

**CITY OF JOSHUA, TEXAS**

**TENTATIVE DRAFT**

**Annual Financial Report  
For the Fiscal Year Ended September 30, 2022**

**City of Joshua, Texas**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2022**

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**City of Joshua, Texas  
Principal Officials**

**2022 City Council**

Scott Kimble, Mayor

Johnny Waldrip

Mike Kidd

Angela Nichols

Merle Breitenstein

Robert Fleming

Shelly Anderson

**City Manager**

Mike Peacock

**HR/Finance Manager**

Joanna McClenny

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**FINANCIAL SECTION**  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Joshua, Texas

### **Report on the Audit of Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas, as of September 30, 2022, 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.

#### ***Emphasis of Matter***

As discussed in Note 12, the City restated net position in the governmental activities and fund balance in the General Fund and Capital Improvement Fund for the year ended September 30, 2022 to correct errors in previously issued financial statements. Our opinion was not modified with respect to this matter.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Joshua, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Joshua, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Joshua, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Joshua, Texas' 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, budgetary comparison information, the schedule of changes in the City's net pension liability and related ratios, the schedule of employer pension contributions and related ratios, the schedule of changes in the total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios on pages 6-13 and 45-52 be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Joshua, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **March XX, 2023**, on our consideration of the City of Joshua, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Joshua, Texas' 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 City of Joshua, Texas' internal control over financial reporting and compliance.

Snow Garrett Williams  
**March XX, 2023**

## **City of Joshua, Texas Management's Discussion and Analysis**

As management of the City of Joshua (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the City's financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources for the City of Joshua exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,578,638. Of this amount, \$5,900,746 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Joshua's net position increased by \$997,107. This increase is due to increases in property and sales taxes revenues.
- As of the close of the current fiscal year, the City of Joshua's governmental funds reported combined ending fund balances of \$9,693,715, an increase of \$1,067,619 in comparison with the prior year. Approximately 58% of this amount, \$5,622,595 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5,864,832 or 83% of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City of Joshua, Texas' basic financial statements. City of Joshua's basic financial statements comprise 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.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Joshua's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City of Joshua's assets, liabilities, and deferred inflows/outflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Joshua is improving or deteriorating.

The statement of activities presents information showing how the government'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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

The government-wide financial statements of the City include the governmental activities. Most of the City's basic services are included here, such as administration, police and fire, municipal courts, and public works. Property taxes, sales taxes, charges for services, and grants finance most of these activities.

## City of Joshua, Texas Management's Discussion and Analysis

**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. City of Joshua, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Joshua can be divided into one category: governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Joshua maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Improvement Fund, and Type A Economic Development Corporation Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Joshua adopts an annual appropriated budget for its General Fund, Debt Service Fund, Type A Economic Development Corporation Fund, and Type B Community Development Corporation Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget except for the Type B Community Development Corporation Fund, which is not presented since it is not considered to be a major fund.

**Notes to the basic 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. The notes to the financial statements can be found beginning on page 19 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension and OPEB benefits. The required supplementary information can be found beginning on page 45 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. This other supplementary information can be found beginning on page 54 of this report.

**City of Joshua, Texas**  
**Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of the City of Joshua, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,578,635 at the close of the most recent fiscal year. The City's net investment in capital assets (\$4,606,769 or 32%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	
	2022	2021
Current and other assets	\$ 12,404,263	\$ 10,061,106
Capital assets, net of depreciation	17,948,442	18,227,419
Total assets	30,352,705	28,288,525
Deferred outflows of resources	8,428	104,606
Long-term liabilities	13,597,919	12,380,934
Other liabilities	1,892,714	1,501,946
Total liabilities	15,490,633	13,882,880
Deferred inflows of resources	291,865	195,150
Net position:		
Net Investment in capital assets	4,606,769	4,814,469
Restricted	4,071,120	3,425,452
Unrestricted	5,900,746	6,075,180
Total Net Position	\$ 14,578,635	\$ 14,315,101

An additional portion of the City of Joshua's net position (\$4,071,120 or 28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,900,746 or 40%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position.

**City of Joshua, Texas  
Management's Discussion and Analysis**

**City of Joshua's Changes in Net Position**

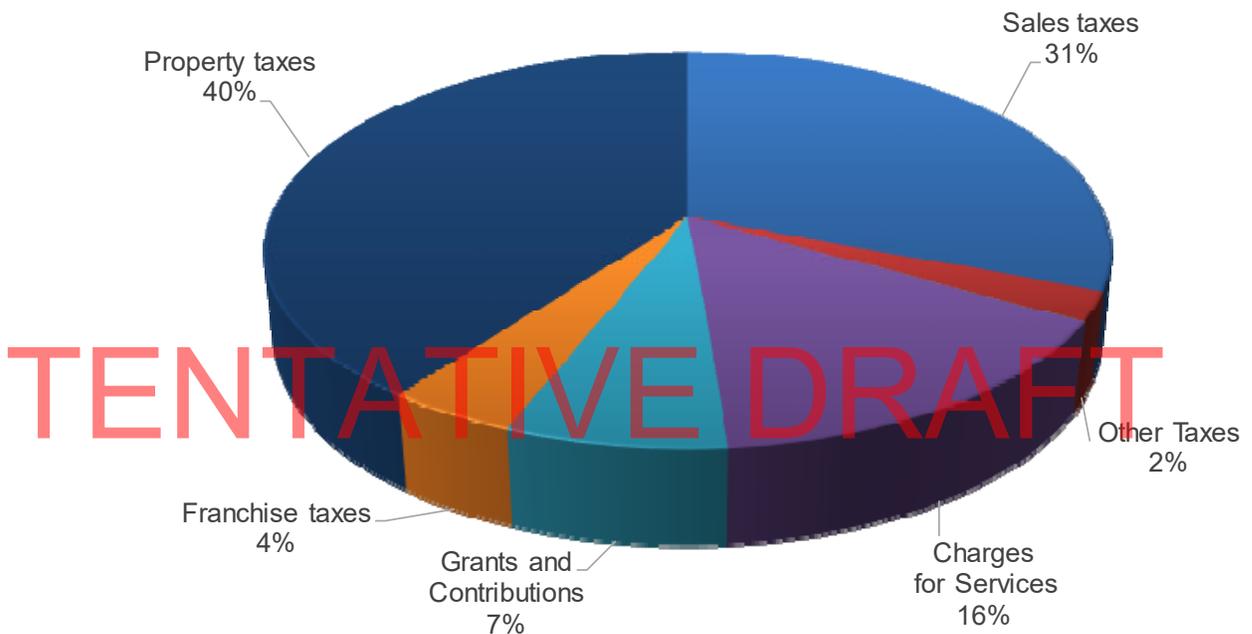
	Governmental activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 1,371,420	\$ 1,355,012
Operating grants and contributions	647,875	1,357,020
Capital grants and contributions	-	187,320
General revenues:		
Property taxes	3,538,260	3,325,312
Sales tax	2,751,066	2,076,937
Other taxes	212,224	204,421
Franchise fees	382,055	346,471
Interest	-	959
Other	1,889	118,962
Total revenues	8,904,789	8,972,414
Expenses:		
General government	1,408,241	1,008,011
Public safety	1,548,304	1,178,237
Public works	2,183,868	1,270,944
Municipal court	102,921	101,873
Development services	957,225	844,981
Animal control	230,713	166,606
Fire department	871,908	608,190
Fire Marshall	95,367	-
Economic development	105,511	78,390
Interest and fiscal charges	403,624	300,781
Loss on sale of assets	-	426,983
Total expenses	7,907,682	5,984,996
Change in net position	997,107	2,987,418
Net position, beginning of year	14,315,101	11,327,683
Restatement	(733,573)	-
Net position, beginning of year, as restated	13,581,528	11,327,683
Net position, end of year	\$ 14,578,635	\$ 14,315,101

**City of Joshua, Texas  
Management’s Discussion and Analysis**

During the current fiscal year, the City’s net position increased by \$997,107. This increase represents the degree to which increases in ongoing revenues have outpaced similar increases in ongoing expenses. Key elements of this increase are as follows:

- An approximate increase of 6% in property tax revenues due to increased valuations and;
- An increase of 32% in sales tax revenues due to increased commerce in the City.

**Revenues by Source - Governmental Activities**



**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

**Governmental Funds** – The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government’s net resources at the end of the fiscal year.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9,693,715. \$4,071,120 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of \$5,622,595 constitutes unassigned fund balance.

Of the \$9,693,715 ending fund balance, \$974,012 is accounted for in nonmajor governmental funds. The General Fund balance is \$6,793,072 at year-end, an increase of \$377,307 primarily due to an increase in property tax revenues.

**City of Joshua, Texas  
Management's Discussion and Analysis**

The Debt Service Fund balance increased \$93,442 to \$598,217 at year-end. This increase is primarily the result of increased property tax revenues for debt service and the issuance of refunding bonds. The Capital Improvement Fund balance decreased \$49,137 to a year-end total of (\$242,237). This decrease was caused by spending more on capital improvements than revenues related to transfers in from other funds and debt proceeds. The Type A Economic Development Corporation Fund balance increased \$483,792 to a year-end total of \$1,570,651. This increase is due to the sale of property in Joshua Station.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual general fund expenditures for the year were \$7,048,261, which was \$226,378 under budget. Actual general fund revenues for the year were \$6,611,369, which was \$666,604 over budget due to spending funds received through the American Rescue Fund Act as well as sales tax revenue in excess of budgeted amounts. During the year, expenditures increased \$634,274 from the original budget to the final budget in the general government, public safety, and public works departments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2022, amounts to \$17,948,442 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Major capital asset events during the current fiscal year include the following:

- Completion of Joshua Station project that had been previously recorded as construction in progress;
- Purchase of a new fire truck; and
- Completion of a downtown parking lot project funded by the Type A Community Development Corporation Fund.

**City of Joshua's Capital Assets  
(net of depreciation/amortization)**

	Governmental Activities	
	2022	2021
Land	\$ 2,762,961	\$ 3,184,386
Construction in progress	933,726	1,287,850
Buildings and improvements	8,656,211	8,867,093
Furniture and equipment	111,396	111,310
Streets and improvements	4,245,744	3,782,906
Vehicles and work equipment	1,027,261	710,800
Right of use leased asset	211,143	-
Total	\$ 17,948,442	\$ 17,944,345

Additional information on the City's capital assets can be found in Note 4 on page 26 of this report.

**City of Joshua, Texas  
Management's Discussion and Analysis**

**Long-Term Debt.** At the end of the current fiscal year, the City had total debt outstanding of:

**City of Joshua's Outstanding Debt**

	Governmental Activities
Certificates of obligation	\$ 3,200,000
General obligation bonds	5,575,000
Direct placement - general obligation bonds	1,385,000
Sales tax revenue bonds	1,680,000
Direct placement - tax notes	860,000
Unamortized debt premium	315,235
Net pension liability (asset)	(698,988)
Total OPEB liability	80,621
Financed purchase liability	112,935
Compensated absences	213,503
Total OPEB liability	175,625
<b>Total</b>	<b>\$ 12,898,931</b>

The City's total long-term debt decreased by a net amount of \$130,556 during the current fiscal year primarily as a result of regularly scheduled principal payments as well as an increase in the City's net pension asset. Additionally, the City issued a refunding bond to refund debt that was previously outstanding which will result in future savings on debt service costs.

Additional information on the City's long-term debt can be found in Note 5 on pages 27-30 of this report.

**ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES**

The annual operating budget for the City has been developed to assure that operating expenses for the budget year are financially sustainable and reflect the priorities established by the City Council. Recurring revenue sources and expenses, as well as projected revenue sources and expenses, have been considered in order to achieve the fundamental purpose of the City, which is to provide for the safety and security of the community, maintain and improve existing infrastructure, plan for orderly and responsible growth and sustainability, and provide responsible fiscal policy. In considering the City budget for fiscal year 2023, the City Council and administration considered the following factors:

Property tax revenue in the General Fund and Debt Service Fund is budgeted to increase to reflect the current growth pattern in the region primarily due to residential development and increases in appraised values. In fiscal year 2023, this growth is expected to increase at a higher rate than experienced during the last fiscal year. Residential development will continue to increase with the development of new subdivisions and additional phases in existing subdivisions and commercial development in Joshua Station and downtown will continue to increase at a steady rate.

**City of Joshua, Texas**  
**Management's Discussion and Analysis**

Revenue generated from sales tax is based on a \$0.01 tax rate. Sales tax is the second largest source of revenue for the General Fund. Sales tax for fiscal year 2023 is projected to be \$1,250,000, an increase of \$250,000 or 25% from fiscal year 2022.

Expenditures are budgeted to increase 11% from fiscal year 2022 due to increasing costs as well as increased staffing in the police and fire departments to keep up with increasing demand due to population growth within the City.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report, or need additional financial information, please contact the City Manager at City Hall, 101 S. Main Street, Joshua, Texas 76058.

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**City of Joshua, Texas**  
**Statement of Net Position**  
**September 30, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,059,301
Receivables, net	205,472
Due from other governments	476,869
Restricted cash and cash equivalents	3,963,633
Total current assets	11,705,275
Noncurrent assets:	
Net pension asset	698,988
Capital assets:	
Nondepreciable assets	3,696,687
Depreciable assets, net	14,251,755
Total noncurrent assets	18,647,430
Total assets	30,352,705
<b>Deferred outflows of resources</b>	
Deferred outflows related to OPEB	8,428
Total deferred outflows of resources	8,428
<b>Liabilities</b>	
Current liabilities	
Accounts payable	261,837
Intergovernmental payables	5,698
Accrued payroll liabilities	134,577
Accrued interest payable	51,379
Unearned grant revenues	1,439,223
Current portion of long-term debt	1,167,657
Total OPEB liability	80,621
Total current liabilities	3,140,992
Noncurrent liabilities	
Long-term debt, due in more than one year	12,174,016
Compensated absences	175,625
Total noncurrent liabilities	12,349,641
Total liabilities	15,490,633
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension	291,865
Total deferred inflows of resources	291,865
<b>Net position</b>	
Net investment in capital assets	4,606,769
Restricted for:	
TIF	928,240
Debt service	598,217
Economic Development	2,271,627
Court Security	35,708
Court Technology	10,812
Tourism	226,516
Unrestricted	5,900,746
Total net position	\$ 14,578,635

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

**City of Joshua, Texas**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Government Activities</b>				
General government	\$ 1,408,241	\$ 13,999	\$ 491,639	\$ (902,603)
Public safety	1,548,304	26,600	400	(1,521,304)
Public works	2,183,868	875,261	-	(1,308,607)
Municipal court	102,921	224,504	-	121,583
Development services	957,225	198,859	-	(758,366)
Animal control	230,713	1,890	3,153	(225,670)
Fire department	871,908	30,307	152,683	(688,918)
Fire Marshall	95,367	-	-	(95,367)
Economic development	105,511	-	-	(105,511)
Interest and fiscal charges	403,624	-	-	(403,624)
<b>Total governmental activities</b>	<b>\$ 7,907,682</b>	<b>\$ 1,371,420</b>	<b>\$ 647,875</b>	<b>\$ (5,888,387)</b>

General revenues and transfers:

Taxes:	
Property, levied for general purposes	2,663,844
Property, levied for debt service	874,416
Sales	2,751,066
Other	212,224
Franchise Fees	382,055
Other	1,889
<b>Total general revenues</b>	<b>6,885,494</b>
Change in net position	997,107
Net position, beginning of year	14,315,101
Restatement	(733,573)
Net position, beginning of year, as restated	13,581,528
Net position, end of year	<b>\$ 14,578,635</b>

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

**City of Joshua, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2022**

	General Fund	Debt Service Fund	Capital Improvement Fund	Type A Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 7,059,301	\$ -	\$ -	\$ -	\$ -	\$ 7,059,301
Accounts receivable, net	159,030	41,988	-	-	4,454	205,472
Due from other governments	238,435	-	-	119,217	119,217	476,869
Due from other funds	241,227	438,625	7,096	3,638	3,412	693,998
Restricted:						
Cash and cash equivalents	928,240	283,163	-	1,453,326	1,298,904	3,963,633
Total assets	<u>\$ 8,626,233</u>	<u>\$ 763,776</u>	<u>\$ 7,096</u>	<u>\$ 1,576,181</u>	<u>\$ 1,425,987</u>	<u>\$ 12,399,273</u>
<b>Liabilities</b>						
Accounts payable	118,374	-	135,512	1,951	\$ 6,000	\$ 261,837
Intergovernmental payables	5,698	-	-	-	-	5,698
Accrued payroll liabilities	134,577	-	-	-	-	134,577
Unearned grant revenue	1,439,223	-	-	-	-	1,439,223
Due to other funds	7,052	123,571	113,821	3,579	445,975	693,998
Total liabilities	<u>1,704,924</u>	<u>123,571</u>	<u>249,333</u>	<u>5,530</u>	<u>451,975</u>	<u>2,535,333</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue - property taxes	128,237	41,988	-	-	-	170,225
Total deferred inflows of resources	<u>128,237</u>	<u>41,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,225</u>
<b>Fund balances</b>						
Restricted for:						
TIF	928,240	-	-	-	-	928,240
Debt service	-	598,217	-	-	-	598,217
Economic development	-	-	-	1,570,651	700,976	2,271,627
Court security	-	-	-	-	35,708	35,708
Court technology	-	-	-	-	10,812	10,812
Tourism	-	-	-	-	226,516	226,516
Unassigned	5,864,832	-	(242,237)	-	-	5,622,595
Total fund balances	<u>6,793,072</u>	<u>598,217</u>	<u>(242,237)</u>	<u>1,570,651</u>	<u>974,012</u>	<u>9,693,715</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,626,233</u>	<u>\$ 763,776</u>	<u>\$ 7,096</u>	<u>\$ 1,576,181</u>	<u>\$ 1,425,987</u>	
Amounts reported for governmental activities in the statement of net position are different because						
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.						17,948,442
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.						170,225
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.						8,428
Deferred inflows of resources are not financial resources and, therefore, are not reported in the funds.						(291,865)
Some long-term liabilities, including bonds payable, accrued interest payable, premiums on debt, net pension liability, total OPEB liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.						(12,950,310)
Net position of governmental activities						<u>\$ 14,578,635</u>

**City of Joshua, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**September 30, 2022**

	General Fund	Debt Service Fund	Capital Improvement Fund	Type A Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 2,654,341	\$ 871,645	\$ -	\$ -	\$ -	\$ 3,525,986
Sales taxes	1,379,266	-	-	685,900	685,900	2,751,066
Hotel occupancy taxes	-	-	-	-	44,891	44,891
Alcoholic beverage taxes	11,333	-	-	-	-	11,333
Fire district fees	156,000	-	-	-	-	156,000
Franchise fees	382,055	-	-	-	-	382,055
Fines and fees	244,694	-	-	-	16,495	261,189
Grants and contributions	647,875	-	-	-	-	647,875
Charges for services	1,134,462	-	-	-	-	1,134,462
Investment earnings	1,343	-	3,251	1,289	864	6,747
Miscellaneous	-	-	-	-	14,017	14,017
<b>Total revenues</b>	<b>6,611,369</b>	<b>871,645</b>	<b>3,251</b>	<b>687,189</b>	<b>762,167</b>	<b>8,935,621</b>
<b>Expenditures</b>						
General government	1,297,342	-	-	-	-	1,297,342
Public safety	1,531,751	-	-	-	-	1,531,751
Public works	1,565,702	-	-	-	-	1,565,702
Municipal court	102,227	-	-	-	3,532	105,759
Developmental services	972,071	-	-	-	-	972,071
Animal control	229,577	-	-	-	-	229,577
Fire department	726,140	-	-	-	-	726,140
Fire Marshall	103,965	-	-	-	-	103,965
Economic development	-	-	-	81,675	23,836	105,511
Debt service:						
Principal	143,505	670,000	-	70,000	-	883,505
Interest	18,269	228,581	-	70,159	-	317,009
Issuance costs	-	54,610	40,000	-	-	94,610
Capital outlay	357,712	-	1,003,093	196,610	34,208	1,591,623
<b>Total expenditures</b>	<b>7,048,261</b>	<b>953,191</b>	<b>1,043,093</b>	<b>418,444</b>	<b>61,576</b>	<b>9,524,565</b>
Excess (deficiency) of revenues over (under) expenditures	(436,892)	(81,546)	(1,039,842)	268,745	700,591	(588,944)
<b>Other financing sources (uses)</b>						
Proceeds from the sale of assets	137,855	-	-	400,752	-	538,607
Transfers in	438,338	155,038	130,705	-	-	724,081
Transfers out	-	-	-	(185,705)	(538,376)	(724,081)
Proceeds from issuance of refunding bonds	-	1,385,000	-	-	-	1,385,000
Proceeds from issuance of notes payable	-	-	860,000	-	-	860,000
Lease financing	238,006	-	-	-	-	238,006
Payment to refunded bond escrow agent	-	(1,365,050)	-	-	-	(1,365,050)
<b>Total other financing sources (uses)</b>	<b>814,199</b>	<b>174,988</b>	<b>990,705</b>	<b>215,047</b>	<b>(538,376)</b>	<b>1,656,563</b>
<b>Net change in fund balances</b>	<b>377,307</b>	<b>93,442</b>	<b>(49,137)</b>	<b>483,792</b>	<b>162,215</b>	<b>1,067,619</b>
Fund balances, beginning of year	7,279,967	504,775	(323,729)	1,086,859	811,797	9,359,669
Restatement	(864,202)	-	130,629	-	-	(733,573)
Fund balances, beginning of year, as restated	6,415,765	504,775	(193,100)	1,086,859	811,797	8,626,096
<b>Fund balances, end of year</b>	<b>\$ 6,793,072</b>	<b>\$ 598,217</b>	<b>\$ (242,237)</b>	<b>\$ 1,570,651</b>	<b>\$ 974,012</b>	<b>\$ 9,693,715</b>

**City of Joshua, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of the Governmental Funds to the Change in**  
**Net Position of Governmental Activities in the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2022**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 1,067,619

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,591,623	
Depreciation expense	<u>(1,042,499)</u>	549,124

All proceeds from the sale of capital assets are reported as revenue in the funds. However, in the statement of activities, only the gain or loss on disposal is reported. (545,028)

The change in property tax receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds. 12,275

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (36,685)

TENTATIVE DRAFT

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense for the measurement period. This is the effect of the difference between the two statements. (136,913)

OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense for the measurement period. This is the effect of the difference between the two statements. (5,980)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences	\$ (38,657)	
Accrued interest	12,171	
Net pension liability	415,914	
Total OPEB liability	<u>(8,106)</u>	381,322

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$ 740,000	
Payments on financed purchase liability	119,081	
Payments on lease liability	24,503	
Proceeds		
Bonds	(1,385,000)	
Tax notes	(860,000)	
Lease liability	(238,006)	
Payments to refunding bond escrow agent	1,340,000	
Amortization of premium on issuance of debt	<u>20,795</u>	<u>(238,627)</u>

Change in net position of governmental activities - statement of activities \$ 997,107

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies**

The City of Joshua, Texas (the City) is a Home Rule city in which citizens elect the mayor and six Council members at large. The City operates under the Council-City Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

Financial Reporting Entity

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units

Joshua Economic Development Corporation Type A (JEDC) is a blended component unit and is reported within the City's primary government. The JEDC was formed to promote economic development within the City and the state of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, and on behalf of, the City by developing, implementing, providing and financing projects under the Development Corporation Act of 1979 as defined in Section 4A of the Act. A Board of Directors, whose members are appointed by and serve the City's governing body, makes all decisions regarding use of local revenue in undertaking projects, though the City retains oversight authority and must approve all programs and expenditures of the Corporation.

Joshua Community Development Corporation Type B (JCDC) is a blended component unit and is reported within the City's primary government. The JCDC was formed exclusively for the purposes of benefiting and accomplishing public purposes of, and acting on behalf of, the City in promotion and development of public projects, approved by the voters at an election held, including, but not limited to, tourism facilities, civic center, downtown/main street renovation and/or development, drainage and related improvements, demolition of existing structures and landscaping, parks, youth center, sports facilities, public safety facilities, municipal facilities, library facilities, water, sewer and street extensions, any other project authorized under Section 4B of the Development Act of 1979, and maintenance and operation costs associated with such projects. A Board of Directors, whose members are appointed by and serve the City's governing body, makes all decisions regarding use of local revenue in undertaking projects, though the City retains oversight authority and must approve all programs and expenditures of the Corporation.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Government-wide Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the City.

Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and revenues not categorized as program revenues are reported as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental activities and proprietary activities. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column. Detailed statements for nonmajor funds are presented within the Supplementary Information section.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources while modified accrual is used for the basis of accounting. The City reports the following major governmental funds:

General Fund is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Improvement Fund accounts for the proceeds of certificates of obligation used for the acquisition or construction of major capital improvements as established in bond documents.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Joshua Economic Development Corporation Type A (JEDC) was established to account for sales tax revenues collected for the purposes set forth by the Joshua Economic Development Corporation.

In addition to the major funds listed above, the City reports the following nonmajor governmental funds: Joshua Community Development Corporation 4B, Court Security, Court Technology, and Hotel Occupancy.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
5. Annual budgets for the General Fund, Special Revenue Funds, and Debt Service Fund, are adopted on a basis consistent with GAAP.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

7. The City Council may authorize additional appropriations during the year.
8. During the fiscal year, the Council authorizes and approves amendments to the budget which provides for and approves all expenditures and transfers.

Cash and Cash Equivalents

For purposes of the statement of net position, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of at least two years following the acquisition date. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Furniture and equipment	3-15 years
Streets and improvements	15-30 years
Vehicles and work equipment	5-10 years

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminated employees are reported.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Debt issuance premium are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note 9 related to the OPEB plan.

In addition to liabilities, the statement of net position and balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to unavailable revenue from property taxes reported in the Governmental Balance Sheet and deferred inflows of resources related to the pension plan reported in the Statement of Net Position. See additional information in Note 8 related to the pension plan.

Pension

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from these amounts.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – This category consists of external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position – This category represents net position not restricted for any project or other purpose.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Non-spendable fund balance includes amounts that are not in spendable form, or legally or contractually required to be maintained intact. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made the City Council or City Manager. Unassigned fund balance is the amount in excess of what can be classified in one of the other four categories of fund balance. Unassigned amounts are technically available for any purpose.

Except when expenditures are specifically budgeted and when multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds but will have the option to spend budgeted funds first.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**Implementation of New Accounting Standard**

For the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. This statement establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was adopted by the City as of October 1, 2021. There was no effect on beginning net position or fund balances due to the implementation of this standard.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 2. Deposits and Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy. The City's deposits and investments are invested pursuant to the Investment Policy.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At yearend, the City was not exposed to a significant amount of credit risk.

**Custodial Credit Risk:** Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year-end, the City was not exposed to custodial credit risk.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the City was not exposed to concentration of credit risk.

**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

**Note 3. Property Taxes Receivable and Unavailable Revenue**

Property taxes are assessed and remitted to the City by the Tarrant County Tax Assessor's office. Taxes, levied annually on October 1, are due by January 31. Major tax payments are received December through March. Lien dates for real property are in July.

Allowances for uncollectible tax receivables reported in the General Fund and Debt Service Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off when deemed uncollectible; however, state statutes prohibit writing off real property taxes without specific authority from the Texas Legislature.

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund and Debt Service Fund when assessed (October 1). At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of fiscal year-end, they are recorded as unavailable revenue.

In the government-wide financial statements, property tax receivables and related revenues include all amounts due the City regardless of when cash is received.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 4. Capital Assets**

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Capital assets not being depreciated/amortized				
Construction in progress	\$ 1,287,850	\$ 164,258	\$ 518,382	\$ 933,726
Land	3,184,386	-	421,425	2,762,961
<b>Total capital assets not being depreciated/amortized</b>	<b>4,472,236</b>	<b>164,258</b>	<b>939,807</b>	<b>3,696,687</b>
Capital assets being depreciated/amortized				
Buildings and improvements	12,547,728	47,230	-	12,594,958
Furniture and equipment	2,269,112	64,598	1,968,723	364,987
Streets and improvements	7,747,999	879,906	41,173	8,586,732
Vehicles and work equipment	2,801,583	716,007	370,640	3,146,950
Right of use lease asset	-	238,006	-	238,006
<b>Total capital assets being depreciated/amortized</b>	<b>25,366,422</b>	<b>1,945,747</b>	<b>2,380,536</b>	<b>24,931,633</b>
Less accumulated depreciation/amortization for:				
Buildings and improvements	3,680,635	258,112	-	3,938,747
Furniture and equipment	2,157,802	59,057	1,963,268	253,591
Streets and improvements	3,965,093	417,068	41,173	4,340,988
Vehicles and work equipment	2,090,783	281,399	252,493	2,119,689
Right of use lease asset	-	26,863	-	26,863
<b>Total accumulated depreciation/amortization</b>	<b>11,894,313</b>	<b>1,042,499</b>	<b>2,256,934</b>	<b>10,679,878</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>13,472,109</b>	<b>903,248</b>	<b>123,602</b>	<b>14,251,755</b>
Governmental activities capital assets, net	<u>\$ 17,944,345</u>	<u>\$ 1,067,506</u>	<u>\$ 1,063,409</u>	<u>\$ 17,948,442</u>

At September 30, 2022, depreciation was charged to functions as follows:

**Governmental activities:**

General government	\$ 140,410
Public safety	79,745
Public works	573,844
Animal control	8,272
Fire department	171,558
Parks and recreation	68,606
Municipal court	64
<b>Total governmental activities</b>	<u>\$ 1,042,499</u>

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 5. Long-Term Obligations**

Long-term debt of the City consists of general obligation bonds, certificates of obligation, and sales tax revenue bonds. At September 30, 2022, the City's long-term debt consisted of the following:

General Obligation Bonds

*General Obligation Refunding Bonds, Series 2019*

- Original balance of \$2,500,000
- Payable in semi-annual installments through 2030
- Bearing interest at a rate of 1.84%
- Outstanding balance of \$2,000,000 at September 30, 2022

*General Obligation Bonds, Series 2020*

- Original balance of \$3,755,000
- Payable in annual installments through 2040
- Bearing interest at a rate of 1.50 – 4.00%
- Outstanding balance of \$3,575,000 at September 30, 2022

*General Obligation Refunding Bonds, Series 2021 – Direct Placement*

- Original balance of \$1,385,000
- Payable in annual installments through 2032
- Bearing interest at a rate of 1.58%
- Outstanding balance of 1,385,000 at September 30, 2022

Certificates of Obligation

*Combination Tax and Revenue Certificates of Obligation, Series 2012*

- Original balance of \$5,000,000
- Payable in annual installments through 2033
- Bearing interest at a rate of 2.00 – 2.75%
- Outstanding balance of \$3,200,000 at September 30, 2022

Sales Tax Revenue Bonds

*Sales Tax Revenue Bonds, Series 2018*

- Original balance of \$1,945,000
- Payable in annual installments through 2039
- Bearing interest at a rate of 3.22 – 4.33%
- Outstanding balance of \$1,680,000 at September 30, 2022

Tax Notes

*Tax Notes, Series 2021 – Direct Placement*

- Original balance of \$860,000
- Payable in annual installments through 2029
- Bearing interest at a rate of 0.65 – 1.95%
- Outstanding balance of \$860,000 at September 30, 2022

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 5. Long-Term Obligations (Continued)**

Changes in long-term obligations for the year ended September 30, 2022 are as follows:

	Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022	Due Within One Year
<u>Governmental activities</u>					
Certificates of Obligation	\$ 3,430,000	\$ -	\$ 230,000	\$ 3,200,000	\$ 240,000
General Obligation Bonds	7,355,000	-	1,780,000	5,575,000	365,000
Direct placement - General Obligation Bonds	-	1,385,000	-	1,385,000	130,000
Sales Tax Revenue Bonds	1,750,000	-	70,000	1,680,000	70,000
Direct placement - Tax Notes	-	860,000	-	860,000	170,000
Unamortized debt premium	336,062	-	20,827	315,235	20,827
Net pension liability (asset)	(283,074)	(504,557)	(88,643)	(698,988)	-
Total OPEB liability	72,515	14,948	6,842	80,621	80,621
Financed purchase liability	232,016	-	119,081	112,935	112,935
Lease liability	-	238,006	24,503	213,503	58,895
Compensated absences	136,968	38,657	-	175,625	-
<b>Total governmental activities</b>	<b>\$ 13,029,487</b>	<b>\$ 2,032,054</b>	<b>\$ 2,162,610</b>	<b>\$ 12,898,931</b>	<b>\$ 1,248,278</b>

Advance Refunding

The City issued Series 2021 General Obligation Refunding Bonds in the amount of \$1,385,000 to provide resources that were placed in an irrevocable trust for the purpose of making all future debt service payments of the Series 2012 General Obligation Bonds with an outstanding principal balance at the time of refunding of \$1,340,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments by \$157,264 and resulted in a net present value savings of \$111,268.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 5. Long-Term Obligations (Continued)**

Debt service requirements on long-term debt at September 30, 2022, are as follows:

Year Ending	General Obligation Bonds		Direct Placement General Obligation Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 365,000	\$ 122,484	\$ 130,000	\$ 20,857
2024	400,000	112,260	130,000	18,803
2025	405,000	101,398	135,000	16,709
2026	415,000	90,344	135,000	14,576
2027	425,000	78,944	135,000	12,443
2028-2032	1,745,000	241,956	720,000	28,914
2033-2037	1,100,000	125,864	-	-
2038-2042	720,000	21,800	-	-
Total	<u>\$ 5,575,000</u>	<u>\$ 895,050</u>	<u>\$ 1,385,000</u>	<u>\$ 112,302</u>
Year Ending	Certificates of Obligation		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 240,000	\$ 75,476	\$ 70,000	\$ 67,870
2024	250,000	70,676	75,000	65,407
2025	260,000	65,676	75,000	62,748
2026	270,000	60,476	80,000	59,894
2027	280,000	54,400	80,000	56,866
2028-2032	1,560,000	169,528	460,000	230,839
2033-2037	340,000	9,352	575,000	121,715
2038-2042	-	-	265,000	11,583
Total	<u>\$ 3,200,000</u>	<u>\$ 505,584</u>	<u>\$ 1,680,000</u>	<u>\$ 676,922</u>
Year Ending	Direct Placement - Tax Notes		Financed Purchase Liability	
	Principal	Interest	Principal	Interest
2023	\$ 170,000	\$ 15,630	\$ 112,935	\$ 4,896
2024	110,000	9,303	-	-
2025	115,000	8,119	-	-
2026	115,000	6,739	-	-
2027	115,000	5,186	-	-
2028-2032	235,000	4,516	-	-
Total	<u>\$ 860,000</u>	<u>\$ 49,493</u>	<u>\$ 112,935</u>	<u>\$ 4,896</u>

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 5. Long-Term Obligations (Continued)**

Lease Liability

General information related to leases payable is summarized below:

<u>Asset</u>	<u>Term, Including Renewals</u>	<u>Interest Rate</u>	<u>Payment Amount</u>	<u>Lease Liability 9/30/2022</u>
Copiers/Printers	60 months	5.59%	\$ 1,569	\$ 77,164
Postage meters	60 months	5.59%	199	9,789
Police vehicles	36-48 months	5.41%-5.95%	4,010	126,550

There were no variable payments, residual value guarantees, or penalties not included in the measurement of the leases. The City did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2022.

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 58,895	\$ 10,441
2024	62,273	7,063
2025	49,640	3,674
2026	29,052	1,539
2027	13,643	292
Total	<u>\$ 213,503</u>	<u>\$ 23,009</u>

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 6. Interfund Balances and Activity**

Balances due to and due from other funds at September 30, 2022 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
JEDC	General Fund	\$ 3,638
Court Technology	General Fund	3,412
Debt Service	JCDC	438,625
Capital Improvement	JEDC	3,579
Capital Improvement	JCDC	3,517
General Fund	JCDC	351
General Fund	Court Technology	3,110
General Fund	Hotel Occupancy	374
General Fund	Debt Service	123,571
General Fund	Capital Improvement	113,821
		<u>113,821</u>
Total		<u>\$ 693,998</u>

All amounts due are scheduled to be repaid within one year.

Transfers to and from other funds at September 30, 2022 consisted of the following:

TENTATIVE DRAFT

<u>Transfers Out</u>	
JEDC	\$ 185,705
JCDC	538,376
	<u>538,376</u>
	<u>\$ 724,081</u>

<u>Transfers In</u>	
General Fund	\$ 438,338
Debt Service Fund	155,038
Capital Improvement Fund	130,705
	<u>130,705</u>
	<u>\$ 724,081</u>

Transfers from JEDC to the General Fund were to pay for a portion of the Economic Development Coordinator position. Transfers from JCDC to the General Fund were for park operations and repair and maintenance expenses. Transfers from JCDC to the Debt Service Fund are for the fund's 50% share of the YMCA payment. Transfers from the JEDC and General Fund to the Capital Improvements Fund were for the Joshua Station Development.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 7. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, error and omissions, injuries to employees, and natural disasters. The City obtains general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**Note 8. Defined Benefit Pension Plan**

**Plan Description**

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the City-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

Employee deposit rate	7%
Matching rate (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (expressed age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

*Employees Covered by Benefit Terms*

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	52
Active employees	46
Total	109

**Contributions**

TENTATIVE DRAFT

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 5.76% and 5.19% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$164,692 and were equal to the required contributions.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Absolute Return	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

TENTATIVE DRAFT

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

*Changes in Net Pension Liability*

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 4,123,182	\$ 4,406,255	\$ (283,073)
Changes for the year:			
Service cost	282,108	-	282,108
Interest	281,958	-	281,958
Difference between expected and actual experience	(136,768)	-	(136,768)
Contributions - employer	-	122,359	(122,359)
Contributions - employee	-	148,701	(148,701)
Net investment income	-	574,792	(574,792)
Benefit payments, including refunds of employee contributions	(174,167)	(174,167)	-
Administrative expense	-	(2,658)	2,658
Other changes	-	19	(19)
Net changes	<u>253,131</u>	<u>669,046</u>	<u>(415,915)</u>
Balance at 12/31/2021	<u>\$ 4,376,313</u>	<u>\$ 5,075,301</u>	<u>\$ (698,988)</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's NPL	\$ (73,286)	\$ (698,988)	\$ (1,212,941)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tnrs.com](http://www.tnrs.com).

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2022, the City recognized pension expense (income) of (\$68,672). At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ (120,902)	\$ -
Changes in actuarial assumptions	776	-
Difference between projected and actual investment earnings	-	294,224
Contributions subsequent to the measurement date	122,485	-
Total	\$ 2,359	\$ 294,224

\$122,485 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended  
December 31:

2022	\$	(124,082)
2023		(171,095)
2024		(63,699)
2025		(55,474)
Total	\$	(414,350)

**Note 9. Other Postemployment Benefits**

**Plan Description**

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 9. Other Postemployment Benefits (Continued)**

**Benefits Provided**

The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

*Employees Covered by Benefit Terms*

At the December 31, 2021 actuarial valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>46</u>
Total	<u><u>57</u></u>

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The City's contributions to the TMRS SDBF for the year ended September 30, 2022 were \$823, which equaled the required contributions.

**Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 9. Other Postemployment Benefits (Continued)**

*Actuarial assumptions*

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation		2.5%
Salary increases		3.5% to 11.5% including inflation
Discount rate		1.84%
Retirees' share of benefit-related costs		\$0
Administrative expenses		All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	–	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	–	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 9. Other Postemployment Benefits (Continued)**

*Changes in the Total OPEB Liability*

	Total OPEB Liability
Balance at 12/31/2020	\$ 72,515
Changes for the year:	
Service cost	10,622
Interest on Total OPEB Liability	1,550
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	(6,205)
Changes in assumptions or other inputs	2,776
Benefit payments	(637)
Net changes	8,106
Balance at 12/31/2021	\$ 80,621

TENTATIVE DRAFT

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 1.84%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	\$ 101,140	\$ 80,621	\$ 64,983

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 9. Other Postemployment Benefits (Continued)**

**OPEB Expense and Deferred Outflows or Resources and Deferred Inflows of Resources Related to TMRS OPEB**

For the year ended September 30, 2022, the City recognized OPEB expense of \$14,043.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,509
Changes in actuarial assumptions or other inputs	16,321	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	616	-
Total	\$ 16,937	\$ 8,509

The City reported \$616 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

TENTATIVE DRAFT

Year ended  
December 31:

2023	\$ 1,871
2024	1,871
2025	1,704
2026	1,585
2027	958
Thereafter	(177)
Total	\$ 7,812

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 10. Commitments and Contingencies**

**Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the city has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for contingencies.

**Litigation**

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

**Note 11. Economic Development Program Agreement**

The City is party to Economic Development Program Agreements structured in accordance with Chapter 380 of the Texas Local Government Code.

The City entered into such an agreement with Rumfield Properties during fiscal year 2021. Under the terms of this agreement, Rumfield is to construct a parking lot on property owned by JEDC. The parking lot will become the property of the City once complete. Upon acceptance of the parking lot, the City will make quarterly payments to Rumfield Properties based on sales tax revenues from the City's downtown until all costs are reimbursed. During fiscal year 2022, the parking lot was completed and accepted by the City. The City made total payments of \$230,818 to fully satisfy their obligation under this agreement.

The City entered into another agreement with The Retail Connection (TRC) in fiscal year 2019 to construct a local shopping center including a Starbucks. The terms of the agreement specify that the City will reimburse TRC for any costs and expenses billed to or otherwise incurred by TRC with respect to the construction of the improvements based on a budget approved by the City. Additionally, for a period of 10 years once the first occupant opens for business in the development, the City will pay TRC 100% of any sales tax revenue generated from the development property allocable to the City and 100% of the incremental increase in ad valorem tax revenue generated from the development property allocable to the City above the base year of 2019. The aggregate maximum amount of these payments is \$400,000. The City completed paying the reimbursement portion of this program during fiscal year 2022. The City also began paying the sales tax refunds due under this program during fiscal year 2022 by making total payments of \$25,339.

**City of Joshua, Texas**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 12. Prior Period Adjustments**

The City has determined that certain transactions were recorded incorrectly in a prior year. The causes for and amounts of these corrections are as follows:

General Fund:	
Overstatement of grant revenue in the prior year	<u>\$ (864,202)</u>
Net effect on beginning fund balance	<u><u>\$ (864,202)</u></u>
Capital Projects Fund:	
Overstatement of retainage payable in the prior year	<u>\$ 130,629</u>
Net effect on beginning fund balance	<u><u>\$ 130,629</u></u>
Governmental Activities:	
Overstatement of grant revenue in the prior year	\$ (864,202)
Overstatement of retainage payable in the prior year	<u>130,629</u>
Net effect on beginning net position	<u><u>\$ (733,573)</u></u>

**Note 13. Subsequent Events**

The City evaluated subsequent events through March, XX, 2023, the date the financial statements were available to be issued, noting no events requiring disclosure.

TENTATIVE DRAFT

**TENTATIVE DRAFT**  
**OVERALL COMPLIANCE AND  
INTERNAL CONTROLS SECTION**

**City of Joshua, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 2,893,080	\$ 2,893,080	\$ 2,654,341	\$ (238,739)
Sales taxes	1,000,000	1,000,000	1,379,266	379,266
Alcoholic beverage taxes	10,400	10,400	11,333	933
Fire district fees	156,000	156,000	156,000	-
Franchise fees	391,500	391,500	382,055	(9,445)
Fines and fees	131,000	216,000	244,694	28,694
Grants and contributions	166,870	168,470	647,875	479,405
Charges for services	1,054,815	1,054,815	1,134,462	79,647
Investment earnings	3,000	3,000	1,343	(1,657)
Miscellaneous	51,500	51,500	-	(51,500)
<b>Total revenues</b>	<b>5,858,165</b>	<b>5,944,765</b>	<b>6,611,369</b>	<b>666,604</b>
<b>Expenditures</b>				
General government	1,184,085	1,261,044	1,297,342	(36,298)
Public safety	1,600,605	1,766,180	1,531,751	234,429
Public works	1,341,760	1,636,510	1,565,702	70,808
Municipal court	107,550	111,316	102,227	9,089
Developmental services	933,590	981,090	972,071	9,019
Animal control	300,525	307,749	229,577	78,172
Fire department	814,135	849,635	726,140	123,495
Fire Marshall	196,930	199,930	103,965	95,965
Debt service:				
Principal	103,900	103,900	143,505	(39,605)
Interest	9,585	9,585	18,269	(8,684)
Capital outlay	47,700	47,700	357,712	(310,012)
<b>Total expenditures</b>	<b>6,640,365</b>	<b>7,274,639</b>	<b>7,048,261</b>	<b>226,378</b>
Excess (deficiency) of revenues over (under) expenditures	(782,200)	(1,329,874)	(436,892)	892,982
<b>Other financing sources (uses)</b>				
Proceeds from the sale of assets	-	-	137,855	137,855
Transfers in	782,200	782,200	438,338	(343,862)
Lease financing	-	-	238,006	238,006
<b>Total other financing sources (uses)</b>	<b>782,200</b>	<b>782,200</b>	<b>814,199</b>	<b>31,999</b>
Change in fund balance	<u>\$ -</u>	<u>\$ (547,674)</u>	<u>377,307</u>	<u>\$ 924,981</u>
Fund balance - beginning of year, as restated			6,415,765	
Fund balance - end of year			<u>\$ 6,793,072</u>	

**City of Joshua, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Debt Service Fund**  
**For the Fiscal Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 806,300	\$ 806,300	\$ 871,645	\$ 65,345
Total revenues	806,300	806,300	871,645	65,345
<b>Expenditures</b>				
Debt service:				
Principal	670,000	670,000	670,000	-
Interest	263,241	263,241	228,581	34,660
Capital outlay	-	-	54,610	(54,610)
Total expenditures	933,241	933,241	953,191	(19,950)
Excess (deficiency) of revenues over (under) expenditure:	(126,941)	(126,941)	(81,546)	45,395
<b>Other financing sources (uses)</b>				
Transfers in	155,038	155,038	155,038	-
Proceeds from issuance of refunding bond	-	-	1,385,000	1,385,000
Payment to refunded bond escrow agent	-	-	(1,365,050)	(1,365,050)
Total other financing sources (uses)	155,038	155,038	174,988	19,950
Change in fund balance	\$ 28,097	\$ 28,097	93,442	\$ 65,345
Fund balance - beginning of year			504,775	
Fund balance - end of year			\$ 598,217	

**City of Joshua, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Capital Improvement Fund**  
**For the Fiscal Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ 2,000	\$ 2,000	\$ 3,251	\$ 1,251
Grant revenue	1,191,688	1,191,688	-	1,191,688
Total revenues	<u>1,193,688</u>	<u>1,193,688</u>	<u>3,251</u>	<u>1,251</u>
<b>Expenditures</b>				
Issuance Costs	-	-	40,000	(40,000)
Capital outlay	3,436,245	3,436,245	1,003,093	2,433,152
Total expenditures	<u>3,436,245</u>	<u>3,436,245</u>	<u>1,043,093</u>	<u>2,393,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,242,557)</u>	<u>(2,242,557)</u>	<u>(1,039,842)</u>	<u>1,202,715</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	130,705	130,705
Proceeds from issuance of notes payable	-	-	860,000	860,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>990,705</u>	<u>990,705</u>
Change in fund balance	<u>\$ (2,242,557)</u>	<u>\$ (2,242,557)</u>	<u>(49,137)</u>	<u>\$ 2,193,420</u>
Fund balance - beginning of year			(193,100)	
Fund balance - end of year			<u>\$ (242,237)</u>	

**City of Joshua, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Type A Economic Development Corporation Fund**  
**For the Fiscal Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales taxes	\$ 500,000	\$ 500,000	\$ 685,900	\$ 185,900
Investment earnings	1,000	1,000	1,289	289
Total revenues	501,000	501,000	687,189	186,189
<b>Expenditures</b>				
Economic Development	294,601	402,071	81,675	320,396
Debt service:				
Principal	70,159	70,159	70,000	159
Interest	70,000	70,000	70,159	(159)
Capital outlay	-	-	196,610	(196,610)
Total expenditures	434,760	542,230	418,444	123,786
Excess (deficiency) of revenues over (under) expenditure:	66,240	(41,230)	268,745	309,975
<b>Other financing sources (uses)</b>				
Proceeds from the sale of asset:				
Transfers out	(205,000)	(205,000)	(185,705)	19,295
Total other financing sources (uses)	(205,000)	(205,000)	215,047	420,047
Change in fund balance	\$ (138,760)	\$ (246,230)	483,792	\$ 730,022
Fund balance - beginning of year			1,086,859	
Fund balance - end of year			\$ 1,570,651	

**City of Joshua, Texas**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Seven Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Measurement Date - December 31st*:</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>							
Service cost	282,108	223,786	229,881	217,867	207,242	222,255	207,231
Interest	281,958	260,770	237,463	224,113	203,201	186,581	164,060
Difference between expected and actual experience	(136,768)	(55,945)	(9,980)	(126,923)	18,030	(61,172)	(4,751)
Changes of assumptions	-	-	3,425	-	-	-	105,326
Benefit payments, including refunds of employee contributions	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Net change in total pension liability	253,131	315,016	349,479	179,799	315,786	272,475	429,193
Total pension liability, beginning	4,123,182	3,808,166	3,458,687	3,278,888	2,963,102	2,690,627	2,261,434
Total pension liability, ending (a)	<u>\$ 4,376,313</u>	<u>\$ 4,123,182</u>	<u>\$ 3,808,166</u>	<u>\$ 3,458,687</u>	<u>\$ 3,278,888</u>	<u>\$ 2,963,102</u>	<u>\$ 2,690,627</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	122,359	98,509	105,812	100,554	89,253	87,382	75,539
Contributions - employee	148,701	120,965	124,068	118,498	112,370	120,885	116,985
Net investment income	574,792	304,236	521,071	(101,524)	401,837	174,931	3,595
Benefit payments, including refunds of employee contributions	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Administrative expense	(2,658)	(1,964)	(2,936)	(1,958)	(2,078)	(1,974)	(2,189)
Other changes	19	(77)	(88)	(103)	(104)	(106)	(109)
Net change in plan fiduciary net position	669,046	408,074	636,617	(19,791)	488,591	305,929	151,148
Plan fiduciary net position, beginning	4,406,255	3,998,181	3,361,564	3,381,355	2,892,764	2,586,835	2,435,687
Plan fiduciary net position, ending (b)	<u>\$ 5,075,301</u>	<u>\$ 4,406,255</u>	<u>\$ 3,998,181</u>	<u>\$ 3,361,564</u>	<u>\$ 3,381,355</u>	<u>\$ 2,892,764</u>	<u>\$ 2,586,835</u>
<b>Net Pension Liability/(Asset) (a) - (b)</b>	<u>\$ (698,988)</u>	<u>\$ (283,073)</u>	<u>\$ (190,015)</u>	<u>\$ 97,123</u>	<u>\$ (102,467)</u>	<u>\$ 70,338</u>	<u>\$ 103,792</u>
Plan's fiduciary net position as a percentage of the total pension liability	115.97%	106.87%	82.08%	97.19%	103.13%	97.63%	96.14%
Covered payroll	\$ 2,124,306	\$ 1,728,076	\$ 1,772,403	\$ 1,692,826	\$ 1,605,284	\$ 1,726,924	\$ 1,671,215
Net pension liability as a percentage of covered payroll	-32.90%	-16.38%	-10.72%	5.74%	-6.38%	4.07%	6.21%

\* The amounts presented above are as of the measurement date of the collective net pension liability/(asset).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Joshua, Texas**  
**Schedule of Employer Pension Contributions and Related Ratios**  
**Last Eight Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Year Ended September 30th*:</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
The City's actuarially determined contribution	\$ 164,692	\$ 112,687	\$ 81,307	\$ 107,693	\$ 96,073	\$ 86,697	\$ 79,966	\$ 70,288
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	<u>164,692</u>	<u>112,687</u>	<u>81,307</u>	<u>107,693</u>	<u>96,073</u>	<u>86,697</u>	<u>79,966</u>	<u>70,288</u>
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,743,961	\$ 1,955,376	\$ 1,744,589	\$ 1,743,429	\$ 1,662,081	\$ 1,726,924	\$ 1,652,285	\$ 1,657,468
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	6.00%	5.76%	4.66%	6.18%	5.78%	5.02%	4.84%	4.24%

**Notes to Schedule of Contributions**

*Valuation Date:* Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirements: 2019 Municipal Retirees of Texas Mortality Table. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

*Other informaton:* There were no benefit changes during the year.

\* The amounts presented above are as of the City's fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Joshua, Texas**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last Five Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Measurement Date - December 31st*:</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Service cost	\$ 10,622	\$ 5,184	\$ 3,545	\$ 4,401	\$ 3,692
Interest on total OPEB liability	1,550	1,690	1,633	1,452	1,315
Changes in benefit terms including TMRS plan participation	-	-	-	-	-
Difference between expected and actual experience	(6,205)	(3,807)	216	(1,545)	-
Changes in assumptions or other inputs	2,776	10,688	11,395	(3,564)	3,873
Benefit payments	(637)	(173)	(177)	(169)	(161)
<b>Net change in Total OPEB Liability</b>	<b>8,106</b>	<b>13,582</b>	<b>16,612</b>	<b>575</b>	<b>8,719</b>
Total OPEB Liability - beginning	72,515	58,933	42,321	41,746	33,027
Total OPEB Liability - ending	<u>\$ 80,621</u>	<u>\$ 72,515</u>	<u>\$ 58,933</u>	<u>\$ 42,321</u>	<u>\$ 41,746</u>
Covered payroll	\$ 2,124,306	\$ 1,728,076	\$ 1,772,403	\$ 1,692,826	\$ 1,605,284
Total OPEB liability as a percentage of covered payroll	3.80%	4.20%	3.33%	2.50%	2.60%

TENTATIVE DRAFT

\* The amounts presented above are as of the measurement date of the collective total OPEB asset (liability).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Joshua, Texas**  
**Schedule of OPEB Contributions and Related Ratios**  
**Last Five Fiscal Years\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Year Ended September 30th*:</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
The City's actuarially determined contribution	\$ 823	\$ 580	\$ 174	\$ 174	\$ 166
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	823	580	174	174	166
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,743,961	\$ 1,933,285	\$ 1,744,589	\$ 1,743,429	\$ 1,662,081
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	0.03%	0.03%	0.01%	0.01%	0.01%

**Notes to Schedule of Contributions**

*Valuation Date:*

Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.

*Methods and Assumptions Used to Determine Contribution Rates:*

Asset Valuation Method	For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate***	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* The amounts presented above are as of the City's fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

\*\*\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

**TENTATIVE DRAFT**  
**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Joshua, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2022**

	<b>Type B Community Development Corporation</b>	<b>Court Security</b>	<b>Court Technology</b>	<b>Hotel Occupancy</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>					
Restricted cash and cash equivalents	\$ 1,024,252	\$ 41,708	\$ 9,976	\$ 222,968	\$ 1,298,904
Accounts receivables, net	-	-	532	3,922	4,454
Due from other governments	119,217	-	-	-	119,217
Due from other funds	-	-	3,412	-	3,412
<b>Total assets</b>	<b>\$ 1,143,469</b>	<b>\$ 41,708</b>	<b>\$ 13,920</b>	<b>\$ 226,890</b>	<b>\$ 1,425,987</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ 6,000	\$ -	\$ -	\$ 6,000
Accrued liabilities	-	-	-	-	-
Due to other funds	442,493	-	3,108	374	445,975
<b>Total liabilities</b>	<b>442,493</b>	<b>6,000</b>	<b>3,108</b>	<b>374</b>	<b>451,975</b>
Fund balances:					
Restricted for:					
Economic development	700,976	-	-	-	700,976
Court security	-	35,708	-	-	35,708
Court techonology	-	-	10,812	-	10,812
Tourism	-	-	-	226,516	226,516
<b>Total fund balances</b>	<b>700,976</b>	<b>35,708</b>	<b>10,812</b>	<b>226,516</b>	<b>974,012</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,143,469</b>	<b>\$ 41,708</b>	<b>\$ 13,920</b>	<b>\$ 226,890</b>	<b>\$ 1,425,987</b>

**City of Lake Worth, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2022**

	<b>Type B Community Development Corporation</b>	<b>Court Security</b>	<b>Court Technology</b>	<b>Hotel Occupancy</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>					
Sales tax	\$ 685,900	\$ -	\$ -	\$ -	\$ 685,900
Hotel occupancy tax	-	-	-	44,891	44,891
Fines and fees	-	9,020	7,475	-	16,495
Investment earnings	768	-	-	96	864
Miscellaneous	14,017	-	-	-	14,017
<b>Total revenues</b>	<b>700,685</b>	<b>9,020</b>	<b>7,475</b>	<b>44,987</b>	<b>762,167</b>
<b>Expenditures</b>					
Municipal court	-	-	3,532	-	3,532
Economic development	23,836	-	-	-	23,836
Capital outlay	34,208	-	-	-	34,208
<b>Total expenditures</b>	<b>58,044</b>	<b>-</b>	<b>3,532</b>	<b>-</b>	<b>61,576</b>
Excess of revenues over expenditures	642,641	9,020	3,943	44,987	700,591
<b>Other financing sources (uses)</b>					
Transfers out	(538,376)	-	-	-	(538,376)
<b>Total other financing sources (uses)</b>	<b>(538,376)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(538,376)</b>
Changes in fund balances	104,265	9,020	3,943	44,987	162,215
Fund balances - beginning of year	596,711	26,688	6,869	181,529	811,797
Fund balances - end of year	<u>\$ 700,976</u>	<u>\$ 35,708</u>	<u>\$ 10,812</u>	<u>\$ 226,516</u>	<u>\$ 974,012</u>

**TENTATIVE DRAFT**  
**SUPPLEMENTARY INFORMATION**

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

To the Honorable Mayor and City Council  
City of Joshua, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Joshua, Texas’ basic financial statements, and have issued our report thereon dated March XX, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Joshua, Texas’ internal control over financial reporting (internal control) as a basis for the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Joshua, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Joshua, Texas’ 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 responses as item 2022-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

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

## **City of Joshua, Texas' Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snow Garrett Williams

March XX, 2023

**City of Joshua, Texas**  
**Schedule of Findings and Responses**  
**September 30, 2022**

The following finding is required to be reported in accordance with *Government Auditing Standards*:

Finding 2022-001 – Internal Controls Over Financial Reporting – Significant Deficiency

Condition:

Material adjusting journal entries were necessary to correct and adjust balances in order to prepare accurate financial statements.

Effect:

The financial statements were materially misstated prior to the City recording entries to adjust deferred grant revenue and retainage payable and record the issuance of refunding bonds. As a result, financial reports prepared throughout the fiscal year may have been relied upon in error.

Cause:

Management did not identify the adjustments above in the current year or prior years due to oversight.

Criteria:

Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budgeted amounts, prepare long-range financial plans, and to safeguard assets.

Auditor's Recommendation:

We recommend that City management and finance personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and develop internal control policies to ensure proper recording of these items.

Management's Response and Planned Corrective Action:

We will continue to implement new policies and procedures as necessary to maintain strong internal controls related to financial reporting and monitoring. Many of the adjusting journal entries were the result of unusual situations that are not expected to occur again in the near future; however, the City will continue to work closely with the auditors to reduce the number of adjusting journal entries in the future.