

VILLAGE OF PLEAK, TEXAS

Financial Statements

with

Report of Independent Auditor

September 30, 2025

TABLE OF CONTENTS

	<u>Page</u>
<u>Introductory Section</u>	
Title page	
Table of Contents	
<u>Financial Section</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet and Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to the Basic Financial Statements	14
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes In Fund Balances-Budget and Actual - General Fund	23

Federal Awards

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	27
Schedule of Findings or Questioned Costs	30
Summary Schedule of Prior Audit Findings	32
Schedule of Expenditures of Federal and State Awards	33
Notes to Schedule of Expenditures of Federal and State Awards	34

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Village Council
Village of Pleak, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Village of Pleak, Texas ("Village"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village, as of September 30, 2025, and the respective changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Village 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 Village's ability to continue as a going concern for twelve months beyond the financial

statement issuance 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 GAAS and GAS 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 GAAS and GAS, 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 Village'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 Village'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 the Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund on pages 4 - 8 and 23 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The 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 is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2026 on our consideration of the Village of Pleak, Texas' 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 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 the Village of Pleak, Texas' internal control over financial reporting and compliance.

Seidel Schuster

Brenham, Texas
May 15, 2026

Village of Pleak, Texas
6621 FM 2218
Richmond, Texas 77469

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial activities of the Village of Pleak, Texas for the year ended September 30, 2025. The information presented herein should be considered in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This report has been prepared under the reporting guidelines mandated by the Governmental Accounting Standards Board Statement 34 and consists of a series of financial statements. The Statement of Net Position and the Statement of Activities are statements required under GASB 34 and provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Also, included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$5,552,507. Of this amount, \$2,896,468 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$2,778,265.
- At the close of the current fiscal year, the Village's funds reported combined ending fund balances of \$3,104,700, an increase of \$647,855 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$2,884,559.

Overview of the Financial Statements

The annual report consists of four parts - Independent Auditors Report, Management Discussion and Analysis, Basic Financial Statements and Fund Financial Statements.

- The first two statements are Statements of Net Position and Statements of Activities.
- The remaining statements are fund financial statements that include governmental funds.

- The governmental funds statements tell how general government services were funded and what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more details.

Reporting the Village as a Whole

The accompanying **Government Wide Financial Statements** include two statements that present financial data for the Village as a whole. The Statement of Activities reports information about the Village as a whole and about its activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and changes in it. The difference between the Village's assets, deferred outflows, liabilities and deferred inflows are one way to measure the Village's financial position. Other indicators need to be taken into account, such as the sales tax base, to assess the overall health of the village.

Since the Village has only governmental activities, the Statement of Net Position and the Statement of Activities only report these activities:

- Governmental Activities - All of the Village's basic services such as streets and roads and parks, are reported here. Sales tax, franchise fees and investment income finance these activities.

Reporting the Village's Most Significant Funds

The fund financial statements provide detailed information about the Village's individual funds-not the Village as a whole. Some funds are required to be established by State Law. However, Village Council can establish other funds to help control and manage money for particular purposes. The Village has one kind of fund - governmental.

- Governmental funds - All of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short term view of the Village's general government operations and the basic services it provides.

Government-Wide Financial Statements

	<u>2025</u>	<u>2024</u>
Current & Other Assets	\$ 3,569,949	\$ 2,555,545
Capital Assets	<u>2,435,898</u>	<u>301,287</u>
Total Assets	<u>6,005,847</u>	<u>2,856,832</u>
Current Liabilities	<u>453,340</u>	<u>82,590</u>
Total Liabilities	<u>453,340</u>	<u>82,590</u>
Net investment in Capital Assets	2,435,898	301,287
Restricted Net Position	220,141	717,727
Unrestricted Net Position	<u>2,896,468</u>	<u>1,755,228</u>
Total Net Position	<u>\$ 5,552,507</u>	<u>\$ 2,774,242</u>
	<u>2025</u>	<u>2024</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 16,545	\$ 14,231
Operating grants and contributions	23,012	46,103
Capital grants and contributions	2,117,036	56,332
General revenues:		
Property taxes	273,507	242,847
Sales taxes	435,695	374,859
Franchise fees	39,935	40,785
Investment income	89,553	81,127
Other income	<u>17,239</u>	<u>16,770</u>
Total revenues	3,012,522	873,054
Expenses:		
General government	202,512	151,163
Public works	31,745	41,313
Public safety	<u>-</u>	<u>2,034</u>
Total expenses	<u>234,257</u>	<u>194,510</u>
Change in net position before special items	2,778,265	678,544
Special items	<u>-</u>	<u>14,235</u>
Change in net position	2,778,265	692,779
Net position, beginning	<u>2,774,242</u>	<u>2,081,463</u>
Net position, ending	<u>\$ 5,552,507</u>	<u>\$ 2,774,242</u>

The reasons for significant changes from the prior year are as follows.

- Current and other assets increased \$1,014,404 due to an increase in grants receivable.
- Capital assets increased \$2,134,611 due to the water plant project that was in progress during the current year.

- Current liabilities increased \$370,750 due to the increase in accounts payable related to the water plant project.
- Revenues increased by \$2,139,468 primarily due to a significant increase in capital grants and contributions. Grant and contribution revenue increased by \$2,037,613 primarily due to the water plant project, which is funded by grant revenue.
- Expenses increased by \$39,747. General government expenses increased by \$51,349 primarily due to an increase in personnel expenses during the year.

Major Funds

The Village uses fund accounting to provide proper financial management of the village’s resources and to demonstrate compliance with finance related legal requirements.

Major Governmental Funds. The **General fund** is the chief operating fund of the Village.

General Fund Budget

Differences between the final budget and the actual income/expense are summarized as follows:

- Total general fund revenues were \$447,065 more than budgeted. This was primarily due to sales tax revenue and investment income, which were more than budgeted by \$364,575 and \$49,553, respectively.
- Total general fund expenditures were \$45,764 less than budgeted, primarily due to general government and capital outlay expenditures being under budget by \$24,264 and \$21,500, respectively. General government expenditures were less than budgeted due to Village not having many repairs during the year. Capital outlay expenditures were less than budgeted due to fewer projects during the year.

Capital Assets, net

Land	\$ 110,132
Construction in progress	2,147,186
Buildings and equipment	178,580
Total	<u>\$ 2,435,898</u>

The year’s major additions included:

- Water plant project in progress \$2,117,036

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have a question about this report or need additional information, contact Pleak City Hall, 6621 FM 2218 South, Richmond, Texas 77469.

VILLAGE OF PLEAK, TEXAS
Statement of Net Position
September 30, 2025

	Governmental Activities
ASSETS	
Cash	\$ 174,446
Certificates of deposit - restricted	8,520
Investments	1,960,989
Receivables	
Property tax	14,465
Sales tax	52,383
Grants	1,339,067
Due from other governments	20,079
Capital assets, not being depreciated	2,257,318
Capital assets, net of accumulated depreciation	178,580
Total assets	6,005,847
LIABILITIES	
Accrued expenses	67
Accounts payable	412,171
Unearned revenues	41,102
Total liabilities	453,340
NET POSITION	
Investment in capital assets	2,435,898
Restricted	220,141
Unrestricted	2,896,468
Total net position	\$ 5,552,507

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PLEAK, TEXAS
Statement of Activities
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
General government	\$ 202,512	\$ 16,545	\$ -	\$ -	\$ (185,967)
Public works	31,745	-	23,012	2,117,036	2,108,303
Total governmental activities	<u>234,257</u>	<u>16,545</u>	<u>23,012</u>	<u>2,117,036</u>	<u>1,922,336</u>
General revenues					
Taxes:					
Property taxes					273,507
Sales taxes					435,695
Franchise fees					39,935
Investment income					89,553
Rental income					15,250
Other income					1,989
Total general revenues and special items					<u>855,929</u>
Change in net position					2,778,265
Net position, beginning					<u>2,774,242</u>
Net position, ending					<u>\$ 5,552,507</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PLEAK, TEXAS
Governmental Funds
Balance Sheet
September 30, 2025

	General	Road & Bridge Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash	\$ 174,446	\$ -	\$ -	\$ 174,446
Certificates of deposit - restricted	8,520	-	-	8,520
Investments	1,960,989	-	-	1,960,989
Receivables				
Property tax	14,465	-	-	14,465
Sales tax	52,383	-	-	52,383
Grants	-	-	1,339,067	1,339,067
Due from other governments	20,079	-	-	20,079
Due from other funds	913,394	211,041	-	1,124,435
Total assets	\$ 3,144,276	\$ 211,041	\$ 1,339,067	\$ 4,694,384
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Accrued expenses	\$ 67	\$ -	\$ -	\$ 67
Accounts payable	28,180	-	383,991	412,171
Due to other funds	211,041	-	913,394	1,124,435
Unearned revenues	-	-	41,102	41,102
Total liabilities	239,288	-	1,338,487	1,577,775
Deferred inflows of resources				
Unavailable revenues	11,909	-	-	11,909
Total deferred inflows of resources	11,909	-	-	11,909
Fund balance				
Restricted				
Park	8,520	-	-	8,520
Street maintenance	-	211,041	-	211,041
Capital projects	-	-	580	580
Unassigned	2,884,559	-	-	2,884,559
Total fund balances	2,893,079	211,041	580	3,104,700
Total liabilities, deferred inflows of resources and fund balances	\$ 3,144,276	\$ 211,041	\$ 1,339,067	\$ 4,694,384
Reconciliation of the balance sheet to the statement of net position:				
Fund balances of governmental funds				\$ 3,104,700
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:				
Governmental capital assets			\$ 2,700,104	
Less accumulated depreciation			(264,206)	2,435,898
Unavailable revenues reported in the governmental funds are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
				11,909
Net Position of Governmental Activities				\$ 5,552,507

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PLEAK, TEXAS
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2025

	General	Road & Bridge Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 268,518	\$ -	\$ -	\$ 268,518
Sales taxes	404,575	40,309	-	444,884
Franchise fees	39,935	-	-	39,935
Investment income	89,553	-	-	89,553
Rental income	15,250	-	-	15,250
Permits	16,545	-	-	16,545
Grants and contributions	-	-	2,140,048	2,140,048
Other income	1,989	-	-	1,989
Total revenues	<u>836,365</u>	<u>40,309</u>	<u>2,140,048</u>	<u>3,016,722</u>
Expenditures				
Current:				
General government				
Salaries and benefits	44,135	-	-	44,135
Repairs	30,773	-	-	30,773
Insurance	14,708	-	-	14,708
Supplies	1,485	-	-	1,485
Janitorial services	2,870	-	-	2,870
Professional fees	70,867	-	-	70,867
Utilities and telephone	11,413	-	-	11,413
Other expenses	15,335	-	-	15,335
Total general government	<u>191,586</u>	<u>-</u>	<u>-</u>	<u>191,586</u>
Public works				
Professional fees	-	-	31,745	31,745
Total public works	<u>-</u>	<u>-</u>	<u>31,745</u>	<u>31,745</u>
Capital outlay:				
General government	28,500	-	-	28,500
Public works	-	-	2,117,036	2,117,036
Total capital outlay	<u>28,500</u>	<u>-</u>	<u>2,117,036</u>	<u>2,145,536</u>
Total expenditures	<u>220,086</u>	<u>-</u>	<u>2,148,781</u>	<u>2,368,867</u>
Excess (deficiency) of revenues over expenditures	<u>616,279</u>	<u>40,309</u>	<u>(8,733)</u>	<u>647,855</u>
Fund Balance, beginning	<u>2,276,800</u>	<u>170,732</u>	<u>9,313</u>	<u>2,456,845</u>
Fund Balance, ending	<u>\$ 2,893,079</u>	<u>\$ 211,041</u>	<u>\$ 580</u>	<u>\$ 3,104,700</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PLEAK, TEXAS
 Governmental Funds
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended September 30, 2025

Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of changes in net position:

Net change in fund balances - total governmental funds	\$	647,855
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of these assets are depreciated over their estimated useful lives:

Capital outlay	\$ 2,145,536		
Depreciation of capital assets	<u>(10,926)</u>		2,134,610

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenue.			<u>(4,200)</u>
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Change in net position, governmental activities	\$	<u><u>2,778,265</u></u>
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

1. Summary of significant accounting policies

The accompanying financial statements include all funds of the Village of Pleak. The accounting policies of the Village of Pleak conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The Village was incorporated under the laws of the State of Texas in 1979. The Village elects its mayor and five alderpersons at large. The mayor presides at the council meetings. All powers of the Village are vested in the council. As required by generally accepted accounting principles, these financial statements present Village of Pleak, Texas (the primary government).

B. Financial Reporting Entity

The Village's basic financial statements include the accounts of all its operations. The Village evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Village's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity", include whether:

- The organization is legally separate (can sue and be sued in its name)
- The Village holds the corporate powers of the organization
- The Village appoints a voting majority of the organization's board
- The Village is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Village
- There is a fiscal dependency by the organization on the Village
- The exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the Village has no component units. Additionally, the Village is not a component unit of any other reporting entity as defined by the GASB Statement.

C. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statement of activities demonstrates the degree to which

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given program.

Fund financial statements

Fund financial statements of the reporting entity are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

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

Special Revenue Fund - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for certain purposes. Currently, the Village has one special revenue fund which is the Road & Bridge Fund.

Capital Projects Fund - Capital project funds are used for proceeds and expenditures for approved capital projects.

D. Measurement Focus and Basis of Accounting

Measurement Focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

In the fund financial statements, the current financial resources measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as its measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal on long-term debt obligations and interest which are reported when due.

E. Capital assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus.

Government-wide statements

In the government-wide financial statements, capital assets are accounted for as assets and valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the time of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Furniture, fixtures and equipment	5-15 years
Infrastructure	50 years

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

When capital assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the appropriate gain or loss is recognized.

Fund financial statements

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Cash and Investments

Cash consists of cash on hand and amounts in demand deposits. Investments consist of amounts invested in TexPool reported at cost, which approximates fair value. Fair values are based on quoted market prices for individual securities.

G. Fund Equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and/or unassigned. Special revenue fund equity is classified the same as in the government-wide statements.

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Classification of fund balances

The *non-spendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, and nonfinancial assets held for resale.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the Village to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the Village Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the Village budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the Village budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

H. Change in Accounting Principle

Effective October 1, 2024, the Village implemented GASB Statement No. 101, *Compensated Absences*, which required the recognition of liabilities for compensated absences that have not been used and leave that has been used, but not paid or settled. The adoption of GASB No. 101 had no impact on the Village's net position and no restatement of net position was made.

2. Budgets

Annually, a budget is adopted for the general fund. An annual budget was not adopted for the special revenue fund. The legal level of budgetary control is each general ledger account. Therefore, a budget amendment is required to increase the appropriations for any general ledger account. All appropriations lapse at fiscal year-end. Expenditures exceeded appropriations by \$54,749 in the General Fund.

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The Village does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

3. Cash and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. As of September 30, 2025, the Village's bank balance, was fully covered by federal depository insurance ("FDIC").

As of September 30, 2025, the Village had an investment in a State Money Pool (TexPool), which had a balance of \$1,960,989. "TexPool" is a local government investment pool created and managed by the Texas State Treasurer to invest funds on behalf of Texas political subdivisions. The pool seeks to maintain a \$1.00 par value per share as required by the Texas Public Fund Investment Act. Its fair value approximates carrying value. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool was rated AAA by Standard & Poor's. Authorized investments for TexPool funds include government securities, repurchase and reverse repurchase agreements and no-load money market mutual funds.

4. Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable by February 1, at which time they become delinquent. Fort Bend County collects the Village's property taxes. Property tax

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

revenues are recognized when collected and received. The following summarizes property tax levies and collections for the year ended September 30, 2025:

Tax Roll Year	Outstanding Taxes at September 30, 2024	Taxes Levied in Current Year	Collections and Adjustments in Current Year	Outstanding Taxes at September 30, 2025
2023	\$ 7,953	\$ -	\$ 5,700	\$ 2,253
2024	-	266,996	254,784	12,212
	<u>\$ 7,953</u>	<u>\$ 266,996</u>	<u>\$ 260,484</u>	<u>\$ 14,465</u>

5. Interfund receivables and payables

At September 30, 2025, interfund receivables and payables consist of the following:

Due from:	Interfund Receivables	Interfund Payables	Purpose
General fund	\$ 913,394	\$ 211,041	Reclassification of revenues and expenditures to proper fund.
Road & bridge fund	211,041	-	Reclassification of restricted sales tax revenues and expenditures to proper fund.
Capital projects fund	-	913,394	Reclassification of restricted grant revenues and expenditures to proper fund.
	<u>\$ 1,124,435</u>	<u>\$ 1,124,435</u>	

6. Capital assets

Capital asset activity for the year ended September 30, 2025 is as follows:

	Balance at September 30, 2024	Additions	Deletions	Balance at September 30, 2025
Non-depreciable:				
Land	\$ 110,132	\$ -	\$ -	\$ 110,132
Construction in progress	30,150	2,117,036	-	2,147,186
Total non-depreciable	140,282	2,117,036	-	2,257,318
Depreciable:				
Building	393,235	28,501	-	421,736
Furniture, fixtures, and equipment	21,825	-	775	21,050
Total depreciable	415,060	28,501	775	442,786
Total Capital Assets	555,342	2,145,537	775	2,700,104
Less accumulated depreciation				
Building	235,678	10,438	-	246,116
Furniture, fixtures, and equipment	18,377	488	775	18,090
Total	254,055	10,926	775	264,206
Capital assets, net	<u>\$ 301,287</u>	<u>\$ 2,134,611</u>	<u>\$ -</u>	<u>\$ 2,435,898</u>

VILLAGE OF PLEAK, TEXAS
Notes to Basic Financial Statements
September 30, 2025

Depreciation expense was charged to programs of the primary government as follows:

General government \$10,926

7. Commitments

The Village has the following outstanding commitments as of September 30, 2025:

<u>Contract Type</u>	<u>Contract Purpose</u>	<u>Total Contract Amount</u>	<u>Amount Spent as of September 30, 2025</u>
Construction	Pleak Water Plant No. 1 - To be funded by grants and developer contributions	\$ 7,187,420	\$ 2,109,446
Administrative	Grant management	94,000	59,260
Construction	Engineering services for construction at Pleak Water Plant No. 1	85,000	37,740

8. Assessments

The Village has agreed to an industrial district agreement with Center Point Energy whereby Center Point Energy makes monthly payments to the Village related to electric franchise fees and quarterly payments related to gas franchise fees.

The Village, also has an industrial district agreement with telephone companies whereby the telephone companies makes quarterly payments to the Village based on usage.

9. Risk Management

The Village 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 Village maintains commercial insurance coverage covering fire, natural disasters, theft, and vandalism for real and personal property.

There were no significant changes in coverages, retentions, or limits during the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PLEAK, TEXAS
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2025

	Budgeted Amounts <u>Original/Final</u>	Actual GAAP Basis	Variance with Final Budget Over (Under)
Revenues			
Taxes			
Property taxes	\$ 250,000	\$ 268,518	\$ 18,518
Sales taxes	40,000	404,575	364,575
Franchise fees	35,500	39,935	4,435
Investment income	40,000	89,553	49,553
Rental income	12,000	15,250	3,250
Permits	10,000	16,545	6,545
Other income	1,800	1,989	189
Total revenues	<u>389,300</u>	<u>836,365</u>	<u>447,065</u>
Expenditures			
Current:			
General government			
Salaries and benefits	50,000	44,135	(5,865)
Repairs	53,800	30,773	(23,027)
Insurance	9,050	14,708	5,658
Supplies	1,200	1,485	285
Janitorial services	4,000	2,870	(1,130)
Professional fees	70,500	70,867	367
Utilities and telephone	12,500	11,413	(1,087)
Other expenses	14,800	15,335	535
Total general government	<u>215,850</u>	<u>191,586</u>	<u>(24,264)</u>
Capital outlay - general government	<u>50,000</u>	<u>28,500</u>	<u>(21,500)</u>
Total Capital outlay	<u>50,000</u>	<u>28,500</u>	<u>(21,500)</u>
Total expenditures	<u>265,850</u>	<u>220,086</u>	<u>(45,764)</u>
Excess (deficiency) of revenues over expenditures	123,450	616,279	492,829
Fund balance, beginning	<u>2,276,800</u>	<u>2,276,800</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,400,250</u>	<u>\$ 2,893,079</u>	<u>\$ 492,829</u>

The notes to the financial statements are an integral part of this statement.

FEDERAL AWARDS



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S 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

To the Honorable Mayor and
Members of the Village Council
Village of Pleak, Texas

We have audited 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, the financial statements of the governmental activities and each major fund of the Village of Pleak, Texas, (the "Village") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated May 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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*.

Village of Pleak, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Village of Pleak, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Village of Pleak, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Brenham, Texas
May 15, 2026



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

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

To the Honorable Mayor and
Members of the Village Council
Village of Pleak, Texas

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited the Village of Pleak, Texas' 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 Village of Pleak, Texas' major federal programs for the year ended September 30, 2025. The Village of Pleak, Texas' 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 Village of Pleak, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Village of Pleak, Texas 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 Village of Pleak, Texas' compliance with the compliance requirements referred to above.

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 Village of Pleak, Texas' 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 Village of Pleak, Texas' 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 GAAS, *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 Village of Pleak, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Village of Pleak, Texas' 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 Village of Pleak, Texas' 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 Village of Pleak, Texas' 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.

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.

Seidel Schaefer

Brenham, Texas
May 15, 2026

VILLAGE OF PLEAK, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2025

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Village of Pleak, Texas were prepared in accordance with GAAP.
2. One material weakness relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Village of Pleak, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Village expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
7. The programs tested as major programs were:
 - U.S. Department of Treasury ALN 21.027.
8. The threshold for distinguishing Types A and B programs was \$1,000,000.
9. The Village did not qualify as a low-risk auditee.

FINDINGS- FINANCIAL STATEMENT AUDIT

2025-001 Segregation of duties

Condition and Criteria: Due to the Village's small size, accounting duties are not adequately segregated. Personnel performing the general accounting function are involved in the detail recording functions of cash receipts and disbursements, payroll processing, and have signature authority. The general accounting function is not separate

from custody and control over assets. Due to the limited segregation of duties, transactions could be recorded inaccurately, and not detected by the internal controls of the Village.

Cause: A small office environment with few staff members limits the Village's ability to segregate duties.

Effect: Inadequate segregation of duties limits the Village's ability to timely identify reporting discrepancies and misappropriation of assets. To mitigate risk related to limited segregation of duties, the Village has established a dual signature requirement on disbursements.

Recommendation: We recommend that the offsetting controls be continued. In addition, we recommend that bank reconciliations and the bank statements, including check images, be reviewed by an independent individual and the review be documented by the reviewer by initialing and dating.

Response: The recommended procedures in effect will continue to be followed, and we will implement the additional recommended control.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

VILLAGE OF PLEAK, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

None

**VILLAGE OF PLEAK, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal AL Number	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/2024	FY2025 FUNDS RECEIVED	FY2025 EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/2025
Federal							
<u>U.S. DEPARTMENT OF THE TREASURY</u>							
Fort Bend County, Texas							
COVID-19 Coronavirus State & Local Fiscal Recovery Fund Disaster Grants - State Public Assistance - 2021 CLFRF	21.027		\$ 2,555,000	\$ -	\$ 770,379	\$ 2,109,446	\$ 1,339,067
Texas Division of Emergency Management							
COVID-19 Coronavirus State & Local Fiscal Recovery Fund Disaster Grants - State Public Assistance - 2021 CLFRF	21.027	ARP-TX-21-199	158,937	(71,704)	-	30,602	(41,102)
Total Federal Cash Awards				\$ (71,704)	\$ 770,379	\$ 2,140,048	\$ 1,297,964

VILLAGE OF PLEAK, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2025

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village and is presented on the modified accrual basis of accounting.

Note 2: Indirect Cost Rate

The Village of Pleak has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.