

CITY OF JOSHUA, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2023**

City of Joshua, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2023

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**City of Joshua, Texas
Principal Officials**

2023 City Council

Scott Kimble, Mayor

Johnny Waldrip

Mike Kidd

Angela Nichols

Merle Breitenstein

Dakota Marshall

Shelly Anderson

City Manager

Mike Peacock

Finance Director

Marcie Freelen

Finance Manager

Joanna McClenny

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Joshua, Texas' 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 net pension liability/(asset) 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 46-52 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 statements, budgetary comparison schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 statements, budgetary comparison schedules, and the schedule of expenditures of federal awards 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 February 5, 2024, 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

Snow Garrett Williams
February 5, 2024

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, 2023. 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 \$14,708,505. Of this amount, \$5,259,468 (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 \$129,870. 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 \$8,357,731, a decrease of \$1,335,984 in comparison with the prior year. Approximately 16% of this amount, \$1,297,310, 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 \$1,297,310 or 14% 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 nine 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, Type A Economic Development Corporation Fund, and Type B Community 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, Capital Improvement 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.

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 20 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 46 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 \$14,708,505 at the close of the most recent fiscal year. The City's net investment in capital assets (\$5,725,405 or 39%) 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.

City of Joshua's Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 9,805,391	\$ 12,404,263
Capital assets, net of depreciation/amortization	21,354,837	17,948,442
Total assets	31,160,228	30,352,705
Deferred outflows of resources	459,890	8,428
Long-term liabilities	15,397,584	13,597,919
Other liabilities	1,494,302	1,892,714
Total liabilities	16,891,886	15,490,633
Deferred inflows of resources	19,727	291,865
Net position:		
Net Investment in capital assets	5,725,405	4,606,769
Restricted	3,723,632	4,113,108
Unrestricted	5,259,468	5,858,758
Total Net Position	\$ 14,708,505	\$ 14,578,635

An additional portion of the City of Joshua's net position (\$3,723,632 or 25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,259,468 or 36%) 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

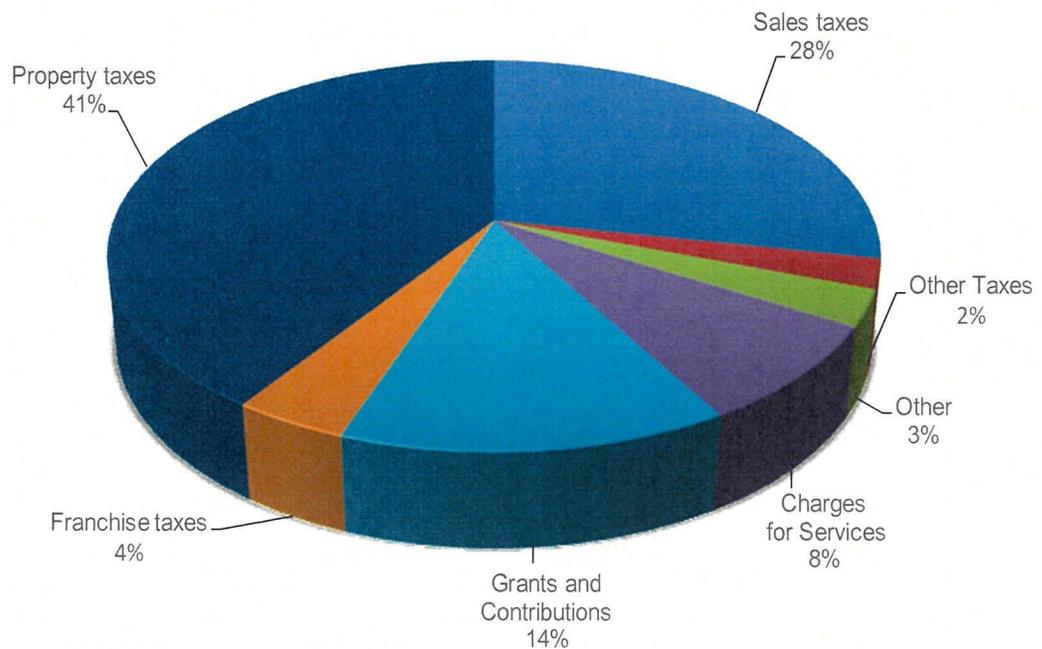
	Governmental activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 812,092	\$ 1,371,420
Operating grants and contributions	1,375,503	590,639
General revenues:		
Property taxes	4,050,991	3,595,496
Sales tax	2,807,805	2,751,066
Other taxes	241,953	212,224
Franchise fees	403,599	382,055
Other	300,613	1,889
Total revenues	9,992,556	8,904,789
Expenses:		
Mayor and council	223,086	-
Administration	1,145,046	-
General government	1,480,113	1,408,241
Public safety	1,967,588	1,548,304
Public works	1,882,061	2,183,868
Municipal court	123,355	102,921
Development services	744,625	957,225
Animal control	275,333	230,713
Fire department	1,360,728	871,908
Fire marshal	87,418	95,367
Economic development	87,608	105,511
Tourism	340	-
Interest and fiscal charges	485,385	403,624
Total expenses	9,862,686	7,907,682
Change in net position	129,870	997,107
Net position, beginning of year	14,578,635	14,315,101
Restatement	-	(733,573)
Net position, beginning of year, as restated	14,578,635	13,581,528
Net position, end of year	\$ 14,708,505	\$ 14,578,635

City of Joshua, Texas Management's Discussion and Analysis

During the current fiscal year, the City's net position increased by \$129,870. 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 increase in grant revenue received by the City; and
- A 13% increase in property taxes due to increased valuations and new construction;
- Offset by an increase in expenditures.

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 \$8,357,731. \$7,060,421 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 \$1,297,310 constitutes unassigned fund balance.

Of the \$8,357,731 ending fund balance, \$323,979 is accounted for in nonmajor governmental funds. The General Fund balance is \$1,453,250 at year-end, a decrease of \$5,339,822 primarily due to transfers out to the Capital Improvement Fund and increased expenditures.

City of Joshua, Texas
Management's Discussion and Analysis

The Debt Service Fund balance decreased \$386,548 to \$211,669 at year-end. This decrease is primarily the result of regularly scheduled debt payments. The Capital Improvement Fund balance increased \$3,596,874 to a year-end total of \$3,354,637 as a result of transfers in from the General Fund. The Type A Economic Development Corporation Fund balance increased \$374,240 to a year-end total of \$1,944,891. This increase is due to proceeds from the issuance of notes payable. The Type B Community Development Corporation Fund balance increased \$368,329 to a year-end total of \$1,069,305. This increase is due to an increase in sales tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund expenditures for the year were \$9,010,088, which was \$136,615 over budget. Actual general fund revenues for the year were \$7,180,274, which was \$412,663 under budget due to receiving less than budgeted for permits and fees. During the year, expenditures increased \$1,149,706 from the original budget to the final budget primarily in the general government department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$21,354,837 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, infrastructure, and right of use leased assets. Major capital asset events during the current fiscal year include the following:

- The purchase of 2 separate tracts of land;
- Continued work on the street project at 4th Street, Main Street, and Caddo Road; and
- Purchase of a new rescue vehicle for the fire department.

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

	Governmental Activities	
	2023	2022
Land	\$ 4,392,357	\$ 2,762,961
Construction in progress	2,357,561	933,726
Buildings	8,360,161	8,562,006
Equipment	1,956,111	1,137,907
Improvements	1,115,997	1,167,992
Infrastructure	2,806,789	3,172,707
Right of use lease asset - vehicles	365,861	211,143
Total	\$ 21,354,837	\$ 17,948,442

Additional information on the City's capital assets can be found in Note 4 on pages 28 - 29 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	\$ 2,960,000
General obligation bonds	5,210,000
Direct placement - general obligation bonds	1,255,000
Sales tax revenue bonds	1,610,000
Direct placement - tax notes	2,818,461
Direct placement - notes payable	583,460
Unamortized debt premium	294,408
Net pension liability	13,119
Total OPEB liability	65,392
Lease liability	378,128
Compensated absences	209,616
Total	\$ 15,397,584

The City's total long-term debt increased by a net amount of \$2,498,653 during the current fiscal year primarily as a result of the issuance of \$3,301,731 in tax notes, notes payable, and lease liabilities and an increase in the City's net pension liability offset by regularly scheduled principal payments.

Additional information on the City's long-term debt can be found in Note 5 on pages 29-33 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 2024, the City Council and administration considered the following factors:

Property tax revenue in the General Fund and Debt Service Fund is budgeted to decrease as a result of the increased homestead exemption. 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 slightly.

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 2024 is projected to be \$1,400,000, an increase of \$150,000 or 12% from fiscal year 2023.

Expenditures are budgeted to decrease 8% from fiscal year 2023 due to paying the first two installments for the Main Street Water Line Project in fiscal year 2023.

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.

BASIC FINANCIAL STATEMENTS

City of Joshua, Texas
Statement of Net Position
September 30, 2023

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 641,285
Investments	1,256,187
Receivables, net	84,998
Due from other governments	503,435
Total current assets	2,485,905
Noncurrent assets:	
Restricted cash and cash equivalents	5,560,824
Restricted investments	1,758,662
Capital assets:	
Nondepreciable assets	6,749,918
Depreciable assets, net	14,604,919
Total noncurrent assets	28,674,323
Total assets	31,160,228
Deferred outflows of resources	
Deferred outflows related to pension	459,890
Total deferred outflows of resources	459,890
Liabilities	
Current liabilities	
Accounts payable	617,164
Intergovernmental payables	75,679
Accrued payroll liabilities	233,335
Accrued interest payable	124,680
Unearned grant revenues	443,444
Current portion of long-term debt	1,367,767
Total current liabilities	2,862,069
Noncurrent liabilities	
Compensated absences	209,616
Long-term debt, due in more than one year	13,741,690
Net pension liability	13,119
Total OPEB liability	65,392
Total noncurrent liabilities	14,029,817
Total liabilities	16,891,886
Deferred inflows of resources	
Deferred inflows related to OPEB	19,727
Total deferred inflows of resources	19,727
Net position	
Net investment in capital assets	5,725,405
Restricted for:	
Tax Increment Financing District	149,467
Debt service	232,589
Economic Development	3,014,196
Court Security	41,953
Court Technology	15,080
Tourism	260,534
Public Safety	9,813
Unrestricted	5,259,468
Total net position	\$ 14,708,505

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Mayor and Council	\$ 223,086	\$ -	\$ -	\$ (223,086)
Administration	1,145,046	-	-	(1,145,046)
General government	1,480,113	6,991	879,343	(593,779)
Public safety	1,967,588	33,800	23,811	(1,909,977)
Public works	1,882,061	439,536	116,034	(1,326,491)
Municipal court	123,355	235,063	-	111,708
Development services	744,625	65,695	-	(678,930)
Animal control	275,333	15,650	3,642	(256,041)
Fire department	1,360,728	15,357	347,183	(998,188)
Fire Marshall	87,418	-	-	(87,418)
Economic development	87,608	-	5,490	(82,118)
Tourism	340	-	-	(340)
Interest and fiscal charges	485,385	-	-	(485,385)
Total governmental activities	\$ 9,862,686	\$ 812,092	\$ 1,375,503	\$ (7,675,091)
General revenues:				
Taxes:				
				2,986,696
				1,064,295
				2,807,805
				241,953
				403,599
				300,613
				<u>7,804,961</u>
				129,870
				<u>14,578,635</u>
				<u>\$ 14,708,505</u>

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

City of Joshua, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Debt Service Fund	Capital Improvement Fund	Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 641,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 641,285
Investments	1,256,187	-	-	-	-	-	1,256,187
Accounts receivable, net	59,354	20,920	-	-	-	4,724	84,998
Due from other governments	251,717	-	-	125,859	125,859	-	503,435
Restricted:							
Cash and cash equivalents	149,467	211,669	3,874,612	816,087	189,734	319,255	5,560,824
Investments	-	-	-	1,004,950	753,712	-	1,758,662
Total assets	<u>2,358,010</u>	<u>232,589</u>	<u>3,874,612</u>	<u>1,946,896</u>	<u>1,069,305</u>	<u>323,979</u>	<u>9,805,391</u>
Liabilities							
Accounts payable	95,184	-	519,975	2,005	-	-	617,164
Intergovernmental payables	75,679	-	-	-	-	-	75,679
Accrued payroll liabilities	233,335	-	-	-	-	-	233,335
Unearned grant revenue	443,444	-	-	-	-	-	443,444
Total liabilities	<u>847,642</u>	<u>-</u>	<u>519,975</u>	<u>2,005</u>	<u>-</u>	<u>-</u>	<u>1,369,622</u>
Deferred inflows of resources							
Unavailable revenue - property taxes	57,118	20,920	-	-	-	-	78,038
Total deferred inflows of resources	<u>57,118</u>	<u>20,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,038</u>
Fund balances							
Restricted for:							
Tax Increment Financing District	149,467	-	-	-	-	-	149,467
Debt service	-	211,669	-	-	-	-	211,669
Capital improvements	-	-	3,354,637	-	-	-	3,354,637
Economic development	-	-	-	1,944,891	1,069,305	-	3,014,196
Court security	-	-	-	-	-	41,953	41,953
Court technology	-	-	-	-	-	15,080	15,080
Tourism	-	-	-	-	-	260,534	260,534
Public safety	6,473	-	-	-	-	1,670	8,143
Fire	-	-	-	-	-	1,100	1,100
Animal control	-	-	-	-	-	3,642	3,642
Unassigned	1,297,310	-	-	-	-	-	1,297,310
Total fund balances	<u>1,453,250</u>	<u>211,669</u>	<u>3,354,637</u>	<u>1,944,891</u>	<u>1,069,305</u>	<u>323,979</u>	<u>8,357,731</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,358,010</u>	<u>\$ 232,589</u>	<u>\$ 3,874,612</u>	<u>\$ 1,946,896</u>	<u>\$ 1,069,305</u>	<u>\$ 323,979</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.							21,354,837
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.							78,038
Deferred outflows of resources related to pension are not financial resources and, therefore, are not reported in the funds.							459,890
Deferred inflows of resources related to OPEB are not financial resources and, therefore, are not reported in the funds.							(19,727)
Some long-term liabilities, including bonds and notes payable, accrued interest payable, premiums on debt, net pension liability, total OPEB liability, financed purchase liability, lease liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.							(15,522,264)
Net position of governmental activities							<u>\$ 14,708,505</u>

City of Joshua, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2023

	General Fund	Debt Service Fund	Capital Improvement Fund	Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 3,057,815	\$ 1,085,363	\$ -	\$ -	\$ -	\$ -	\$ 4,143,178
Sales taxes	1,405,423	-	-	701,191	701,191	-	2,807,805
Hotel occupancy taxes	-	-	-	-	-	30,529	30,529
Alcoholic beverage taxes	21,187	-	-	-	-	-	21,187
Fire district fees	190,237	-	-	-	-	-	190,237
Franchise fees	403,599	-	-	-	-	-	403,599
Fines and fees	218,196	-	-	-	-	16,867	235,063
Grants and contributions	1,245,420	-	116,034	5,490	-	8,559	1,375,503
Charges for services	577,029	-	-	-	-	-	577,029
Investment earnings	54,621	-	51,210	31,702	18,673	3,829	160,035
Miscellaneous	6,747	-	3,028	2,383	13,386	-	25,544
Total revenues	7,180,274	1,085,363	170,272	740,766	733,250	59,784	9,969,709
Expenditures							
Mayor and council	223,154	-	-	-	-	-	223,154
Administration	995,087	-	-	-	-	-	995,087
General government	1,480,113	-	-	-	-	-	1,480,113
Public safety	1,865,327	-	-	-	-	5,147	1,870,474
Public works	1,173,543	-	-	-	-	-	1,173,543
Municipal court	116,128	-	-	-	-	3,354	119,482
Developmental services	741,967	-	-	-	-	-	741,967
Animal control	257,350	-	-	-	-	-	257,350
Fire department	1,170,808	-	-	-	-	-	1,170,808
Fire Marshal	87,952	-	-	-	-	-	87,952
Economic development	-	-	-	57,438	30,170	-	87,608
Tourism	-	-	-	-	-	340	340
Debt service:							
Principal	251,395	1,215,000	-	70,000	-	-	1,536,395
Interest	32,565	256,911	-	67,870	-	-	357,346
Issuance costs	-	-	46,790	5,500	-	-	52,290
Capital outlay	614,699	-	2,507,578	1,447,544	-	-	4,569,821
Total expenditures	9,010,088	1,471,911	2,554,368	1,648,352	30,170	8,841	14,723,730
Excess (deficiency) of revenues over (under) expenditures	<u>(1,829,814)</u>	<u>(386,548)</u>	<u>(2,384,096)</u>	<u>(907,586)</u>	<u>703,080</u>	<u>50,943</u>	<u>(4,754,021)</u>
Other financing sources (uses)							
Proceeds from the sale of assets	116,306	-	-	-	-	-	116,306
Transfers in	446,386	-	4,352,510	-	-	-	4,798,896
Transfers out	(4,352,510)	-	-	(111,635)	(334,751)	-	(4,798,896)
Proceeds from issuance of notes payable	-	-	1,628,460	1,393,461	-	-	3,021,921
Proceeds from the issuance of lease liabilities	279,810	-	-	-	-	-	279,810
Total other financing sources (uses)	(3,510,008)	-	5,980,970	1,281,826	(334,751)	-	3,418,037
Net change in fund balances	(5,339,822)	(386,548)	3,596,874	374,240	368,329	50,943	(1,335,984)
Fund balances, beginning of year	6,793,072	598,217	(242,237)	1,570,651	700,976	273,036	9,693,715
Fund balances, end of year	\$ 1,453,250	\$ 211,669	\$ 3,354,637	\$ 1,944,891	\$ 1,069,305	\$ 323,979	\$ 8,357,731

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, 2023

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

Net change in fund balances - total governmental funds \$ (1,335,984)

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	\$ 4,569,821	
Depreciation expense	<u>(1,162,157)</u>	3,407,664

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. This is the net of these amounts. (1,269)

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. (92,187)

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. 751,755

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. (28,155)

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	\$ (33,991)	
Accrued interest	(73,301)	
Net pension liability	(712,107)	
Total OPEB liability	<u>15,229</u>	(804,170)

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	\$ 1,285,000	
Payments on financed purchase liability	112,935	
Payments on lease liability	115,185	
Proceeds		
Tax notes	(2,438,461)	
Notes payable	(583,460)	
Lease liability	(279,810)	
Amortization of premium on issuance of debt	<u>20,827</u>	<u>(1,767,784)</u>

Change in net position of governmental activities - statement of activities \$ 129,870

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

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, 2023

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. 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, general obligation bonds, and notes payable 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, 2023

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.

Joshua Community Development Corporation Type B (JCDC) was established to account for sales tax revenues collected for the purposes set forth by the Joshua Community Development Corporation.

In addition to the major funds listed above, the City reports the following nonmajor governmental funds: Court Security, Court Technology, Hotel Occupancy, and Donations.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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, Capital Projects Fund, and Debt Service 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.
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.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in the General Fund, Capital Improvement Fund and JEDC. These excess expenditures were covered by available fund balance in those funds.

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. Right-of-use assets are reported at present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease terms, less any lease incentives received from the lessor prior to the commencement of the lease term.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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	20-50 years
Equipment	2-20 years
Improvements	10-50 years
Infrastructure	15-50 years
Right to use lease equipment	2-20 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 premiums 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.

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 pension plan reported in the Statement of Net Position. See additional information in Note 8 related to the pension 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 other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note 9 related to the OPEB plan.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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/amortization 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.

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:

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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 by 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Implementation of New Accounting Standard

For the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes requirements for accounting for applicable subscription-based information technology arrangements (SBITAs) based on the principle that a subscription asset derives from contracts that convey control of the right to use another entity's information technology software, alone or in combination with tangible capital assets, for a specified period. In accordance with this statement, a government is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. This statement was adopted by the City as of October 1, 2022. There was no effect on beginning net position or fund balances due to the implementation of this standard.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 2. Deposits and Investments (Continued)

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) certain municipal securities, (3) certificates of deposit, (4) repurchase agreements, (5) certain commercial paper, (6) money market mutual funds, (7) local government investment pools, (8) fully insured or collateralized interest-bearing accounts.

External Investment Pool

As of September 30, 2023, the City's only investments were in an external investment pool in compliance with the City's Investment Policy. The following investment is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code:

Texas Short Term Asset Reserve Program (TexSTAR) is a public funds investment pool governed by a board of directors. The pool maintains an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool. TexSTAR is rated AAAM by Standard and Poor's.

TexSTAR uses amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The stated objective of the pool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals. At September 30, 2023, the weighted average maturity of TexSTAR was 28 days.

Credit Risk: State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2023, the TexSTAR investment pool was rated AAAM by Standard and Poor's.

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: In accordance with the City's Investment Policy, the City limits their exposure of concentration of credit risk by requiring that no single investment transaction be more than 25% of the entire portfolio at the time of purchase of the security, with the exception of U.S. Treasury securities, government-sponsored enterprises, interest-bearing checking accounts that are fully collateralized, and authorized local government investment pools. As of September 30, 2023, 100% of the City's portfolio was invested in a local government investment pool.

Interest Rate Risk: Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 60 days, thus reducing interest rate risk. The City monitors interest rate risk inherent in its portfolio by measuring the weighted average maturity (WAM) of its portfolio. The City's policy is that the City's entire portfolio shall have a maximum WAM of 540 days.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 3. Property Taxes Receivable and Unavailable Revenue

Property taxes are assessed and remitted to the City by the Johnson County Tax 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 is 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 to the City regardless of when cash is received.

Note 4. Capital Assets

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

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Capital assets not being depreciated/amortized				
Construction in progress	\$ 933,726	\$ 1,423,835	\$ -	\$ 2,357,561
Land	2,762,961	1,629,396	-	4,392,357
Total capital assets not being depreciated/amortized	3,696,687	3,053,231	-	6,749,918
Capital assets being depreciated/amortized				
Buildings	12,458,238	52,642	13,032	12,497,848
Equipment	3,511,937	1,166,961	57,966	4,620,932
Improvements	1,523,073	17,177	-	1,540,250
Infrastructure	7,200,379	-	-	7,200,379
Right of use lease asset - vehicles	238,006	279,810	-	517,816
Total capital assets being depreciated/amortized	24,931,633	1,516,590	70,998	26,377,225
Less accumulated depreciation/amortization for:				
Buildings	3,896,232	253,218	11,763	4,137,687
Equipment	2,374,030	348,757	57,966	2,664,821
Improvements	355,081	69,172	-	424,253
Infrastructure	4,027,672	365,918	-	4,393,590
Right of use lease asset - vehicles	26,863	125,092	-	151,955
Total accumulated depreciation/amortization	10,679,878	1,162,157	69,729	11,772,306
Total capital assets being depreciated/amortized, net	14,251,755	354,433	1,269	14,604,919
Governmental activities capital assets, net	<u>\$ 17,948,442</u>	<u>\$ 3,407,664</u>	<u>\$ 1,269</u>	<u>\$ 21,354,837</u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 4. Capital Assets (Continued)

At September 30, 2023, depreciation/amortization was charged to functions as follows:

Governmental activities:	
Administration	\$ 148,248
Public safety	90,981
Public works	639,272
Animal control	18,466
Fire department	194,196
Parks and recreation	70,544
Municipal court	450
Total governmental activities	\$ 1,162,157

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, 2023, 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 \$1,770,000 at September 30, 2023

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 \$3,440,000 at September 30, 2023

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 \$1,255,000 at September 30, 2023

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 \$2,960,000 at September 30, 2023

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 5. Long-Term Obligations (Continued)

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 \$1,610,000 at September 30, 2023

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 \$690,000 at September 30, 2023

Tax Notes, Series 2022 – Direct Placement

- Original balance of \$1,393,461
- Payable in annual installments through 2027
- Bearing interest at a rate of 4.99%
- Outstanding balance of \$1,393,461 at September 30, 2023

Tax Notes, Series 2022A – Direct Placement

- Original balance of \$1,045,000
- Payable in annual installments through 2029
- Bearing interest at a rate of 3.31%
- Outstanding balance of \$735,000 at September 30, 2023

Notes Payable

Fire Rescue Vehicle – Direct Placement

- Original balance of \$298,652
- Payable in annual installments through 2030
- Bearing interest at a rate of 5.42%
- Outstanding balance of \$298,652 at September 30, 2023

Public Works Equipment – Direct Placement

- Original balance of \$284,808
- Payable in annual installments through 2027
- Bearing interest at a rate of 5.45%
- Outstanding balance of \$284,808 at September 30, 2023

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 5. Long-Term Obligations (Continued)

Financed Purchases

Police Vehicle

- Original balance of \$48,004
- Payable in annual installments through 2023
- Bearing interest at a rate of 3.74%
- Fully repaid at September 30, 2023

Public Works Machinery

- Original balance of \$372,000
- Payable in annual installments through 2023
- Bearing interest at a rate of 4.58%
- Fully repaid at September 30, 2023

Changes in long-term obligations for the year ended September 30, 2023 are as follows:

	Balance 10/1/2022	Additions	Retirements	Balance 9/30/2023	Due Within One Year
<u>Governmental activities</u>					
Certificates of Obligation	\$ 3,200,000	\$ -	\$ 240,000	\$ 2,960,000	\$ 250,000
General Obligation Bonds	5,575,000	-	365,000	5,210,000	400,000
Direct placement - General Obligation Bonds	1,385,000	-	130,000	1,255,000	130,000
Sales Tax Revenue Bonds	1,680,000	-	70,000	1,610,000	75,000
Direct placement - Tax Notes	860,000	2,438,461	480,000	2,818,461	261,913
Direct placement - Notes Payable	-	583,460	-	583,460	93,853
Unamortized debt premium	315,235	-	20,827	294,408	20,827
Net pension liability (asset)	(698,988)	893,615	181,508	13,119	-
Total OPEB liability	80,621	24,337	39,566	65,392	-
Financed purchase liability	112,935	-	112,935	-	-
Lease liability	213,503	279,810	115,185	378,128	136,174
Compensated absences	175,625	33,991	-	209,616	-
Total governmental activities	\$ 12,898,931	\$ 4,253,674	\$ 1,755,021	\$ 15,397,584	\$ 1,367,767

The City does not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of September 30, 2023.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 5. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Year Ending	General Obligation Bonds		Direct Placement General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	435,000	67,198	140,000	10,271
2029-2033	1,520,000	207,459	580,000	18,644
2034-2038	1,125,000	105,213	-	-
2039-2043	485,000	9,750	-	-
Total	\$ 5,210,000	\$ 772,566	\$ 1,255,000	\$ 91,446

Year Ending	Certificates of Obligation		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
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	290,000	48,100	85,000	53,660
2029-2033	1,610,000	130,914	480,000	211,210
2034-2038	-	-	600,000	96,344
2039-2043	-	-	135,000	2,923
Total	\$ 2,960,000	\$ 430,242	\$ 1,610,000	\$ 609,052

Year Ending	Direct Placement - Tax Notes		Direct Placement - Notes Payable	
	Principal	Interest	Principal	Interest
2024	\$ 261,913	\$ 102,310	\$ 93,853	\$ 23,848
2025	273,846	95,470	91,087	26,614
2026	281,252	87,796	96,041	21,660
2027	288,592	79,848	101,265	16,436
2028	1,457,858	71,328	106,774	10,928
2029-2033	255,000	3,404	94,440	7,746
Total	\$ 2,818,461	\$ 440,156	\$ 583,460	\$ 107,232

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 5. Long-Term Obligations (Continued)

Lease Liability

General information related to leases payable is summarized below:

Asset	Term, Including Renewals	Interest Rate	Payment Amount	Lease Liability 9/30/2023
Copiers/Printers	60 months	5.59%	\$ 1,569	\$ 62,276
Postage meters	60 months	5.59%	199	7,900
Public safety vehicles	24-60 months	4.81%-7.97%	11,346	307,952

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 2023.

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

Year Ending	Lease Liability	
	Principal	Interest
2024	\$ 136,174	\$ 21,188
2025	112,414	12,450
2026	89,207	5,840
2027	38,789	1,124
2028	1,544	15
Total	<u>\$ 378,128</u>	<u>\$ 40,617</u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 6. Interfund Balances and Activity

Transfers to and from other funds at September 30, 2023 consisted of the following:

<u>Transfers Out</u>	
General Fund	\$ 4,352,510
JEDC	111,635
JCDC	<u>334,751</u>
	<u>\$ 4,798,896</u>
<u>Transfers In</u>	
General Fund	\$ 446,386
Capital Improvement Fund	<u>4,352,510</u>
	<u>\$ 4,798,896</u>

Transfers were to pay for a portion of the Economic Development Coordinator position, to pay interfund receivables/payables, and to relieve negative fund balance in the Capital Improvement Fund.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 8. Defined Benefit Pension Plan

Plan Description

The City participates as one of 919 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 TMRS Act, Subtitle G, Title 8, Texas Government Code (the 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 is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tms.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, and the City-financed monetary credits with interest. 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.

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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	55
Active employees	<u>55</u>
Total	<u><u>127</u></u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching percentages are either 100%, 150% or 200%, 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 5.97% and 5.60% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$212,617 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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 are 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. The assumptions 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, 2023

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuaries focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	100.00%	

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 members. 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, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 12/31/2021	\$ 4,376,313	\$ 5,075,301	\$ (698,988)
Changes for the year:			
Service cost	399,798	-	399,798
Interest	301,054	-	301,054
Difference between expected and actual experience	35,553	-	35,553
Contributions - employer	-	181,505	(181,505)
Contributions - employee	-	212,820	(212,820)
Net investment income	-	(370,647)	370,647
Benefit payments, including refunds of employee contributions	(232,292)	(232,292)	-
Administrative expense	-	(3,206)	3,206
Other changes	-	3,826	(3,826)
Net changes	504,113	(207,994)	712,107
Balance at 12/31/2022	<u>\$ 4,880,426</u>	<u>\$ 4,867,307</u>	<u>\$ 13,119</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	\$ 708,899	\$ 13,119	\$ (557,401)

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.tmr.com.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

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, 2023, the City recognized pension expense of \$174,070. At September 30, 2023, 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	\$ -	\$ 26,393
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	331,585	-
Contributions subsequent to the measurement date	154,698	-
 Total	 \$ 486,283	 \$ 26,393

\$154,698 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ending December 31:	
2023	\$ (17,772)
2024	89,624
2025	90,694
2026	142,646
Total	\$ 305,192

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

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*.

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, 2022 actuarial valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	55
Total	70

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, 2023 were \$1,120, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

Note 9. Other Postemployment Benefits (Continued)

Actuarial assumptions

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation		2.50%
Salary increases		3.50% to 11.50% including inflation
Discount rate		4.05%
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.

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 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, 2023

Note 9. Other Postemployment Benefits (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ 80,621
Changes for the year:	
Service cost	15,505
Interest on Total OPEB Liability	1,618
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	7,214
Changes in assumptions or other inputs	(38,654)
Benefit payments	(912)
Net changes	(15,229)
Balance at 12/31/2022	\$ 65,392

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 79,990	\$ 65,392	\$ 54,009

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

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, 2023, the City recognized OPEB expense of \$14,051.

At September 30, 2023, 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	\$ -	\$ 710
Changes in actuarial assumptions or other inputs	-	19,846
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	829	-
 Total	 \$ 829	 \$ 20,556

The City reported \$829 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement year ending December 31:	
2023	\$ (3,072)
2024	(3,239)
2025	(3,358)
2026	(3,985)
2027	(5,120)
Thereafter	(1,782)
Total	\$ (20,556)

City of Joshua, Texas
Notes to Financial Statements
September 30, 2023

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 or results of operations.

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 an 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 paid \$48,675 of the property and sales tax refunds due under this program during fiscal year 2023. The remaining obligation under this program is \$325,986 at September 30, 2023.

During fiscal year 2023, the City entered into an agreement with Pathway Com-Tel, Inc. to construct and install internet fiber in the Mountain Valley subdivision. The terms of the agreement specify that Pathway will construct, install, and pay for all costs associated with the project and, in exchange, the City will provide a one-time payment to the Pathway in the amount of \$125,000. This amount was paid in full during fiscal year 2023.

Note 12. Subsequent Events

The City evaluated subsequent events through February 5, 2024, the date the financial statements were available to be issued, noting the City issued Series 2023 Combination Tax and Limited Pledge Revenue Certificates of Obligation in the amount of \$1,250,000 on October 18, 2023.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,086,609	\$ 3,086,609	\$ 3,057,815	\$ (28,794)
Sales taxes	1,250,000	1,250,000	1,405,423	155,423
Alcoholic beverage taxes	12,000	12,000	21,187	9,187
Fire district fees	194,000	194,000	190,237	(3,763)
Franchise fees	391,500	391,500	403,599	12,099
Fines and fees	217,500	217,500	218,196	696
Grants and contributions	1,239,085	1,423,233	1,245,420	(177,813)
Charges for services	950,615	956,595	577,029	(379,566)
Investment earnings	1,000	10,000	54,621	44,621
Miscellaneous	51,500	51,500	6,747	(44,753)
Total revenues	<u>7,393,809</u>	<u>7,592,937</u>	<u>7,180,274</u>	<u>(412,663)</u>
Expenditures				
Mayor and council	215,123	221,123	223,154	(2,031)
Administration	887,670	988,389	995,087	(6,698)
General government	370,920	1,388,234	1,480,113	(91,879)
Public safety	2,026,911	2,116,989	1,865,327	251,662
Public works	1,187,301	1,194,250	1,173,543	20,707
Municipal court	114,945	114,945	116,128	(1,183)
Development services	949,840	899,094	741,967	157,127
Animal control	338,566	338,566	257,350	81,216
Fire department	1,192,614	1,223,933	1,170,808	53,125
Fire Marshal	175,222	117,295	87,952	29,343
Debt service:				
Principal	142,280	142,280	251,395	(109,115)
Interest	10,655	10,655	32,565	(21,910)
Capital outlay	111,720	117,720	614,699	(496,979)
Total expenditures	<u>7,723,767</u>	<u>8,873,473</u>	<u>9,010,088</u>	<u>(136,615)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329,958)</u>	<u>(1,280,536)</u>	<u>(1,829,814)</u>	<u>(549,278)</u>
Other financing sources (uses)				
Proceeds from the sale of assets	-	-	116,306	116,306
Transfers in	497,771	497,771	446,386	(51,385)
Transfers out	(67,713)	(67,713)	(4,352,510)	(4,284,797)
Proceeds from the issuance of debt	1,000,000	1,000,000	-	(1,000,000)
Proceeds from the issuance of lease liabilities	-	-	279,810	279,810
Total other financing sources (uses)	<u>1,430,058</u>	<u>1,430,058</u>	<u>(3,510,008)</u>	<u>(4,940,066)</u>
Change in fund balance	<u>\$ 1,100,100</u>	<u>\$ 149,522</u>	<u>(5,339,822)</u>	<u>\$ (5,489,344)</u>
Fund balance - beginning of year			6,793,072	
Fund balance - end of year			<u>\$ 1,453,250</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales taxes	\$ 625,000	\$ 625,000	\$ 701,191	\$ 76,191
Grants and contributions	-	-	5,490	5,490
Investment earnings	500	5,000	31,702	26,702
Miscellaneous	100,000	100,000	2,383	(97,617)
Total revenues	<u>725,500</u>	<u>730,000</u>	<u>740,766</u>	<u>10,766</u>
Expenditures				
Economic Development	239,425	239,925	57,438	182,487
Debt service:				
Principal	67,870	67,870	70,000	(2,130)
Interest	70,000	70,000	67,870	2,130
Issuance costs	-	-	5,500	(5,500)
Capital outlay	30,000	1,426,100	1,447,544	(21,444)
Total expenditures	<u>407,295</u>	<u>1,803,895</u>	<u>1,648,352</u>	<u>155,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>318,205</u>	<u>(1,073,895)</u>	<u>(907,586)</u>	<u>166,309</u>
Other financing sources (uses)				
Transfers out	(78,210)	(78,210)	(111,635)	(33,425)
Proceeds from the issuance of notes payable	-	1,387,961	1,393,461	5,500
Total other financing sources (uses)	<u>(78,210)</u>	<u>1,309,751</u>	<u>1,281,826</u>	<u>(27,925)</u>
Change in fund balance	<u>\$ 239,995</u>	<u>\$ 235,856</u>	<u>374,240</u>	<u>\$ 138,384</u>
Fund balance - beginning of year			1,570,651	
Fund balance - end of year			<u>\$ 1,944,891</u>	

City of Joshua, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Type B Community Development Corporation Fund
For the Fiscal Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 625,000	\$ 625,000	\$ 701,191	\$ 76,191
Investment earnings	500	2,000	18,673	16,673
Miscellaneous	19,000	19,000	13,386	(5,614)
Total revenues	<u>644,500</u>	<u>646,000</u>	<u>733,250</u>	<u>87,250</u>
Expenditures				
Economic Development	41,000	43,500	30,170	13,330
Total expenditures	<u>41,000</u>	<u>43,500</u>	<u>30,170</u>	<u>13,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>603,500</u>	<u>602,500</u>	<u>703,080</u>	<u>100,580</u>
Other financing sources (uses)				
Transfers out	(569,561)	(569,561)	(334,751)	234,810
Total other financing sources (uses)	<u>(569,561)</u>	<u>(569,561)</u>	<u>(334,751)</u>	<u>234,810</u>
Change in fund balance	<u>\$ 33,939</u>	<u>\$ 32,939</u>	<u>368,329</u>	<u>\$ 335,390</u>
Fund balance - beginning of year			700,976	
Fund balance - end of year			<u>\$ 1,069,305</u>	

City of Joshua, Texas
Schedule of Changes in the Net Pension Liability/(Asset) and Related Ratios
Last Eight Measurement Years**

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st*:	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 399,798	\$ 282,108	\$ 223,786	\$ 229,881	\$ 217,867	\$ 207,242	\$ 222,255	\$ 207,231
Interest	301,054	281,958	260,770	237,463	224,113	203,201	186,581	164,060
Difference between expected and actual experience	35,553	(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	(232,292)	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Net change in total pension liability	504,113	253,131	315,016	349,479	179,799	315,786	272,475	429,193
Total pension liability, beginning	4,376,313	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>\$ 4,880,426</u>	<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>
Plan Fiduciary Net Position								
Contributions - employer	\$ 181,505	\$ 122,359	\$ 98,509	\$ 105,812	\$ 100,554	\$ 89,253	\$ 87,382	\$ 75,539
Contributions - employee	212,820	148,701	120,965	124,068	118,498	112,370	120,885	116,985
Net investment income	(370,647)	574,792	304,236	521,071	(101,524)	401,837	174,931	3,595
Benefit payments, including refunds of employee contributions	(232,292)	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Administrative expense	(3,206)	(2,658)	(1,964)	(2,936)	(1,958)	(2,078)	(1,974)	(2,189)
Other changes	3,826	19	(77)	(88)	(103)	(104)	(106)	(109)
Net change in plan fiduciary net position	(207,994)	669,046	408,074	636,617	(19,791)	488,591	305,929	151,148
Plan fiduciary net position, beginning	5,075,301	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>\$ 4,867,307</u>	<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>
Net Pension Liability/(Asset) (a) - (b)	<u>\$ 13,119</u>	<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	99.73%	115.97%	106.87%	82.08%	97.19%	103.13%	97.63%	96.14%
Covered payroll	\$ 3,040,290	\$ 2,124,306	\$ 1,728,076	\$ 1,772,403	\$ 1,692,826	\$ 1,605,284	\$ 1,726,924	\$ 1,671,215
Net pension liability/(asset) as a percentage of covered payroll	0.43%	-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 Nine Fiscal Years**

Texas Municipal Retirement System (TMRS)

Year Ended September 30th*:	2023	2022	2021	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 212,617	\$ 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>212,617</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 3,732,633	\$ 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	5.70%	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-retirement: 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 information: 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 Six Measurement Years**

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st*:	2022	2021	2020	2019	2018	2017
Service cost	\$ 15,505	\$ 10,622	\$ 5,184	\$ 3,545	\$ 4,401	\$ 3,692
Interest on total OPEB liability	1,618	1,550	1,690	1,633	1,452	1,315
Changes in benefit terms including TMRS plan participation	-	-	-	-	-	-
Difference between expected and actual experience	7,214	(6,205)	(3,807)	216	(1,545)	-
Changes in assumptions or other inputs	(38,654)	2,776	10,688	11,395	(3,564)	3,873
Benefit payments	(912)	(637)	(173)	(177)	(169)	(161)
Net change in Total OPEB Liability	<u>(15,229)</u>	<u>8,106</u>	<u>13,582</u>	<u>16,612</u>	<u>575</u>	<u>8,719</u>
Total OPEB Liability - beginning	<u>80,621</u>	<u>72,515</u>	<u>58,933</u>	<u>42,321</u>	<u>41,746</u>	<u>33,027</u>
Total OPEB Liability - ending	<u>\$ 65,392</u>	<u>\$ 80,621</u>	<u>\$ 72,515</u>	<u>\$ 58,933</u>	<u>\$ 42,321</u>	<u>\$ 41,746</u>
Covered payroll	\$ 3,040,290	\$ 2,124,306	\$ 1,728,076	\$ 1,772,403	\$ 1,692,826	\$ 1,605,284
Total OPEB liability as a percentage of covered payroll	2.15%	3.80%	4.20%	3.33%	2.50%	2.60%

* The amounts presented above are as of the measurement date of the collective total OPEB 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 Six Fiscal Years**

Texas Municipal Retirement System (TMRS)

Year Ended September 30th*:	2023	2022	2021	2020	2019	2018
The City's actuarially determined contribution	\$ 1,120	\$ 823	\$ 580	\$ 174	\$ 174	\$ 166
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	1,120	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	\$ 3,732,633	\$ 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%	0.03%	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***	4.05%
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.

* 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, 2022.

SUPPLEMENTARY INFORMATION

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 856,800	\$ 856,800	\$ 1,085,363	\$ 228,563
Total revenues	856,800	856,800	1,085,363	228,563
Expenditures				
Debt service:				
Principal	1,215,000	1,215,000	1,215,000	-
Interest	258,241	258,241	256,911	1,330
Total expenditures	1,473,241	1,473,241	1,471,911	1,330
Excess (deficiency) of revenues over (under) expenditures	(616,441)	(616,441)	(386,548)	229,893
Other financing sources (uses)				
Transfers in	157,738	157,738	-	(157,738)
Total other financing sources (uses)	157,738	157,738	-	(157,738)
Change in fund balance	\$ (458,703)	\$ (458,703)	(386,548)	\$ 72,155
Fund balance - beginning of year			598,217	
Fund balance - end of year			\$ 211,669	

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Grants and contributions	\$ 122,733	\$ 122,733	\$ 116,034	\$ (6,699)
Investment earnings	1,000	1,000	51,210	50,210
Miscellaneous	-	-	3,028	3,028
Total revenues	<u>123,733</u>	<u>123,733</u>	<u>170,272</u>	<u>46,539</u>
Expenditures				
Issuance Costs	-	-	46,790	(46,790)
Capital outlay	4,655,842	4,655,842	2,507,578	2,148,264
Total expenditures	<u>4,655,842</u>	<u>4,655,842</u>	<u>2,554,368</u>	<u>2,101,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,532,109)</u>	<u>(4,532,109)</u>	<u>(2,384,096)</u>	<u>2,148,013</u>
Other financing sources (uses)				
Transfers in	217,713	217,713	4,352,510	4,134,797
Proceeds from issuance of notes payable	278,001	278,001	1,628,460	1,350,459
Total other financing sources (uses)	<u>495,714</u>	<u>495,714</u>	<u>5,980,970</u>	<u>5,485,256</u>
Change in fund balance	<u>\$ (4,036,395)</u>	<u>\$ (4,036,395)</u>	<u>3,596,874</u>	<u>\$ 7,633,269</u>
Fund balance - beginning of year			(242,237)	
Fund balance - end of year			<u>\$ 3,354,637</u>	

**City of Joshua, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023**

	Court Security	Court Technology	Hotel Occupancy	Donations	Total Nonmajor Governmental Funds
Assets					
Restricted cash and cash equivalents	\$ 41,953	\$ 15,080	\$ 255,810	\$ 6,412	\$ 319,255
Accounts receivables, net	-	-	4,724	-	4,724
Total assets	41,953	15,080	260,534	6,412	323,979
Liabilities and fund balances					
Liabilities:					
Accounts payable	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Restricted for:					
Court security	41,953	-	-	-	41,953
Court technology	-	15,080	-	-	15,080
Tourism	-	-	260,534	-	260,534
Public safety	-	-	-	1,670	1,670
Fire	-	-	-	1,100	1,100
Animal Control	-	-	-	3,642	3,642
Total fund balances	41,953	15,080	260,534	6,412	323,979
Total liabilities and fund balances	\$ 41,953	\$ 15,080	\$ 260,534	\$ 6,412	\$ 323,979

City of Joshua, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2023

	Court Security	Court Technology	Hotel Occupancy	Donations	Total Nonmajor Governmental Funds
Revenues					
Hotel occupancy tax	\$ -	\$ -	\$ 30,529	\$ -	\$ 30,529
Fines and fees	9,245	7,622	-	-	16,867
Grants and contributions	-	-	-	8,559	8,559
Investment earnings	-	-	3,829	-	3,829
Total revenues	<u>9,245</u>	<u>7,622</u>	<u>34,358</u>	<u>8,559</u>	<u>59,784</u>
Expenditures					
Municipal court	-	3,354	-	-	3,354
Public safety	3,000	-	-	2,147	5,147
Tourism	-	-	340	-	340
Total expenditures	<u>3,000</u>	<u>3,354</u>	<u>340</u>	<u>2,147</u>	<u>8,841</u>
Excess of revenues over expenditures	<u>6,245</u>	<u>4,268</u>	<u>34,018</u>	<u>6,412</u>	<u>50,943</u>
Changes in fund balances	6,245	4,268	34,018	6,412	50,943
Fund balances - beginning of year	<u>35,708</u>	<u>10,812</u>	<u>226,516</u>	<u>-</u>	<u>273,036</u>
Fund balances - end of year	<u>\$ 41,953</u>	<u>\$ 15,080</u>	<u>\$ 260,534</u>	<u>\$ 6,412</u>	<u>\$ 323,979</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023, 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 February 5, 2024.

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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

Snow Garrett Williams
February 5, 2024

City of Joshua, Texas
Schedule of Findings and Questioned Costs
September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of Major Programs:

Federal Awards

U.S. Department of the Treasury:
 ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None Noted

Section III – Federal Award Findings and Questioned Costs

None Noted

**City of Joshua, Texas
Corrective Action Plan
For the Year Ended September 30, 2023**

A corrective action plan is not needed.

City of Joshua, Texas
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2023

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

The financial statements were 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.

Current Status

The City corrected the issue in fiscal year 2023.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Joshua, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Joshua, Texas' major federal programs for the year ended September 30, 2023. City of Joshua, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Joshua, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Joshua, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Joshua, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Joshua, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Joshua, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Joshua, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Joshua, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Joshua, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Joshua, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams
February 5, 2024

City of Joshua, Texas
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of the Treasury</u>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 995,779
Total U.S. Department of the Treasury			<u>995,779</u>
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		150,183
Total U.S. Department of Homeland Security			<u>150,183</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,145,962</u></u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Joshua, Texas for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Joshua, it is not intended to and does not present the financial position or changes in net position or cash flows of the City of Joshua.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Joshua has elected not to use the 10% de minimis indirect cost rate as permitted in the Uniform Guidance, section 200.414.