



PHFC – JACKSON PLACE APARTMENTS

AUDITED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Raul Hernandez & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

5402 Holly Rd., Suite 102 Corpus Christi, TX 78411 Office: (361) 980-0428 Fax: (361) 980-1002

PHFC - JACKSON PLACE APARTMENTS
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2025

PHFC - JACKSON PLACE APARTMENTS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	8
B-1 Statement of Activities	9
Governmental Fund Financial Statements:	
C-1 Balance Sheet	10
C-2 Reconciliation for C-1	11
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	12
C-4 Reconciliation for C-3	13
Notes to the Financial Statements	14
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	20
<u>Internal Control/Compliance Section</u>	
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>	21
Schedule of Findings and Questioned Costs	23
Schedule of Status of Prior Findings	25
Corrective Action Plan	26

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITORS' REPORT

THIS PAGE LEFT BLANK INTENTIONALLY

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

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, 2025, 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, 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*, 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 March 20, 2026, 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 the PHFC - Jackson Place Apartments' internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

March 20, 2026

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

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

As management of the Pharr Housing Finance Corporation - Jackson Place Apartments (PHFC), we offer readers of PHFC's financial statements this narrative overview and analysis of the financial activities of the PHFC for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- During fiscal year 2025, the Pharr Housing Finance Corporation - Jackson Place Apartments sold the apartment complex and related property to an unrelated third party. The carrying value of the property exceeded the proceeds received from the sale, resulting in a loss of approximately \$1,066,257.
- As a result of the sale, the component unit no longer operates the apartment complex and the related capital assets were removed from the Statement of Net Position.
- Total net position at September 30, 2025 was negative \$6,527,130, primarily due to liabilities associated with financing obtained for construction of the apartment complex.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are meant to serve as an introduction to the PHFC'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 PHFC's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the PHFC'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 PHFC'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 PHFC, 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 available for spending at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

By doing so, readers may better understand the long-term impact of the 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

Net position may serve over time as a useful indicator of a government's financial position. At the close of fiscal year 2025, the PHFC's liabilities exceeded its assets, resulting in a negative net position. During fiscal year 2025, the PHFC sold the Jackson Place apartment complex and related property to an unrelated third party. The transaction resulted in a loss of approximately \$1,066,257, which is reflected in the Statement of Activities. Following the sale, the PHFC no longer owns or operates the apartment complex. The sale significantly impacted the financial position of the component unit and resulted in the removal of the related capital assets and accumulated depreciation from the Statement of Net Position.

The PHFC's condensed Statement of Net Position along with the prior fiscal year's amounts is presented for comparison in the table below:

PHFC Net Position

Table 1 - Dollars in Thousands

	2025	2024
Assets		
Current and Other Assets	\$ -	\$ 368
Restricted Assets	-	2,679
Capital Assets	-	24,467
Total Assets	-	27,514
Liabilities		
Current Liabilities	-	873
Long-Term Liabilities	-	29,255
Noncurrent Liabilities	-	3,914
Total Liabilities	-	34,042
Net Position		
Restricted:		
Debt Service	-	2,679
Unrestricted (deficit)	-	(9,206)
Total Net Position	\$ -	\$ (6,527)

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:

PHFC Changes in Net Position

Table 2 - Dollars in Thousands

	<u>2025</u>	<u>2024</u>
Revenues:		
Charges for services	\$ 564	\$ 3,629
Other	7,737	282
Investment Earnings	-	1
Total Revenues	<u>8,301</u>	<u>3,912</u>
Expenses:		
General Government	1,530	1,654
Depreication Expense	-	591
Debt Interest	244	1,487
Total Expenses	<u>1,774</u>	<u>3,732</u>
Excess of revenues over expenses	<u>6,527</u>	<u>180</u>
Net change in fund balance	6,527	180
Net position - beginning	<u>(6,527)</u>	<u>(6,707)</u>
Net position - ending	<u>\$ -</u>	<u>\$ (6,527)</u>

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

CAPITAL ASSET ADMINISTRATION

Capital assets include land, buildings, and equipment used in the operation of the Jackson Place apartment complex. During fiscal year 2025, the apartment complex and related property were sold to an unrelated third party. As a result of the sale, the related capital assets and accumulated depreciation were removed from the Statement of Net Position.

Accordingly, the PHFC reported no capital assets at September 30, 2025.

Table 3 - Dollars in Thousands

	<u>2025</u>	<u>2024</u>
Land	\$ -	\$ 1,500
Building and Improvements	-	22,967
Machinery and Equipment	-	-
	<u>\$ -</u>	<u>\$ 24,467</u>

Economic Factors and Next Year's Budget

Following the sale of the apartment complex during fiscal year 2025, the PHFC no longer operates the Jackson Place Apartments. Future financial activity of the component unit will depend on the decisions of the governing board regarding the continued operation or dissolution of the entity.

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the PHFC's finances and to demonstrate accountability for the resources entrusted to the organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Pharr, Texas
Finance Department
P.O. Box 1729
Pharr, Texas 78577

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

PHFC - JACKSON PLACE APARTMENTS
 A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2025

EXHIBIT A-1

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ -
Total Assets	-
LIABILITIES	
Accounts Payable	-
Total Liabilities	-
NET POSITION	
Unrestricted	-
Total Net Position	\$ -

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
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT B-1

	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	\$ 1,529,808	\$ 564,169	\$ -	\$ (965,639)
Interest on Debt	244,192	-	-	(244,192)
TOTAL PRIMARY GOVERNMENT	\$ 1,774,000	\$ 564,169	\$ -	(1,209,831)
General Revenues:				
Miscellaneous Revenue				7,736,854
Investment Earnings				107
Total General Revenues				7,736,961
Change in Net Position				6,527,130
Net Position - Beginning				(6,527,130)
Net Position - Ending				\$ -

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
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2025

	Jackson Place Apartments
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ -
Total Assets	<u>\$ -</u>
LIABILITIES	
Accounts Payable	\$ -
Total Liabilities	<u>-</u>
FUND BALANCE	
Unassigned Fund Balance	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</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, 2025

Total Fund Balances - Governmental Funds	\$	-0-
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.		(5,588,955)
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 2025 capital outlays and debt principal payments is to increase (decrease) net position.		130,815
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		5,458,140
Net Position of Governmental Activities	<u>\$</u>	<u>-0-</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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT C-3

	Jackson Place Apartments
<hr/>	
REVENUES:	
Rent Income	\$ 564,169
Investment Earnings	107
Other Revenue	2,278,714
Total Revenues	2,842,990
EXPENDITURES:	
Current:	
Personnel	115,143
Maintenance and Repairs	28,525
Contractual Services	51,000
Other Expenses	1,335,140
Debt Service:	
Principal on Debt	130,815
Interest on Debt	244,192
Total Expenditures	1,904,815
Net Change in Fund Balance	938,175
Fund Balance - October 1 (Beginning)	(938,175)
Fund Balance - September 30 (Ending)	\$ -

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

PHFC - JACKSON PLACE 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, 2025

Total Net Change in Fund Balances - Governmental Funds	\$	938,175
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 2025 capital outlays and debt principal payments is to increase (decrease) the change in net position.		130,815
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		5,458,140
Change in Net Position of Governmental Activities	\$	6,527,130

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

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Pharr Housing Finance Corporation – Jackson Place Apartments (PHFC) was established to provide affordable housing for moderate-income residents. The apartment complex began operations in June 2017. All revenues generated by the Jackson Place Apartments were intended to be used for the repayment of construction financing obtained from CTL Capital, LLC.

During the fiscal year ended September 30, 2025, the apartment complex and related property were sold to an unrelated third party. As a result, the component unit no longer operates the apartment complex as of year-end.

B. Reporting Entity

The accompanying financial statements present the financial position and activities of the Pharr Housing Finance Corporation – Jackson Place Apartments. In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61, the PHFC is considered a discretely presented component unit of the City of Pharr, Texas. The City of Pharr is financially accountable for the component unit because it appoints the governing board and may be able to impose its will on the organization or receive financial benefits from its operations. Complete financial statements of the primary government may be obtained from:

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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available, and expenditures are recognized when the related liability is incurred.

E. Fund Types and Major Funds

Governmental Funds

The PHFC reports the following major governmental funds:

- *General Fund* – PHFC's only fund, is used to account for all PHFC'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, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Cash includes amounts held in financial institutions. As of September 30, 2025, the component unit did not hold significant cash or investments other than nominal balances remaining in bank accounts.

2. Receivables and Payables

Receivables consist primarily of amounts due from tenants for utilities or other charges. Receivables are reported net of an allowance for uncollectible amounts when applicable. As of September 30, 2025, receivables totaled \$0 and no allowance for doubtful accounts was recorded.

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 with a useful life of more than three years. 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

As of September 30, 2025, the component unit no longer reports capital assets.

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

Restricted assets consist of resources whose use is limited by external parties or by debt agreements. These assets are restricted for purposes such as debt service or capital improvements. As of September 30, 2025, the component unit did not report restricted assets.

6. Net Position / Fund Equity

In the fund financial statements, governmental funds report fund balance classifications 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, as needed.

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, 2025

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

During the year ended September 30, 2025, expenditures exceeded appropriations as follows:

<u>Expenditures</u>	<u>Expenditures Over</u>
N/A	<u>Appropriations</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, 2025

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Budget Basis of Accounting

The PHFC 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.

As of September 30, 2025, the component unit did not report restricted assets.

2. Investments

As of September 30, 2025, PHFC did not hold investments at year-end.

III. DETAILED NOTES ON FUNDS

B. Receivables

Receivables for the Jackson Place Apartments as of September 30, 2025, showed a balance of \$0 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, 2025

III. DETAILED NOTES ON FUNDS (Continued)

C. Payables

As of September 30, 2025, PHFC did not hold payables at year-end.

D. Capital Assets

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

	Beginning Balance October 1, 2024	Additions	Adjustments/ Deletions	Ending Balance September 30, 2025
Component Unit - Discretely - PHFC				
Capital Assets, not being depreciated:				
Land	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -
Total Capital assets, not being depreciated	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>	<u>-</u>
Capital Asset being depreciated:				
Buildings	26,502,558	-	(26,502,558)	-
Machinery and Equipment	153,683	-	(153,683)	-
Total capital assets, being depreciated	<u>26,656,241</u>	<u>-</u>	<u>(26,656,241)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings	(3,535,288)	-	3,535,288	-
Machinery and Equipment	(153,683)	-	153,683	-
Total accumulated depreciation	<u>(3,688,971)</u>	<u>-</u>	<u>3,688,971</u>	<u>-</u>
Total capital assets being depreciated, net	22,967,270	-	(22,967,270)	-
Component Unit, capital assets, net	<u>\$ 24,467,270</u>	<u>\$ -</u>	<u>\$ (24,467,270)</u>	<u>\$ -</u>

Upon completion of the sale, the related capital assets and accumulated depreciation were removed from the Statement of Net Position.

E. Long-Term Obligations

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2025:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Due Within One Year
Governmental Activities						
Note Payable CTL Capital	\$ 30,056,225	\$ -	\$ (30,056,225)	\$ -	\$ -	\$ -
Total Governmental Activities	<u>\$ 30,056,225</u>	<u>\$ -</u>	<u>\$ (30,056,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2025, the component unit did not report outstanding long-term debt.

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, 2025

IV. OTHER INFORMATION

Disposition of Operating Property

During the fiscal year ended September 30, 2025, the discretely presented component unit Pharr Housing Finance Corporation - Jackson Place Apartments sold the apartment complex and related property to an unrelated third party. The carrying value of the property exceeded the proceeds received from the sale, resulting in a loss of \$1,066,257, which is included in total expenditures in the accompanying financial statements.

Upon completion of the transaction:

- The related capital assets and accumulated depreciation were removed from the Statement of Net Position.
- The component unit ceased operations of the apartment complex.

The legal entity of the component unit remains in existence as of September 30, 2025.

Subsequent events

Management has evaluated subsequent events through March 20, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

PHFC - JACKSON PLACE 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, 2025

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Rent Income	\$ 3,600,000	\$ 3,600,000	\$ 564,169	\$ (3,035,831)
Investment Earnings	-	-	107	107
Other Revenue	215,000	215,000	2,278,714	2,063,714
Total Revenues	<u>3,815,000</u>	<u>3,815,000</u>	<u>2,842,990</u>	<u>(972,010)</u>
EXPENDITURES:				
Current:				
Personnel	400,000	400,000	115,143	284,857
Maintenance and Repairs	182,000	182,000	28,525	153,475
Contractual Services	247,300	247,300	51,000	196,300
Other Expenses	615,000	615,000	1,335,140	(720,140)
Debt Service:				
Principal on Debt	801,059	801,059	130,815	670,244
Interest on Debt	1,449,041	1,449,041	244,192	1,204,849
Capital Outlay:				
Capital Outlay	120,600	120,600	-	120,600
Total Expenditures	<u>3,815,000</u>	<u>3,815,000</u>	<u>1,904,815</u>	<u>1,910,185</u>
Net Change	-	-	938,175	938,175
Fund Balance - October 1 (Beginning)	<u>(938,175)</u>	<u>(938,175)</u>	<u>(938,175)</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ (938,175)</u>	<u>\$ (938,175)</u>	<u>\$ -</u>	<u>\$ 938,175</u>

THIS PAGE LEFT BLANK INTENTIONALLY

INTERNAL CONTROL/COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2025, 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 March 20, 2026.

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. However, material weaknesses may exist that have not been identified.

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*.

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.

Raal Hernandez & Company, P.C.

Corpus Christi, Texas

March 20, 2026

PHFC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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?	No
Material noncompliance to financial statements noted?	No

B. Financial Statement Findings
NONE

PHFC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Prior Year Finding: 2024-001 Timely Close-Out of Financial Statements

Status: Resolved

Explanation:

The City implemented procedures to improve the timeliness of financial statement preparation, reconciliations, and year-end closing activities. No similar conditions were identified during the fiscal year ended September 30, 2025.

PHFC – JACKSON PLACE APARTMENTS
A COMPONENT UNIT OF THE CITY OF PHARR, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Corrective Action for Financial Statement Findings

N/A

THIS PAGE LEFT BLANK INTENTIONALLY