ (8,151)
Total governmental activities	<u>214,300</u>	<u>206,149</u>	<u>-</u>	<u>(8,151)</u>
 Total	 <u>\$ 214,300</u>	 <u>\$ 206,149</u>	 <u>\$ -</u>	 <u>\$ (8,151)</u>
General revenues:				
				5,489
				243
				<u>5,732</u>
				(2,419)
				<u>30,534</u>
				<u>\$ 28,115</u>

The accompanying notes are an integral part of these financial statements.

Pleak Volunteer Fire Department
Balance Sheet - Governmental Funds
September 30, 2023

	General Fund
Assets	
Cash and cash equivalents	\$ 10,538
Investment in TexPool	6,023
Due from other governments	-
Total assets	<u>\$ 16,561</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	\$ -
Total liabilities	<u>-</u>
Fund balance	
Fund balance - unreserved	16,561
Total fund balance	<u>16,561</u>
Total liabilities and fund balance	<u>\$ 16,561</u>

Reconciliation to the Statement of Net Assets of Governmental Activities:

Total governmental fund balance	\$ 16,561
Add capital assets not reported in governmental funds, net of accumulated depreciation of \$65,847	11,554
Net Assets of Governmental Activities	<u>\$ 28,115</u>

The accompanying notes are an integral part of these financial statements.

Pleak Volunteer Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Nine Months Ended September 30, 2023

	<u>General</u>
Revenues	
Fort Bend County ESD 6	\$ 206,149
Donations and fundraiser income	489
Interest income	243
Total revenues	<u>206,881</u>
Expenditures	
Salaries and benefits	149,103
Operating expenditures	
Maintenance	
Fire trucks and equipment	14,147
Supplies	
Equipment	19,460
Office	32
Administration	5,341
Insurance	15,013
Telephone and other communication	3,672
Training	5,537
Capital outlay - equipment	-
Total expenditures	<u>212,305</u>
Other Financial Sources (Uses)	
Grant revenues	-
Donations to Village of Pleak, Texas	5,000
Total other financial sources (uses)	<u>5,000</u>
Net change in fund balance	(424)
Beginning fund balance	16,985
Ending fund balance	<u>\$ 16,561</u>

Reconciliation to the Statement of Activities

Total net change in fund balance - governmental funds	\$ (424)
Current year capital outlays not included in the Statement of Activities	-
Expenses on the Statement of Activities not included in the governmental funds statement - Depreciation expense	(1,995)
Change in net assets of governmental activities	<u>\$ (2,419)</u>

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Introduction

Pleak Volunteer Fire Department of Pleak, Texas (“PVFD”) was created by Ordinance Number 27 of the Village of Pleak, Texas on June 23, 1993. Under the ordinance, PVFD may elect its board members and officers with final approval by the Village of Pleak, Texas elected Alderpersons. PVFD can adopt its own constitution and by-laws, provided they are consistent with applicable laws and/or the Village of Pleak’s ordinances. PVFD is considered a component unit of the Village of Pleak, Texas, as it exercises significant influence and legal authority over PVFD. Significant influence or accountability is based primarily on operational or financial relationships. Legal authority is derived from the ordinance creating the component unit.

The financial statements of the PVFD are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

On January 18, 2023, the Village Council approved an ordinance to change PVFD’s fiscal year end to September 30 of each year from December 31. Accordingly, these financial statements cover the nine months ending September 30, 2023.

Reporting Entity

In evaluating how to define PVFD for reporting purposes, management has considered all potential component units. The decision to exclude all potential component units from the reporting entity was made by applying the criteria set forth in GAAP.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of PVFD as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or business-type activity. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. PVFD reports governmental type funds.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. A one-year availability period is used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

PVFD reports the following funds:

Governmental Fund Types

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. Governmental fund types include the following:

General Fund – is used to account for resources used in general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds are accounted for in this fund.

Budget policy and practice

The Fire Chief submits an annual budget to the Village of Pleak, Texas for approval in accordance with the June 23, 1993 ordinance and the Texas Municipal Budget Act. In November of each year, the Fire Chief, with approval by Village of Pleak, Texas adopts an annual fiscal year appropriated budget for the general fund. Once approved, the Fire Chief may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgetary control

The general fund appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by departments. This constitutes the legal level of control. Expenditures may not exceed appropriations and beginning fund balances. Budget revisions at this level are subject to final review by the board. Within these above control levels, the Fire Chief may transfer appropriations without Alderperson approval.

Budget basis of accounting

The budget for the general fund is prepared on a basis consistent with accounting principles generally accepted in the United States of America. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. PVFD did not have any outstanding encumbrances at September 30, 2023.

Pleak Volunteer Fire Department
Notes to Financial Statements
September 30, 2023

Primary Government

The primary government of PVFD is the Village of Pleak, Texas. A copy of the primary government's report may be obtained from the Village of Pleak, Texas. PVFD reports as a general government type of entity.

Cash and investments

PVFD maintains two cash operating accounts and one investment fund at September 30, 2023.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide statement of net assets. PVFD defines capital assets as assets with initial, individual costs 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 purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and improvements	40 years
Furniture, fixtures and equipment	5 - 10 years
Infrastructure	50 years
Fire truck and other fire equipment	5 - 10 years

Compensated absences and retirement plan

There are no compensated absences for any employee of PVFD and PVFD does not participate in any retirement plan for its employees.

2. Deposits and Investments

It is PVFD's policy for deposits and investments to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. PVFD's deposits and investments are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

- Category 1- Insured or collateralized with securities held by PVFD or by its agent in PVFD's name.
- Category 2- Collateralized with securities held by the pledging financial institution trust department or agent in PVFD's name.
- Category 3- Uncollateralized

PVFD is classified as Category 1, with deposits and investments secured by the Federal Deposit Insurance Corporation insurance at September 30, 2023.

Pleak Volunteer Fire Department
Notes to Financial Statements
September 30, 2023

3. Fort Bend County ESD#6 Assistance Revenues

PVFD has entered into an agreement with Fort Bend County ESD#6 to provide fire-fighting services to rural areas for a fee. For the nine months ended September 30, 2023, PVFD earned \$206,149 from Fort Bend County ESD#6.

4. Donations and Fundraiser Income

PVFD receives donations for assistance through various public sources and other non-profit organizations. For the nine months ended September 30, 2023, PVFD received \$489 in donations and fundraiser income from charitable organizations and individuals.

5. Contingencies

Litigation

PVFD is not a party to any litigation that its insurance would not cover as of September 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Pleak Volunteer Fire Department
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual - General Fund
For the Nine Months Ended September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Fort Bend County ESD 6	\$ 221,849	\$ 206,149	\$ (15,700)
Donations and fundraiser income	-	489	489
Interest income	-	243	243
Total revenues	221,849	206,881	(14,968)
Expenditures			
Salaries and benefits	130,311	149,103	(18,792)
Operating expenditures			
Maintenance			
Fire trucks and equipment	38,019	14,147	23,872
Supplies			
Equipment	24,355	19,460	4,895
Office	56	32	24
Administration	8,123	5,341	2,782
Insurance	12,254	15,013	(2,759)
Telephone and other communications	5,412	3,672	1,740
Training	3,319	5,537	(2,218)
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total expenditures	221,849	212,305	9,544
Other Financial Sources (Uses)			
Grant revenues	-	-	-
Donation to Village of Pleak, Texas	-	5,000	5,000
Total other financial sources (uses)	-	5,000	5,000
Excess (deficit) of revenues over expenditures	\$ -	(424)	\$ (424)
Fund balance, beginning of year		16,985	
Fund balance, end of year		\$ 16,561	

The accompanying notes are an integral part of these financial statements.

OTHER REQUIRED REPORTS



**Independent Auditor’s Report on Compliance and 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**

Mayor and Alderpersons of Village of Pleak, Texas
and the Fire Chief and Board of Directors of
Pleak Volunteer Fire Department

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 and each major fund of Pleak Volunteer Fire Department (“PVFD”), as of and for the nine months ended September 30, 2023, and the related notes to the financial statements, which collectively comprise PVFD’s basic financial statements, and have issued our report thereon dated July 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PVFD’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PVFD’s internal control. Accordingly, we do not express an opinion on the effectiveness of PVFD’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PVFD’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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Stephenson, LeGrand & Pfeil, PLLC

Wharton, Texas
July 16, 2024