



PHFC - JACKSON PLACE APARTMENT

**A COMPONENT UNIT OF CITY OF
PHARR, TEXAS**

**AUDITED ANNUAL
FINANCIAL REPORT
FY 22-23**

PHFC - JACKSON PLACE APARTMENTS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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Raul Hernandez & Company, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PHFC – Jackson Place Apartments

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, and the major fund of the PHFC – Jackson Place Apartments as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the PHFC - Jackson Place Apartments' 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 the major fund of the PHFC – Jackson Place Apartments, as of September 30, 2023, 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*, 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 PHFC - Jackson Place Apartments 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 opinion.

Responsibilities of Management for the Financial Statements

The PHFC - Jackson Place Apartments' 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 PHFC - Jackson Place Apartments' ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PHFC - Jackson Place Apartments' 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 PHFC - Jackson Place Apartments' 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 as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the PHFC - Jackson Place Apartments' 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 PHFC - Jackson Place Apartments' internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

December 18, 2024

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MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

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Pharr Housing Finance Corporation Jackson Place Apartments.
Management's Discussion & Analysis

As management of the PHFC Jackson Place Apartments (JPA), we offer readers of JPA's financial statements this narrative overview and analysis of the financial activities of the JPA for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- Total net position for JPA is negative \$6,707,352. This is due to the liability of a Note that was issued to JPA by CTL Capital LLC to cover for the construction of the apartments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are meant to serve as an introduction to the JPA's basic financial statements. The PHFC's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the JPA's finances, in a manner like a private-sector business.

The Statement of Net Position presents information on the JPA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the PHFC is improving or deteriorating.

The Statement of Activities presents information showing how the JPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The JPA, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources that can be spent, as well as on balances of resources that can be spent available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Pharr Housing Finance Corporation Jackson Place Apartments.
Management's Discussion & Analysis

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The PHFC adopts an annual appropriated budget for the General fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the JPA, liabilities exceed assets by \$6,707,352 at the end of the fiscal year.

The JPA's condensed Statement of Net Position along with last fiscal year's numbers is presented for comparison in the table is located below:

JPA Net Position

Table 1 - Dollars in Thousands

	2023	2022
Assets		
Current and Other Assets	\$ 459	\$ 734
Restricted Assets	2,581	2,516
Capital Assets	25,058	25,669
Total Assets	28,098	28,919
Liabilities		
Current Liabilities	850	876
Long-Term Liabilities	30,056	30,819
Noncurrent Liabilities	3,899	4,139
Total Liabilities	34,805	35,834
Net Position		
Net Invested in capital assets, net of related debt	(5,761)	(10,016)
Restricted:		
Debt Service	2,581	2,515
Unrestricted (deficit)	(3,527)	585
Total Net Position	\$ (6,707)	\$ (6,916)

Pharr Housing Finance Corporation Jackson Place Apartments.
Management's Discussion & Analysis

The PHFC's Changes in Net Position along with last fiscal year's numbers are presented for comparison in the following table below:

JPA Changes in Net Position

Table 2 - Dollars in Thousands

Revenues:	2023	2022
Charges for services	\$ 3,552	\$ 3,241
Other	220	234
Investment Earnings	1	-
Total Revenues	3,773	3,475
 Expenses:		
General Government	1,431	1,244
Depreciation Expense	611	620
Debt Interest	1,523	1,558
Total Expenses	3,565	3,422
 Excess of revenues over expenses	 208	 53
 Net change in fund balance	 208	 53
 Net position - beginning	 (6,916)	 (8,077)
Prior period adjustments	1	1,108
 Net position - ending	 \$ (6,707)	 \$ (6,916)

Pharr Housing Finance Corporation Jackson Place Apartments.
Management's Discussion & Analysis

CAPITAL ASSET ADMINISTRATION

The PHFC's investment in capital assets (net of accumulated depreciation) for its governmental activities amounts to \$25,057,829. This investment in capital assets includes land and construction. Machinery and equipment have been fully depreciated.

Table 3 - Dollars in Thousands

	Governmental Activities	
	2023	2022
Land	\$ 1,500	\$ 1,500
Building and improvements	23,557	24,146
Machinery and equipment	-	23
	<u>\$ 25,057</u>	<u>\$ 25,669</u>

BASIC FINANCIAL STATEMENTS

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PHFC - JACKSONPLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1

	Primary	Government
		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	341,483
Accounts Receivables		23,902
Prepaid Items		93,575
Permanently Restricted:		
Restricted Asset - Cash and Cash Equivalents		2,581,338
Capital Assets:		
Land (nondepreciable)		1,500,000
Buildings, Net		23,557,829
Total Assets		<u>28,098,127</u>
LIABILITIES		
Accounts Payable		34,513
Unearned Revenues		52,298
Current portion debt payable		762,982
Noncurrent Liabilities:		
Due to City of Pharr		3,822,695
Lease Liability		76,766
Due in More Than One Year		30,056,225
Total Liabilities		<u>34,805,479</u>
NET POSITION		
Net Investment in Capital Assets		(5,761,378)
Restricted for Debt Service		2,581,338
Unrestricted		(3,527,312)
Total Net Position	\$	<u><u>(6,707,352)</u></u>

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

PHFC - JACKSONPLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBITB-1

FOR THE YEARENDED SEPTEMBER 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,431,140	\$ 3,552,746	\$ -	\$ 2,121,606
Depreciation Expense	611,568	-	-	(611,568)
Interest on Debt	1,523,330	-	-	(1,523,330)
TOTAL PRIMARY GOVERNMENT	\$ 3,566,038	\$ 3,552,746	\$ -	(13,292)
General Revenues:				
Miscellaneous Revenue				220,603
Investment Earnings				103
Total General Revenues				220,706
Change in Net Position				207,414
Net Position - Beginning				(6,916,015)
Prior Period Adjustment				1,249
Net Position - Ending				\$ (6,707,352)

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

PHFC - JACKSONPLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

EXHIBIT C-1

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 341,483
Other Receivables	23,902
Prepaid Items	93,575
Restricted Asset - Cash and Cash Equivalents	2,581,338
Total Assets	<u>\$ 3,040,298</u>
LIABILITIES	
Accounts Payable	\$ 34,513
Due to City of Pharr	3,822,695
Unearned Revenues	52,298
Lease Liability	76,766
Total Liabilities	<u>3,986,272</u>
FUND BALANCE	
Restricted Fund Balance:	
Restricted for Debt Service	2,581,338
Unassigned Fund Balance	<u>(3,527,312)</u>
Total Fund Balance	<u>(945,974)</u>
Total Liabilities and Fund Balance	<u>\$ 3,040,298</u>

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

PHFC - JACKSON PLACE APARTMENTS
 A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$ (945,974)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(5,876,524)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2023 capital outlays and debt principal payments is to increase (decrease) net position.	726,714
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(611,568)
Net Position of Governmental Activities	<u>\$ (6,707,352)</u>

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

PHFC - JACKSONPLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT C-3

	General Fund
REVENUES:	
Rent Income	\$ 3,552,746
Investment Earnings	220,706
Total Revenues	<u>3,773,452</u>
EXPENDITURES:	
Current:	
Personnel	629,769
Supplies	2,497
Maintenance and Repairs	793,789
Contractual Services	5,085
Debt Service:	
Principal on Debt	726,714
Interest on Debt	1,523,330
Total Expenditures	<u>3,681,184</u>
Net Change in Fund Balance	92,268
Fund Balance - October 1 (Beginning)	<u>(1,038,242)</u>
 Fund Balance - September 30 (Ending)	 <u><u>\$ (945,974)</u></u>

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

PHFC - JACKSONPLACE APARTMENTS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 92,268
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays and debt principal payments is to increase (decrease) the change in net position.	726,714
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(611,568)
Change in Net Position of Governmental Activities	<u>\$ 207,414</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Pharr Housing Finance Corporation Jackson Place Apartments – (JPA) was created with the purpose of providing moderate-income citizens with affordable housing. The apartments started operations in June 2017. All revenues generated by the Jackson Place Apartments will be used to repay the construction loan from CTL Capital LLC.

B. Reporting Entity

GASB Statement No 14, The Financial Reporting Entity, as amended by GASB Statement No. 39 and No. 61, Determining Whether Certain Organizations Are Component Units, provide guidance for determining which governmental organizations should be included within the reporting entity. GASB Statement No. 14 sets forth financial accountability as the basic criterion for inclusion of a governmental unit in a governmental reporting entity. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or to impose a financial burden on the primary government. The Pharr Housing Finance Corporation Jackson Place Apartments is considered a discreetly presented component unit of City of Pharr. A copy of this report will be available upon request at the following address:

City of Pharr, TX
Attn: Finance Director
P.O. Box 1729
Pharr, TX 78577

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operations or capital requirements of a program.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the JPA are prepared in accordance with generally accepted accounting principles (GAAP). The JPA's reporting entity applies all relevant GASB pronouncements governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

E. Fund Types and Major Funds

Governmental Funds

The PHFC reports the following major governmental funds:

- *General Fund* – PHFCJPA's only fund, is used to account for all PHFCJPA's financial activities.

Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Jackson place apartments hold cash with Wells Fargo. At the end of September 30, 2023, JPA does not hold any cash investment other than the interest from the bank accounts.

2. Receivables and Payables

All receivables are shown net of an allowance of uncollectible. There was no allowance for uncollectible on September 30, 2023.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities' column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Machinery and Equipment	3-15 Years

4. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

5. Restricted Assets

The proceeds and required reserves of debt issuances are recorded as restricted assets as they are restricted for debt service and/or capital projects, payments and/or purchases.

6. Net Position / Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outside parties for use for a specific purpose.

7. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions if need it.

Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Position or Equity

8. Fund Balance

-Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

-Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the PHFC governing members, their board members. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The PHFC does not have any committed funds.

-Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Executive Director. If any funds are assigned, they will relate to the accumulation of funds for a capital project.

-Unassigned: Fund balance of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the PHFC will first apply restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the PHFC will consider amounts to have been spent first out of committed, then assigned, then unassigned funds.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

1. Budget Policy and Practice

The PHFC follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

Annual budgets are legally adopted for all PHFC funds with revenue and expense/expenditure activity. The PHFC follows the City Charter, which states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

At any time during the fiscal year, the City Manager can reallocate expenditures within a fund without the approval of the Board of Commissioners. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved by the Board of Commissioners of the City.

B. Excess of General Fund Expenditure over Appropriations

For the fiscal year ending September 30, 2023, PHFC did not have a formal budget appropriation established.

Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Budget Basis of Accounting

The PHFCJPA prepares its annual budget on a basis (budget basis) which slightly differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the PHFC's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget.

D. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not applicable

III. DETAILED NOTES ON FUNDS

A. Deposits and Investments

1. Deposits

PHFC's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect PHFC funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Restricted cash is defined as the cash balances restricted by the funder for a specific purpose. Restricted cash of \$2,581,338. on September 30, 2023, which should only be utilized if the entity is unable to meet its debt service obligations.

2. Investments

As of September 30, 2023, PHFCJPA doesn't have investments.

III. DETAILED NOTES ON FUNDS

B. Receivables

Receivables for the Jackson Place Apartments as of September 30, 2023, showed a balance of \$11,872.60 which comes from utilities due from tenants.

Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

III. DETAILED NOTES ON FUNDS (Continued)

C. Payables

Payables for the Jackson Place Apartments on September 30, 2023, were as follows:

	General
Accounts Payable	\$ 34,513
Due to City of Pharr	3,822,695
Due to Tenants	76,766
Total Payables	<u>\$ 3,933,974</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Component Unit-Discretely PHFC					
<i>PHFC Capital assets, not being depreciated:</i>					
Land and right of way	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
<i>PHFC Capital assets, being depreciated:</i>					
Buildings	26,502,558	-	-	-	26,502,558
Improvement other than buildings	-	-	-	-	-
Machinery and equipment	153,683	-	-	-	153,683
Total capital assets, being depreciated	<u>26,656,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,656,241</u>
Less Accumulated Depreciation					
Buildings	2,355,783		588,946		2,944,729
Improvement other than buildings	-	-	-	-	-
Machinery and equipment	131,061		22,622	-	153,683
Total Accumulated Depreciation	<u>2,486,844</u>	<u>-</u>	<u>611,568</u>	<u>-</u>	<u>3,098,412</u>
Total Capital assets, being depreciated, net	<u>24,169,397</u>	<u>-</u>	<u>(611,568)</u>	<u>-</u>	<u>23,557,829</u>
Component Unit-Blended capital assets, net	<u>\$ 25,669,397</u>	<u>\$ -</u>	<u>\$ (611,568)</u>	<u>\$ -</u>	<u>\$ 25,057,829</u>

E. Long-Term Obligations

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2023:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Note Payable CTL Capital	\$ 31,545,921	\$ -	\$ 726,714	\$ -	\$ 30,819,207	\$ 762,982
Total Governmental Activities	<u>\$ 31,545,921</u>	<u>\$ -</u>	<u>\$ 726,714</u>	<u>\$ -</u>	<u>\$ 30,819,207</u>	<u>\$ 762,982</u>

Pharr Housing Finance Corporation Jackson Place Apartments
A Component Unit of the City of Pharr, Texas
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2023

III. DETAILED NOTES ON FUNDS (Continued)

1. Note Payable

Long-term note payable outstanding on September 30, 2023, is comprised of the following:

Original Issuance	Issuer	Payment Installments	Installments		Interest Rates		Payments Through	Current Balance
			Lowest	Highest	Lowest	Highest		
\$ 34,600,000	CTL Capital	Monthly	\$ 187,504.00	\$ 187,504.00	4.88%	4.88%	5/14/2046	\$ 30,819,207

E. Long-Term Obligations

2. Debt Service Requirements

Debt service requirements of bonds payable on September 30, 2023, are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 762,982	\$ 1,487,062	\$ 2,250,044
2025	801,059	1,448,984	2,250,044
2026	841,037	1,409,006	2,250,044
2027-2031	4,878,279	6,371,940	11,250,218
2032-2036	6,223,283	5,026,935	11,250,218
2037-2041	7,939,123	3,311,095	11,250,218
2042-2046	9,373,443	1,126,763	10,500,206
	<u>\$ 30,819,207</u>	<u>\$ 20,181,786</u>	<u>\$ 51,000,992</u>

F. Restricted Assets

The balance of \$2,581,338 of restricted cash for the PHFC as of September 30, 2023, is due to restrictions on the proceeds of the note; the money must be used for debt payments in case Jackson Place Apartments cannot make the monthly payments.

IV. OTHER INFORMATION

A. Subsequent events

The PHFC has evaluated subsequent events through December 18, 2024, the date on which the financial statements were available to be issued. The City of Pharr is in the process of selling the Jackson Place Apartments with anticipated closing date in December 2024.

REQUIRED SUPPLEMENTARY INFORMATION

PHFC - JACKSONPLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Rent Income	\$ -	\$ -	\$ 3,552,746	\$ 3,552,746
Investment Earnings	-	-	103	103
Other Revenue	-	-	220,603	220,603
Total Revenues	-	-	3,773,452	3,773,452
EXPENDITURES:				
Current:				
Presonnel	-	-	629,769	(629,769)
Supplies	-	-	2,497	(2,497)
Maintenance and Repairs	-	-	793,789	(793,789)
Contractual Services	-	-	5,085	(5,085)
Debt Service:				
Principal on Debt	-	-	726,714	(726,714)
Interest on Debt	-	-	1,523,330	(1,523,330)
Total Expenditures	-	-	3,681,184	(3,681,184)
Net Change	-	-	92,268	92,268
Fund Balance - October 1 (Beginning)	(1,038,242)	(1,038,242)	(1,038,242)	-
Fund Balance - September 30 (Ending)	\$ (1,038,242)	\$ (1,038,242)	\$ (945,974)	\$ 92,268

INTERNAL CONTROL/ COMPLIANCE SECTION

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Raul Hernandez & Company, P.C.

Certified Public Accountants
5402 Holly Rd., Suite 102
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

**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 Board of Directors
PHFC – Jackson Place Apartments

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 the major fund, of the PHFC – Jackson Place Apartments, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the PHFC – Jackson Place Apartments’ basic financial statements, and have issued our report thereon dated December 18, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PHFC – Jackson Place Apartments’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PHFC – Jackson Place Apartments’ internal control. Accordingly, we do not express an opinion on the effectiveness of the PHFC – Jackson Place Apartments’ 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

PHFC – Jackson Place Apartments’ Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the PHFC – Jackson Place Apartments’ response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The PHFC – Jackson Place Apartments’ 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.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

December 18, 2024

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that were not considered material weakness?	Yes
Material noncompliance to financial statements noted?	No

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FINANCIAL STATEMENT FINDINGS

Reference Number 2023-001

Monthly Account Analysis and Year-End Closing

Criteria:	Controls relative to timely close-out of financial statements at year-end should be in place to provide management with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state and local reporting deadlines.
Condition Found:	A significant amount of time lapsed after year-end, before the financial statements were closed-out. The general ledger required many audit adjustments and reclassifications to both current and prior period adjustments. Preparation of the year-end adjusting journal entries, capital asset schedules, recording of receipts, collections, purchasing, adoption of annual budget and reconciliation of several significant areas were not timely.
Context:	These conditions were noted in performing our standard audit procedures.
Cause:	Timely financial statements were not available during the year and at year-end. As such, monitoring of budget versus actual activity in the expenditures incurred and revenues realized may have been compromised, as well as other key decision-making processes, based on financial statements.
Effect:	Management assessments and financial decisions, and internal and external financial reporting may be inaccurate because of improperly maintained general ledgers.
Recommendation:	The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements are prepared and available for management use, as well as for audit purposes.
Views of Responsible Officials:	See management's corrective action plan.

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Reference Number 2022-001

Management and Governance Oversight

Criteria:	The City has a contract with a property management company to manage the operations of PFHC-Jackson Place Apartments (JPA). While the property management company is responsible for all activities including renting apartments, maintenance, purchasing, accounting, etc., City management and the JPA board of directors should continue to provide oversight over the operations and accounting related to JPA.
Condition Found:	Based on our understanding of the arrangement with the property management company, there appears to be a lack of an appropriate level of oversight over JPA to provide for an effective internal control environment. For example, no City approval is required for certain important areas such as cash disbursements and purchasing. Additionally, as of September 30, 2022, the most recent board of directors meeting had been held on January 24, 2018.
Context:	Condition was noted as part of obtaining an understanding of the operations of JPA.
Effect:	The lack of proper oversight may provide an opportunity for errors or fraud to go undetected and may result in misstatements in the financial statements.
Cause:	JPA has an agreement with a property management company who handles all day-to-day activities of JPA. Reliance is placed on the property management company to conduct all activities on behalf of JPA apartments.
Recommendation:	We recommend the City review current oversight practices and strengthen controls to mitigate the risk of errors or fraud. At a minimum, the City should approve transactions in high-risk areas such as cash disbursements, major purchases, monitor compliance with debt agreements, and conduct a more detailed review of financial reporting. Additionally, we recommend JPA board of directors meet at a minimum once annually.
Status of Prior Year Finding:	See current year finding 2023-001.

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Reference Number 2022-002

Control and Custody of Cash

Criteria:	As the owner of PFHC – Jackson Place Apartments (JPA), the City should maintain control and custody of cash held by JPA.
Condition Found:	The City has a contract with a property management company to manage the operations of JPA. Under this agreement, the property management company maintains two bank accounts for the benefit of JPA totaling \$321,687. The authorized signers on these accounts include individuals from the property management company and none from City management. Additionally, we noted one cash account with a general ledger balance totaling \$12,029 that had been maintained in a similar manner by a previous property management company. Because the City had no authorized signers on this account, JPA is unable to access or recoup these funds.
Context:	Condition was noted as part of our review of cash and in obtaining an understanding of the operations of JPA.
Effect:	Should there be a disagreement or dispute between JPA and the property management company or if the property management company were to go out of business, the lack of control and custody of cash balances would increase the risk of JPA being unable to access its funds. This occurred when JPA transitioned from a previous property management company which resulted in a cash general ledger balance of \$12,029 for which JPA or the City was unable to recoup nor obtain bank statements for from the bank directly.
Cause:	The current practice is not suitably designed to mitigate the above-mentioned risks.
Recommendation:	At a minimum, we recommend the City designate an individual at the appropriate level of management to be an authorized signer on all JPA bank accounts. Doing so will provide the City a level of access to its cash as well as the ability to request information, such as bank statements, directly from the bank. For the \$12,029 balance maintained by the prior management company for which the City does not have access to, we recommend the City evaluate the likelihood that these funds will be recouped. If management believes these balances will not be recouped, we recommend the balances be written off.
Status of Prior Year Finding:	See current year finding 2023-001.

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Reference Number 2022-003

Capital Assets and Depreciation Expense

Criteria:	A detailed listing of capital assets and depreciation schedule should be maintained to support general ledger balances and to provide a history and audit trail of capital asset related activity.
Condition Found:	A depreciation schedule was provided for JPA's building, however, the description of the asset on the depreciation schedule included an address that is not the location where the apartments are located. It also did not include essential information such as the date the building was placed in service. Additionally, a detailed listing and related depreciation schedule for machinery and equipment could not be provided. Consequently, machinery and equipment are not being depreciated for accounting purposes.
Context:	Condition noted was identified in performing standard audit procedures over capital assets.
Effect:	The lack of a complete and accurate detailed listing of capital assets and depreciation schedule increases the risk of errors and does not provide an adequate history and audit trail of capital asset activity. In the case of machinery and equipment, the lack of a detailed listing and depreciation schedule does not provide a basis for recording annual depreciation on those assets. Consequently, JPA did not book any depreciation expense in the current year, nor any accumulated depreciation related to machinery and equipment.
Cause:	A detailed listing and depreciation schedule is not maintained.
Recommendation:	We recommend a complete and accurate detailed listing of capital assets and depreciation schedule be maintained to include an accurate description of the assets, an asset identification number such as serial number or internally assigned asset number, the date the asset was placed in service, the asset's historical cost, the estimated useful life and the depreciation for the year and accumulated depreciation as of the beginning and ending of the period. We also recommend that machinery and equipment be depreciated in accordance with said depreciation schedule.
Status of Prior Year Finding:	See current year finding 2023-001.

PFHC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Reference Number 2022-004

Journal Entry Approval

Criteria:	Proper internal controls over the posting of journal entries should provide for a process whereby all journal entries are reviewed and approved by an individual other than the preparer prior to posting. This process should be documented to include signatures and dates from both the preparer and reviewer providing evidence that this process is taking place.
Condition Found:	We noted journal entries do not include any evidence that journal entries are reviewed and approved prior to posting.
Context:	Condition was noted in performing standard audit procedures related to journal entries.
Effect:	Without proper authorization, there is an increased risk of unauthorized or erroneous entries affecting the accuracy of financial reporting. It also does not provide an adequate audit trail to ensure the control is taking place.
Cause:	The current processes and procedures do not require signatures from the preparer and reviewer.
Recommendation:	We recommend JPA implement a review and approval process as it relates to the posting of journal entries. This process should require both the preparer and reviewer to sign and date the journal entry. All journal entries should be reviewed and approved prior to posting.
Status of Prior Year Finding:	See current year finding 2023-001.



Pharr



MAYOR Ambrosio Hernandez, MD

COMMISSIONERS Michael Pacheco | Roberto "Bobby" Carrillo | Ramiro Caballero, MD | Daniel Chavez | Ricardo Medina | Itza Flores

Corrective Action Plan Year End September 30, 2023

Reference Number 2022-001, Monthly Account Analysis and Year-End Closing

City Management agrees with the finding. Management will review internal controls related to this area to ensure that timely financial statements are prepared and available for management use, as well as for audit purposes. Management will adopt policies and procedures to improve communication with the management company and increase its involvement in JPA transactions. City management will also ensure the board of directors meets at least bi-annually.

Contact Persons responsible for corrective action:

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