

CITY OF JOSHUA, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2025**

City of Joshua, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2025

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INTRODUCTORY SECTION

City of Joshua, Texas Principal Officials

2025 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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the 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 (the City), as of and for the year ended September 30, 2025, 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, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios on pages 7 - 14 and 47 – 53 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's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
February 4, 2026

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, 2025. 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 \$18,799,785. Of this amount, \$4,300,297 (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 \$3,002,325. This increase is due to increases in sales and property tax revenues and an overall decrease in expenses.
- As of the close of the current fiscal year, the City of Joshua's governmental funds reported combined ending fund balances of \$10,603,883, an increase of \$748,352 in comparison with the prior year. Approximately 32% of this amount, \$3,366,896, 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 \$3,366,896 or 52% 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, human resources, finance, public safety, public works, parks, municipal court, development services, fire, tourism, and economic development. 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 are considered 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 ten 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 five 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, 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 21 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 47 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 55 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 \$18,799,785 at the close of the most recent fiscal year. The City's net investment in capital assets (\$10,472,534 or 56%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, equipment, improvements, infrastructure, and right of use assets) 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	
	2025	2024
Current and other assets	\$ 12,308,098	\$ 10,944,227
Capital assets, net of depreciation/amortization	<u>23,159,202</u>	<u>21,180,939</u>
Total assets	35,467,300	32,125,166
Deferred outflows of resources	<u>-</u>	<u>196,111</u>
Long-term liabilities	15,498,875	15,754,915
Other liabilities	<u>993,969</u>	<u>749,444</u>
Total liabilities	16,492,844	16,504,359
Deferred inflows of resources	<u>174,671</u>	<u>19,458</u>
Net position:		
Net Investment in capital assets	10,472,534	8,706,116
Restricted	4,026,954	3,905,186
Unrestricted	<u>4,300,297</u>	<u>3,186,158</u>
Total net position	<u><u>\$ 18,799,785</u></u>	<u><u>\$ 15,797,460</u></u>

An additional portion of the City of Joshua's net position (\$4,026,954 or 21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,300,297 or 23%) 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

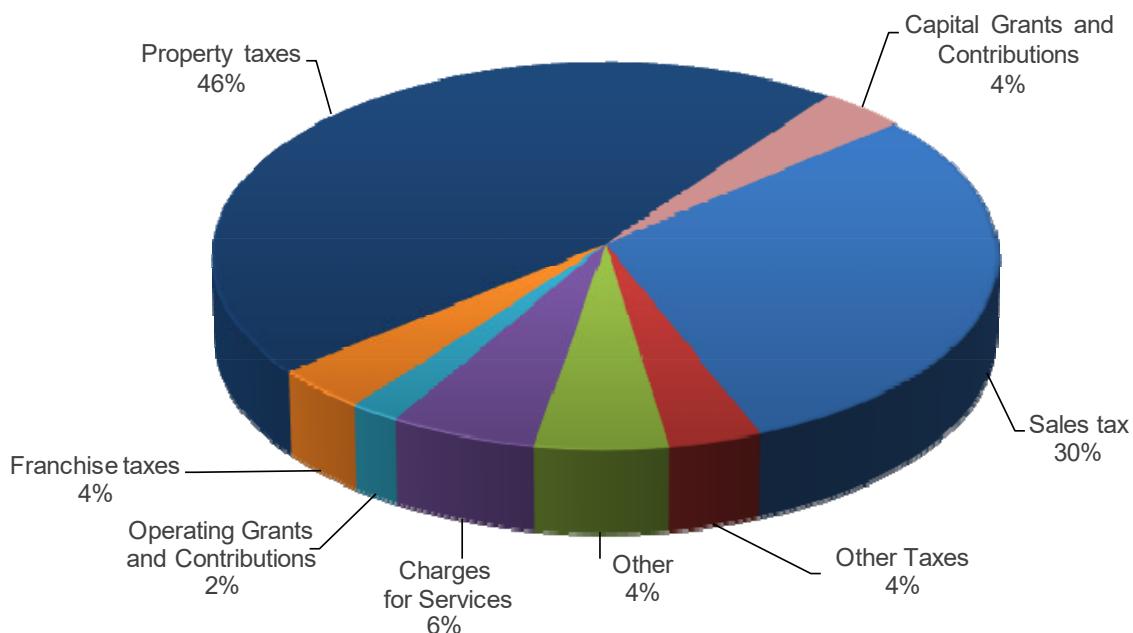
	Governmental activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 640,172	\$ 758,230
Operating grants and contributions	217,676	608,429
Capital grants and contributions	415,310	73,700
General revenues:		
Property taxes	5,153,294	4,549,830
Sales tax	3,359,010	2,724,853
Other taxes	406,630	496,543
Franchise fees	419,507	416,835
Other	581,593	301,785
Total revenues	11,193,192	9,930,205
Expenses:		
Mayor and council	182,332	248,864
Administration	544,700	906,432
General government	746,313	446,703
Human resources	143,035	129,747
Finance	360,186	338,266
Public safety	1,849,714	2,116,198
Public works	1,346,040	1,282,398
Parks	501,461	481,638
Municipal court	129,611	133,608
Development services	355,663	451,002
Animal control	260,276	286,332
Fire department	884,659	1,293,127
Fire marshal	-	61,325
Economic development	347,358	195,329
Tourism	239	239
Interest and fiscal charges	533,086	470,042
Total expenses	8,184,673	8,841,250
Special item:		
Loss on transfer of operations	(6,194)	-
Change in net position	3,002,325	1,088,955
Net position, beginning of year	15,797,460	14,708,505
Net position, end of year	\$ 18,799,785	\$ 15,797,460

City of Joshua, Texas Management's Discussion and Analysis

During the current fiscal year, the City's net position increased by \$3,002,325. Key elements of this increase are as follows:

- An increase in property taxes due to increased valuations and new construction;
- An increase in sales tax due to development within the City;
- Decreased expenditures as a result of the fire department transfer; and
- Continued cost-containment strategies.

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 \$10,603,883. Of this amount, \$10,179 is considered nonspendable for prepaids. \$7,226,808 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 \$3,366,896 constitutes unassigned fund balance.

Of the \$10,603,883 ending fund balance, \$134,821 is accounted for in nonmajor governmental funds. The General Fund's fund balance is \$3,377,075 at year-end, an increase of \$1,337,632 primarily due to increases in property tax collections, sales tax revenue, and investment earnings.

City of Joshua, Texas
Management's Discussion and Analysis

The Debt Service Fund's fund balance increased \$42,592 to \$63,931 at year-end. This increase is primarily the result of increased property tax revenues as a result of higher appraised values and an 18% increase in the debt service property tax rate offset by regularly scheduled debt payments. The Capital Improvement Fund's fund balance decreased \$958,012 to a year-end total of \$3,222,151 as a result of spending previously issued debt proceeds. The Type A Economic Development Corporation Fund's fund balance increased \$264,335 to a year-end total of \$2,324,018. This increase is due to an increase in sales tax revenues. The Type B Community Development Corporation Fund's fund balance increased \$305,154 to a year-end total of \$1,481,887. This increase is due to increased sales tax revenues and an overall decrease in expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund expenditures for the year were \$6,533,501, which was \$482,501 under budget. Actual general fund revenues for the year were \$7,400,059, which was \$747,504 over budget due to receiving more than budgeted for sales taxes, permits and investment earnings. During the year, budgeted expenditures decreased \$207,117 from the original budget to the final budget primarily due to decreases in fire department expenditures as a result of transferring fire service operations to the Johnson County Emergency Services District No. 1.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities as of September 30, 2025, amounts to \$23,159,202 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings, equipment, improvements, infrastructure, and right of use assets. Major capital asset events during the current fiscal year include the following:

- Park improvements;
- Purchase of a new fire truck and brush truck;
- Ongoing street improvements on Thomas Street; and
- Pet Pines drainage improvements.

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

	Governmental Activities	
	2025	2024
Land	\$ 4,392,357	\$ 4,392,357
Construction in progress	1,390,630	1,248,189
Buildings	8,050,248	8,105,124
Equipment	3,007,317	1,918,275
Improvements	2,120,023	1,046,630
Infrastructure	3,623,245	3,786,065
Right of use assets - leases	411,993	456,278
Right of use assets - SBITAs	163,389	228,021
Total	<u>\$ 23,159,202</u>	<u>\$ 21,180,939</u>

Additional information on the City's capital assets can be found in Note 4 on page 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

	<u>Governmental Activities</u>
Certificates of obligation	\$ 2,450,000
Direct placement - certificates of obligation	1,035,000
General obligation bonds	4,405,000
Direct placement - general obligation bonds	990,000
Sales tax revenue bonds	1,460,000
Direct placement - tax notes	2,282,702
Direct placement - notes payable	1,711,909
Unamortized debt premium	252,754
Net pension liability (asset)	(742,055)
Total OPEB liability	71,773
Lease liability	433,575
Subscription liability	87,928
Compensated absences	<u>318,234</u>
 Total	 <u>\$ 14,756,820</u>

The City's total long-term debt decreased by a net amount of \$671,350 during the current fiscal year primarily as a result of regularly scheduled principal payments and a decrease in net pension liability (asset).

Additional information on the City's long-term debt can be found in Note 5 on pages 30 - 35 of this report.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

The annual operating budget for the City has been developed to ensure 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 2026, the City Council and administration considered the following factors:

Property tax revenue in the General Fund is budgeted to increase as a result of an increased property tax base. Residential development will continue with the completion of existing subdivisions. Commercial development in Joshua Station and downtown will also continue.

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 2026 is projected to be \$1,400,000, an increase of \$14,000 or 1% from fiscal year 2025.

City of Joshua, Texas
Management's Discussion and Analysis

Expenditures are budgeted to decrease 10% from fiscal year 2025 an effort to reduce expenditures across the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



BASIC FINANCIAL STATEMENTS

City of Joshua, Texas
Statement of Net Position
September 30, 2025

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,898,698
Investments	5,277,411
Receivables, net	140,420
Due from other governments	660,955
Prepaid expenses	10,179
	<hr/>
Total current assets	<hr/> 7,987,663
Noncurrent assets:	
Restricted cash and cash equivalents	3,000,826
Restricted investments	577,554
Net pension asset	742,055
Capital assets:	
Nondepreciable assets	5,782,987
Depreciable assets, net	<hr/> 17,376,215
	<hr/>
Total noncurrent assets	<hr/> 27,479,637
	<hr/>
Total assets	<hr/> 35,467,300
Liabilities	
Current liabilities	
Accounts payable	547,028
Intergovernmental payables	15,073
Accrued payroll liabilities	230,992
Accrued interest payable	119,548
Unearned grant revenues	81,328
Current portion of compensated absences	40,427
Current portion of long-term debt	<hr/> 1,810,935
	<hr/>
Total current liabilities	<hr/> 2,845,331
	<hr/>
Noncurrent liabilities	
Compensated absences	277,807
Long-term debt, due in more than one year	13,297,933
Total OPEB liability	<hr/> 71,773
	<hr/>
Total noncurrent liabilities	<hr/> 13,647,513
	<hr/>
Total liabilities	<hr/> 16,492,844
Deferred inflows of resources	
Deferred inflows related to pension	149,628
Deferred inflows related to OPEB	<hr/> 25,043
	<hr/>
Total deferred inflows of resources	<hr/> 174,671
Net position	
Net investment in capital assets	10,472,534
Restricted for:	
Debt Service	86,228
Economic Development	3,805,905
Court Security	58,430
Court Technology	1,950
Court Security and Technology	2,647
Tourism	26,938
Animal Control	40,954
Other	3,902
	<hr/>
Unrestricted	<hr/> 4,300,297
	<hr/>
Total net position	<hr/> \$ 18,799,785

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, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities						
Mayor and council	\$ 182,332	\$ -	\$ -	\$ -	\$ (182,332)	
Administration	544,700	-	-	-	(544,700)	
General government	746,313	49,029	131,300	-	(565,984)	
Human resources	143,035	-	-	-	(143,035)	
Finance	360,186	-	-	-	(360,186)	
Public safety	1,849,714	-	2,146	-	(1,847,568)	
Public works	1,346,040	381,645	-	415,310	(549,085)	
Parks	501,461	-	-	-	(501,461)	
Municipal court	129,611	167,798	-	-	38,187	
Development services	355,663	10,605	-	-	(345,058)	
Animal control	260,276	17,955	35,480	-	(206,841)	
Fire department	884,659	13,140	48,750	-	(822,769)	
Economic development	347,358	-	-	-	(347,358)	
Tourism	239	-	-	-	(239)	
Interest and fiscal charges	533,086	-	-	-	(533,086)	
Total governmental activities	\$ 8,184,673	\$ 640,172	\$ 217,676	\$ 415,310	\$ (6,911,515)	

General revenues:

Taxes:	
Property, levied for general purposes	3,849,546
Property, levied for debt service	1,303,748
Sales	3,359,010
Other	406,630
Franchise fees	419,507
Investment earnings	415,665
Other	165,928
Special Item:	
Loss on transfer of operations	(6,194)
Total general revenues	\$ 9,913,840
Change in net position	3,002,325
Net position, beginning of year	15,797,460
Net position, end of year	\$ 18,799,785

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

City of Joshua, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	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	\$ 809,016	\$ 63,931	\$ -	\$ 174,451	\$ 745,367	\$ 105,933	\$ 1,898,698
Investments	2,641,443	-	-	2,051,305	584,663	-	5,277,411
Accounts receivable, net	81,804	22,297	-	-	690	35,629	140,420
Due from other governments	302,339	-	56,280	151,169	151,167	-	660,955
Due from other funds	6,741	-	-	-	-	-	6,741
Prepaid expenses	10,179	-	-	-	-	-	10,179
Restricted:							
Cash and cash equivalents	-	-	3,000,826	-	-	-	3,000,826
Investments	-	-	577,554	-	-	-	577,554
Total assets	<u>3,851,522</u>	<u>86,228</u>	<u>3,634,660</u>	<u>2,376,925</u>	<u>1,481,887</u>	<u>141,562</u>	<u>11,572,784</u>
Liabilities							
Accounts payable	81,612	-	412,509	52,907	-	-	547,028
Intergovernmental payables	15,073	-	-	-	-	-	15,073
Accrued payroll liabilities	230,992	-	-	-	-	-	230,992
Unearned grant revenue	81,328	-	-	-	-	-	81,328
Due to other funds	-	-	-	-	-	6,741	6,741
Total liabilities	<u>409,005</u>	<u>-</u>	<u>412,509</u>	<u>52,907</u>	<u>-</u>	<u>6,741</u>	<u>881,162</u>
Deferred inflows of resources							
Unavailable revenue - property taxes	65,442	22,297	-	-	-	-	87,739
Total deferred inflows of resources	<u>65,442</u>	<u>22,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,739</u>
Fund balances							
Nonspendable							
Prepays	10,179	-	-	-	-	-	10,179
Restricted for:							
Debt service	-	63,931	-	-	-	-	63,931
Capital improvements	-	-	3,222,151	-	-	-	3,222,151
Economic development	-	-	-	2,324,018	1,481,887	-	3,805,905
Court security	-	-	-	-	-	58,430	58,430
Court technology	-	-	-	-	-	1,950	1,950
Court security and technology	-	-	-	-	-	2,647	2,647
Tourism	-	-	-	-	-	26,938	26,938
Public safety	-	-	-	-	-	1,883	1,883
Fire	-	-	-	-	-	1,439	1,439
Animal control	-	-	-	-	-	40,954	40,954
Other	-	-	-	-	-	580	580
Unassigned	<u>3,366,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,366,896</u>
Total fund balances	<u>3,377,075</u>	<u>63,931</u>	<u>3,222,151</u>	<u>2,324,018</u>	<u>1,481,887</u>	<u>134,821</u>	<u>10,603,883</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,851,522</u></u>	<u><u>\$ 86,228</u></u>	<u><u>\$ 3,634,660</u></u>	<u><u>\$ 2,376,925</u></u>	<u><u>\$ 1,481,887</u></u>	<u><u>\$ 141,562</u></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.							23,159,202
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.							87,739
Deferred inflows of resources related to pension and OPEB are not financial resources and, therefore, are not reported in the funds.							(174,671)
Some long-term liabilities, including bonds and notes payable, accrued interest payable, premiums on debt, net pension liability(asset), total OPEB liability, lease liability, subscription liability and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.							(14,876,368)
Net position of governmental activities							<u><u>\$ 18,799,785</u></u>

City of Joshua, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2025

	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	\$ 3,842,511	\$ 1,301,015	\$ -	\$ -	\$ -	\$ -	\$ 5,143,526
Sales taxes	1,679,506	-	-	839,753	839,751	-	3,359,010
Hotel occupancy taxes	-	-	-	-	-	42,906	42,906
Alcoholic beverage taxes	19,112	-	-	-	-	-	19,112
Fire district fees	344,612	-	-	-	-	-	344,612
Franchise fees	419,507	-	-	-	-	-	419,507
Fines and fees	156,999	-	-	-	-	10,799	167,798
Grants and contributions	180,246	-	415,310	-	-	37,430	632,986
Charges for services	472,374	-	-	-	-	-	472,374
Investment earnings	138,447	4,121	143,083	77,285	48,053	4,676	415,665
Miscellaneous	146,745	-	-	420	18,483	-	165,648
Total revenues	7,400,059	1,305,136	558,393	917,458	906,287	95,811	11,183,144
Expenditures							
Mayor and council	179,374	-	-	-	-	5,027	184,401
Administration	514,286	-	-	-	-	-	514,286
General government	536,857	-	-	-	-	-	536,857
Human resources	144,503	-	-	-	-	-	144,503
Finance	275,960	-	-	-	-	-	275,960
Public safety	1,792,560	-	-	-	-	1,789	1,794,349
Public works	786,021	-	480	-	-	464	786,965
Parks	353,188	-	-	-	-	-	353,188
Municipal court	122,225	-	-	-	-	6,698	128,923
Developmental services	343,421	-	-	-	-	-	343,421
Animal control	240,998	-	-	-	-	959	241,957
Fire department	683,480	-	-	-	-	-	683,480
Economic development	-	-	-	330,096	17,262	-	347,358
Tourism	-	-	-	-	-	239	239
Debt service:							
Principal	254,232	1,262,663	-	118,491	-	9,206	1,644,592
Interest	78,895	281,245	-	131,669	-	2,644	494,453
Capital outlay	227,501	-	2,796,697	-	5,421	381,965	3,411,584
Total expenditures	6,533,501	1,543,908	2,797,177	580,256	22,683	408,991	11,886,516
Excess (deficiency) of revenues over (under) expenditures	866,558	(238,772)	(2,238,784)	337,202	883,604	(313,180)	(703,372)
Other financing sources (uses)							
Proceeds from the sale of assets	-	-	22,570	-	-	-	22,570
Transfers in	447,269	281,364	-	-	-	69,831	798,464
Transfers out	(147,147)	-	-	(72,867)	(578,450)	-	(798,464)
Proceeds from issuance of debt	-	-	1,258,202	-	-	-	1,258,202
Proceeds from the issuance of lease liabilities	170,952	-	-	-	-	-	170,952
Total other financing sources (uses)	471,074	281,364	1,280,772	(72,867)	(578,450)	69,831	1,451,724
Net change in fund balances	1,337,632	42,592	(958,012)	264,335	305,154	(243,349)	748,352
Fund balances, beginning of year	2,039,443	21,339	4,180,163	2,059,683	1,176,733	378,170	9,855,531
Fund balances, end of year	\$ 3,377,075	\$ 63,931	\$ 3,222,151	\$ 2,324,018	\$ 1,481,887	\$ 134,821	\$ 10,603,883

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, 2025

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

Net change in fund balances - total governmental funds	\$ 748,352
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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/amortization expense.

Capital outlay	\$ 3,411,584
Depreciation/amortization expense	<u>(1,353,198)</u>
	2,058,386

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.

(28,485)

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.

9,768

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.

(345,739)

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

(5,585)

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	\$ (27,342)
Accrued interest	(54,084)
Net pension liability (asset)	415,310
Total OPEB liability	<u>855</u>
	334,739

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	\$ 1,375,778
Payments on lease liability	162,237
Payments on subscription liability	101,201
Proceeds	
Notes payable	(1,258,202)
Lease liability	(170,952)
Amortization of premium on issuance of debt	<u>20,827</u>
	230,889

Change in net position of governmental activities - statement of activities	\$ 3,002,325
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City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

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 included in the City's primary government financial statements. The JEDC was created to promote economic development within the City and the State of Texas by reducing unemployment and underemployment and encouraging job creation and public welfare, as authorized under Section 4A of the Development Corporation Act of 1979. The JEDC is governed by a Board of Directors appointed by the City's governing body; the Board directs the use of local revenues, subject to the City's oversight and approval of the JEDC's programs and expenditures.

Joshua Community Development Corporation Type B (JCDC) is a blended component unit and is included in the City's primary government financial statements. The JCDC was created to promote and develop voter-approved public projects on behalf of the City, as authorized under Section 4B of the Development Corporation Act of 1979, including tourism and civic facilities, downtown improvements, drainage, parks and recreation, public safety and municipal facilities, library facilities, and water, sewer, and street extensions. The JCDC is governed by a Board of Directors appointed by the City's governing body; the Board directs the use of local revenues, subject to the City's oversight and approval of the JCDC's programs and expenditures.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

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, Court Security and Technology, Hotel Occupancy, and Donations.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

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 required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Budgets and Budgetary Accounting

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

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, 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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., streets, bridges, sidewalks, curbs, and drainage systems), and right of use assets are reported in the governmental activities column 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, donated works of art and similar items are recorded at their acquisition value at the date of donation. Right of use assets are reported at present value of the future payments (lease/subscription liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease/contract term, less any incentives received prior to the commencement of the lease/contract term.

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 of use assets	2-20 years
Subscription assets	3 years

Right of use assets from arrangements that qualify as leases are amortized over the shorter of the lease term or the useful life of the underlying asset. Right of use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

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.

Compensated Absences

Compensated absences are accrued and reported as liabilities in the government-wide financial statements in accordance with GASB Statement No. 101, *Compensated Absences*. In the governmental fund financial statements, compensated absences are reported only to the extent that they have matured and are payable to employees who have terminated employment and are expected to be paid with available, spendable resources.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

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 does not report any deferred outflows of resources in the Statement of Net Position.

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 Funds Balance Sheet and deferred inflows of resources related to the pension and other post-employment benefits (OPEB) plans reported in the Statement of Net Position. See additional information in Note 8 related to the pension plan and Note 9 related to the OPEB plan.

Pension

For purposes of measuring the Net Pension Liability (Asset), 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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

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. The City reported restricted net position of \$4,026,954 of which, \$3,895,870 is restricted by enabling legislation.

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

When both restricted and unrestricted net position are 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.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Implementation of New Standards

In the current fiscal year, the City implemented the following new accounting standards:

Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. There was no effect on beginning net position or fund balances due to the implementation of this standard.

Governmental Accounting Standards Board Statement No. 102, *Certain Risk Disclosures*. This statement requires governments to disclose information about certain risks that could significantly affect their ability to continue to provide services or meet obligations as they come due. The City evaluated its potential exposures in accordance with the requirements of this statement and determined that no additional disclosures were necessary.

Note 2. Deposits and Investments

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the state of Texas, (2) certain municipal securities, (3) certificates of deposit, (4) repurchase agreements, (5) certain commercial paper, (6) money market mutual funds, (7) local government investment pools, and (8) fully insured or collateralized interest-bearing accounts.

External Investment Pool

As of September 30, 2025, 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 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, 2025, the weighted average maturity of TexSTAR was 50 days.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 2. Deposits and Investments (Continued)

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, 2025, the TexSTAR investment pool was rated AAA 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, 2025, 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.

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. At September 30, 2025, the allowance for uncollectible tax receivables was \$64,278.

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 4. Capital Assets

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

	Balance 10/1/2024	Additions	Deletions	Balance 9/30/2025
Capital assets not being depreciated/amortized				
Construction in progress	\$ 1,248,189	\$ 1,460,911	\$ 1,318,470	\$ 1,390,630
Land	4,392,357	-	-	4,392,357
Total capital assets not being depreciated/amortized	<u>5,640,546</u>	<u>1,460,911</u>	<u>1,318,470</u>	<u>5,782,987</u>
Capital assets being depreciated/amortized				
Buildings	12,497,848	161,053	-	12,658,901
Equipment	4,565,773	1,520,298	286,602	5,799,469
Improvements	1,540,250	1,169,517	-	2,709,767
Infrastructure	8,609,884	224,573	-	8,834,457
Right of use assets - leases	750,807	170,952	165,668	756,091
Right of use assets - SBITAs	228,021	22,750	-	250,771
Total capital assets being depreciated/amortized	<u>28,192,583</u>	<u>3,269,143</u>	<u>452,270</u>	<u>31,009,456</u>
Less accumulated depreciation/amortization for:				
Buildings	4,392,724	215,929	-	4,608,653
Equipment	2,647,498	412,626	267,972	2,792,152
Improvements	493,620	96,124	-	589,744
Infrastructure	4,823,819	387,393	-	5,211,212
Right of use assets - leases	294,529	153,744	104,175	344,098
Right of use assets - SBITAs	-	87,382	-	87,382
Total accumulated depreciation/amortization	<u>12,652,190</u>	<u>1,353,198</u>	<u>372,147</u>	<u>13,633,241</u>
Total capital assets being depreciated/amortized, net	<u>15,540,393</u>	<u>1,915,945</u>	<u>80,123</u>	<u>17,376,215</u>
Capital assets, net	<u><u>\$ 21,180,939</u></u>	<u><u>\$ 3,376,856</u></u>	<u><u>\$ 1,398,593</u></u>	<u><u>\$ 23,159,202</u></u>

At September 30, 2025, depreciation/amortization was charged to functions as follows:

Governmental activities:

Administration	\$ 317,982
Public safety	75,652
Public works	564,041
Animal control	20,707
Fire department	207,663
Parks and recreation	150,643
Municipal court	1,401
Development services	<u>15,109</u>
 Total governmental activities	 <u><u>\$ 1,353,198</u></u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

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, 2025, 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 annual installments through 2030
- Bearing interest at a rate of 1.84%
- Outstanding balance of \$1,285,000 at September 30, 2025

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 \$3,120,000 at September 30, 2025

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 \$990,000 at September 30, 2025

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 \$2,450,000 at September 30, 2025

Combination Tax and Revenue Certificates of Obligation, Series 2023 – Direct Placement

- Original balance of \$1,250,000
- Payable in annual installments through 2033
- Bearing interest at a rate of 4.00%
- Outstanding balance of \$1,035,000 at September 30, 2025

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 \$1,460,000 at September 30, 2025

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 5. Long-Term Obligations (Continued)

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 \$465,000 at September 30, 2025

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 \$1,307,702 at September 30, 2025

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 \$510,000 at September 30, 2025

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 \$218,657 at September 30, 2025

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 \$179,863 at September 30, 2025

Dump Truck – Direct Placement

- Original balance of \$105,777
- Payable in annual installments through 2027
- Bearing interest at a rate of 4.24%
- Outstanding balance of \$55,187 at September 30, 2025

Pumper Truck – Direct Placement

- Original balance of \$1,047,727
- Payable in annual installments through 2032
- Bearing interest at a rate of 5.00%
- Outstanding balance of \$1,047,727 at September 30, 2025

Brush Truck – Direct Placement

- Original balance of \$210,475
- Payable in annual installments through 2032
- Bearing interest at a rate of 5.07%
- Outstanding balance of \$210,475 at September 30, 2025

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 5. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended September 30, 2025 are as follows:

	Balance 10/1/2024	Additions	Retirements	Balance 9/30/2025	Due Within One Year
Governmental activities					
Certificates of Obligation	\$ 2,710,000	\$ -	\$ 260,000	\$ 2,450,000	\$ 270,000
Direct placement - Certificates of Obligation	1,145,000	-	110,000	1,035,000	110,000
General Obligation Bonds	4,810,000	-	405,000	4,405,000	415,000
Direct placement - General Obligation Bonds	1,125,000	-	135,000	990,000	135,000
Sales Tax Revenue Bonds	1,535,000	-	75,000	1,460,000	80,000
Direct placement - Tax Notes	2,556,548	-	273,846	2,282,702	281,252
Direct placement - Notes Payable	570,639	1,258,202	116,932	1,711,909	276,683
Unamortized debt premium	273,581	-	20,827	252,754	20,827
Net pension liability (asset)	(326,745)	136,508	551,818	(742,055)	-
Total OPEB liability	72,628	11,069	11,924	71,773	-
Lease liability	476,498	170,952	213,875	433,575	179,071
Subscription liability	189,129	-	101,201	87,928	43,102
Compensated absences*	290,892	27,342	-	318,234	40,427
 Total governmental activities	 \$ 15,428,170	 \$ 1,604,073	 \$ 2,275,423	 \$ 14,756,820	 \$ 1,851,362

*The change in compensated absences liability is presented as a net change.

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, 2025.

Debt service requirements on long-term debt at September 30, 2025, are as follows:

Year Ending	Direct Placement			
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	10,270
2029	445,000	55,160	140,000	8,058
2030	450,000	44,784	140,000	5,846
2031-2035	1,060,000	162,728	300,000	4,740
2036-2040	1,175,000	59,750	-	-
 Total	 \$ 4,405,000	 \$ 558,908	 \$ 990,000	 \$ 55,933

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 5. Long-Term Obligations (Continued)

Year Ending	Certificates of Obligation		Direct Placement Certificates of Obligation	
	Principal	Interest	Principal	Interest
2026	\$ 270,000	\$ 60,476	\$ 110,000	\$ 41,454
2027	280,000	54,400	115,000	36,696
2028	290,000	48,100	120,000	31,726
2029	300,000	41,576	125,000	26,544
2030	310,000	34,452	130,000	21,150
2031-2035	<u>1,000,000</u>	<u>54,888</u>	<u>435,000</u>	<u>28,024</u>
Total	<u>\$ 2,450,000</u>	<u>\$ 293,892</u>	<u>\$ 1,035,000</u>	<u>\$ 185,594</u>
Year Ending	Sales Tax Revenue Bonds		Direct Placement - Tax Notes	
	Principal	Interest	Principal	Interest
2026	\$ 80,000	\$ 59,894	\$ 281,252	\$ 87,796
2027	80,000	56,866	288,592	79,848
2028	85,000	53,660	1,457,858	71,328
2029	90,000	50,096	255,000	3,404
2030	90,000	46,316	-	-
2031-2035	<u>525,000</u>	<u>168,815</u>	<u>-</u>	<u>-</u>
2036-2040	<u>510,000</u>	<u>45,250</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,460,000</u>	<u>\$ 480,897</u>	<u>\$ 2,282,702</u>	<u>\$ 242,376</u>
Year Ending	Direct Placement - Notes Payable			
	Principal	Interest		
2026	\$ 276,683	\$ 89,405		
2027	291,077	75,012		
2028	276,777	59,866		
2029	224,799	45,237		
2030	236,570	33,465		
2031-2035	<u>406,003</u>	<u>31,880</u>		
Total	<u>\$ 1,711,909</u>	<u>\$ 334,865</u>		

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

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 9/30/2025
Copiers/Printers	60 months	5.59%	\$ 1,569	\$ 29,890
Postage meters	60 months	5.59%	199	3,792
Vehicles	24-60 months	4.81%-8.37%	20,303	399,893

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 2025.

Annual requirements to amortize the lease liability and related interest as of September 30, 2025 are as follows:

Year Ending	Lease Liability	
	Principal	Interest
2026	\$ 179,071	\$ 26,541
2027	135,189	14,380
2028	88,098	5,679
2029	31,217	1,019
Total	\$ 433,575	\$ 47,619

Subscription Liability

General information related to subscription liabilities is summarized below:

Software	Term, Including Renewals	Interest Rate	Payment Amount	Subscription 9/30/2025
Enterprise Resource Planning	3 years	4.00%	\$ 46,619	\$ 87,928

There were no variable payments, residual value guarantees, or penalties not included in the measurement of the contracts. The City did not have any commitments under subscription contracts not yet commenced at year-end or components of losses associated with asset impairments for fiscal year 2025.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 5. Long-Term Obligations (Continued)

Annual requirements to amortize the subscription liability and related interest are as follows:

Year Ending	Subscription Liability	
	Principal	Interest
2026	\$ 43,102	\$ 3,517
2027	44,826	1,793
Total	<u>\$ 87,928</u>	<u>\$ 5,310</u>

Note 6. Interfund Balances and Activity

Balances due to and due from other funds at September 30, 2025 consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Funds	\$ 6,741
Total		<u>\$ 6,741</u>

These balances represent timing differences in the receipt and reimbursement of expenditures. Balances are expected to be repaid within one year and do not represent long-term obligations.

Transfers to and from other funds at September 30, 2025 consisted of the following:

<u>Transfers Out</u>		
General Fund	\$	147,147
JEDC		72,867
JCDC		<u>578,450</u>
		<u>\$ 798,464</u>
<u>Transfers In</u>		
General Fund	\$	447,269
Debt Service Fund		281,364
Hotel Occupancy Fund		67,204
Donation Fund		<u>2,627</u>
		<u>\$ 798,464</u>

Transfers were to pay for the Economic Development Director position, to pay for the Parks and Recreation Department, to pay for debt related to park improvements, and to pay note payments for a fire rescue vehicle, public works equipment and a dump truck.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

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 reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 8. Defined Benefit Pension Plan

Plan Description

The City participates as one of 942 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 tmrs.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, 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%
Retiree cost of living adjustment	0% of CPI

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	62
Active employees	48
Total	<u>128</u>

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 6.21% and 5.81% in calendar years 2025 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$206,079 and were equal to the required contributions.

Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) (NPL/NPA) was measured as of December 31, 2024 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 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

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 8. Defined Benefit Pension Plan (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	<u>100.00%</u>	

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 8. Defined Benefit Pension Plan (Continued)

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.

Changes in the Net Pension Liability (Asset)

Changes in the NPL/NPA	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at 12/31/2023	\$ 5,323,264	\$ 5,650,009	\$ (326,745)
Changes for the year:			
Service cost	507,107	-	507,107
Interest	369,599	-	369,599
Difference between expected and actual experience	(231,155)	-	(231,155)
Changes of assumptions	-	-	-
Contributions - employer	-	216,480	(216,480)
Contributions - employee	-	260,819	(260,819)
Net investment income	-	587,414	(587,414)
Benefit payments, including refunds of employee contributions	(202,566)	(202,566)	-
Administrative expense	-	(3,765)	3,765
Other changes	-	(87)	87
Net changes	<u>442,985</u>	<u>858,295</u>	<u>(415,310)</u>
Balance at 12/31/2024	<u>\$ 5,766,249</u>	<u>\$ 6,508,304</u>	<u>\$ (742,055)</u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 8. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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/NPA	\$ 82,934	\$ (742,055)	\$ (1,418,390)

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.tmrss.com.

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

For the year ended September 30, 2025, the City recognized pension expense of \$136,508. At September 30, 2025 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	\$ -	\$ 208,444
Changes in actuarial assumptions	-	15,092
Difference between projected and actual investment earnings	-	76,319
Contributions subsequent to the measurement date	<u>150,227</u>	-
Total	<u>\$ 150,227</u>	<u>\$ 299,855</u>

\$150,227 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 (Asset) for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement year ending December 31</u>	
2025	\$ (100,786)
2026	(29,962)
2027	(127,900)
2028	<u>(41,207)</u>
Total	<u>\$ (299,855)</u>

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

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, 2024 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	5
Active employees	<u>48</u>
 Total	 <u>65</u>

Contributions

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

The City's contributions to the TMRS SDBF for the year ended September 30, 2025 were \$1,014, which equaled the required contributions.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 9. Other Postemployment Benefits (Continued)

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2024 and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The TOL in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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 most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 9. Other Postemployment Benefits (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2023	\$ 72,628
Changes for the year:	
Service cost	8,197
Interest on Total OPEB Liability	2,872
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	(6,511)
Changes in assumptions or other inputs	(4,295)
Benefit payments	<u>(1,118)</u>
Net changes	<u>(855)</u>
Balance at 12/31/2024	<u><u>\$ 71,773</u></u>

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Total OPEB Liability	\$ 86,748	\$ 71,773	\$ 59,995

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$5,745.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 9. Other Postemployment Benefits (Continued)

At September 30, 2025, 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	\$ -	\$ 10,102
Changes in actuarial assumptions or other inputs	- -	15,667
Difference between projected and actual investment earnings	- -	-
Contributions subsequent to the measurement date	<u>726</u>	<u>-</u>
 Total	 <u>\$ 726</u>	 <u>\$ 25,769</u>

The City reported \$726 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	\$ (5,443)
2026	(6,070)
2027	(7,205)
2028	(3,867)
2029	(1,768)
Thereafter	<u>(1,416)</u>
 Total	 <u>\$ (25,769)</u>

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.

City of Joshua, Texas
Notes to Financial Statements
September 30, 2025

Note 11. Transfer of Fire Department Services

Effective April 1, 2025, the City entered into an intergovernmental agreement with Johnson County Emergency Services District No. 1 (the ESD) to transfer its fire protection and emergency medical first responder services to the ESD for the purpose of enhancing the provision of those services to the City's citizens. In connection with the agreement, the ESD agreed to make a reasonable effort to evaluate and retain City fire personnel who became employees of the ESD. Additionally, the agreement provided for the City to retain ownership of the fire station and current fire apparatus and vehicles which will be used by the ESD. Firefighter gear, air packs, uniforms and medical supplies were transferred to the ESD. As a result of the transfer, the City recognized a loss on the transfer of operations of \$6,194 on its governmental activities statement of activities as a special item.

Note 12. Economic Development Program Agreements

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

The City entered into such an agreements with Rumfield Properties during fiscal year 2025. Under the terms of the agreements, Rumfield agreed to construct parking lots on property owned by the City's Type A EDC. Upon acceptance of the parking lots, the City agreed to reimburse Rumfield for the costs of constructing the parking lot from the portion of the City's sales tax revenues attributable to businesses located in the City's downtown. The parking lots were completed and accepted by the City in fiscal year 2025. The City paid \$206,044 to fully satisfy their obligations under these agreements.

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 \$47,269 of the property and sales tax refunds due under this program during fiscal year 2025. The remaining obligation under this program is \$232,121 at September 30, 2025.

The City entered into an agreement in fiscal year 2012 with Orrco International Incorporated. Under the terms of this agreement, the City will make an annual payment to Orrco in an amount equal to the ad valorem tax payment made by Orrco for taxes paid to the City for freeport goods. The contract is in effect until the first year Orrco does not have any freeport goods shipping from its Joshua facility. The City paid \$17,724 under this agreement in fiscal year 2025.

Note 13. Subsequent Events

The City evaluated subsequent events through February 4, 2026, the date the financial statements were available to be issued, noting nothing requiring disclosure.

**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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,823,462	\$ 3,823,462	\$ 3,842,511	\$ 19,049
Sales taxes	1,386,000	1,386,000	1,679,506	293,506
Alcoholic beverage taxes	20,000	20,000	19,112	(888)
Fire district fees	689,224	344,612	344,612	-
Franchise fees	395,000	395,000	419,507	24,507
Fines and fees	212,800	212,800	156,999	(55,801)
Grants and contributions	123,051	123,051	180,246	57,195
Charges for services	394,225	181,085	472,374	291,289
Investment earnings	60,000	60,000	138,447	78,447
Miscellaneous	39,020	106,545	146,745	40,200
Total revenues	7,142,782	6,652,555	7,400,059	747,504
Expenditures				
Mayor and council	216,603	220,695	179,374	41,321
Administration	577,733	618,356	514,286	104,070
General government	481,479	481,479	536,857	(55,378)
Human Resources	175,826	179,104	144,503	34,601
Finance	307,781	313,433	275,960	37,473
Public safety	2,146,267	2,210,612	1,792,560	418,052
Public works	826,298	844,888	786,021	58,867
Parks	375,496	381,426	353,188	28,238
Municipal court	118,314	132,254	122,225	10,029
Development services	446,748	424,155	343,421	80,734
Animal control	298,901	308,396	240,998	67,398
Fire department	1,131,513	768,608	683,480	85,128
Debt service:				
Principal	-	-	254,232	(254,232)
Interest	-	-	78,895	(78,895)
Capital outlay	120,160	132,596	227,501	(94,905)
Total expenditures	7,223,119	7,016,002	6,533,501	482,501
Excess (deficiency) of revenues over (under) expenditures	(80,337)	(363,447)	866,558	1,230,005
Other financing sources (uses)				
Transfers in	505,323	505,323	447,269	(58,054)
Transfers out	(50,000)	(50,000)	(147,147)	(97,147)
Proceeds from the issuance of lease liabilities	-	-	170,952	170,952
Total other financing sources (uses)	455,323	455,323	471,074	15,751
Change in fund balance	\$ 374,986	\$ 91,876	1,337,632	\$ 1,245,756
Fund balance - beginning of year			2,039,443	
Fund balance - end of year			\$ 3,377,075	

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales taxes	\$ 693,000	\$ 693,000	\$ 839,753	\$ 146,753
Investment earnings	50,000	50,000	77,285	27,285
Miscellaneous	-	-	420	420
Total revenues	743,000	743,000	917,458	174,458
Expenditures				
Economic Development	235,573	441,617	330,096	111,521
Debt service:				
Principal	143,566	143,566	118,491	25,075
Interest	106,594	106,594	131,669	(25,075)
Capital outlay	350,000	350,000	-	350,000
Total expenditures	835,733	1,041,777	580,256	461,521
Excess (deficiency) of revenues over (under) expenditures	(92,733)	(298,777)	337,202	635,979
Other financing sources (uses)				
Transfers out	(129,827)	(129,827)	(72,867)	56,960
Total other financing sources (uses)	(129,827)	(129,827)	(72,867)	56,960
Change in fund balance	\$ (222,560)	\$ (428,604)	264,335	\$ 692,939
Fund balance - beginning of year			2,059,683	
Fund balance - end of year			\$ 2,324,018	

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales taxes	\$ 693,000	\$ 693,000	\$ 839,751	\$ 146,751
Investment earnings	40,000	40,000	48,053	8,053
Miscellaneous	15,000	15,000	18,483	3,483
Total revenues	748,000	748,000	906,287	158,287
Expenditures				
Economic Development	20,540	22,779	17,262	5,517
Capital outlay	-	6,800	5,421	1,379
Total expenditures	20,540	29,579	22,683	6,896
Excess (deficiency) of revenues over (under) expenditures	727,460	718,421	883,604	165,183
Other financing sources (uses)				
Transfers out	(694,441)	(774,441)	(578,450)	195,991
Total other financing sources (uses)	(694,441)	(774,441)	(578,450)	195,991
Change in fund balance	\$ 33,019	\$ (56,020)	305,154	\$ 361,174
Fund balance - beginning of year			1,176,733	
Fund balance - end of year			\$ 1,481,887	

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

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st*:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 507,107	\$ 509,799	\$ 399,798	\$ 282,108	\$ 223,786	\$ 229,881	\$ 217,867	\$ 207,242	\$ 222,255	\$ 207,231
Interest	369,599	337,649	301,054	281,958	260,770	237,463	224,113	203,201	186,581	164,060
Difference between expected and actual experience	(231,155)	(103,438)	35,553	(136,768)	(55,945)	(9,980)	(126,923)	18,030	(61,172)	(4,751)
Changes of assumptions	-	(34,950)	-	-	-	3,425	-	-	-	105,326
Benefit payments, including refunds of employee contributions	(202,566)	(266,222)	(232,292)	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Net change in total pension liability	442,985	442,838	504,113	253,131	315,016	349,479	179,799	315,786	272,475	429,193
Total pension liability, beginning	<u>5,323,264</u>	<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>	<u>2,261,434</u>
Total pension liability, ending (a)	<u><u>\$ 5,766,249</u></u>	<u><u>\$ 5,323,264</u></u>	<u><u>\$ 4,880,426</u></u>	<u><u>\$ 4,376,313</u></u>	<u><u>\$ 4,123,182</u></u>	<u><u>\$ 3,808,166</u></u>	<u><u>\$ 3,458,687</u></u>	<u><u>\$ 3,278,888</u></u>	<u><u>\$ 2,963,102</u></u>	<u><u>\$ 2,690,627</u></u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 216,480	\$ 217,100	\$ 181,505	\$ 122,359	\$ 98,509	\$ 105,812	\$ 100,554	\$ 89,253	\$ 87,382	\$ 75,539
Contributions - employee	260,819	271,376	212,820	148,701	120,965	124,068	118,498	112,370	120,885	116,985
Net investment income	587,414	564,053	(370,647)	574,792	304,236	521,071	(101,524)	401,837	174,931	3,595
Benefit payments, including refunds of employee contributions	(202,566)	(266,222)	(232,292)	(174,167)	(113,595)	(111,310)	(135,258)	(112,687)	(75,189)	(42,673)
Administrative expense	(3,765)	(3,584)	(3,206)	(2,658)	(1,964)	(2,936)	(1,958)	(2,078)	(1,974)	(2,189)
Other changes	(87)	(21)	3,826	19	(77)	(88)	(103)	(104)	(106)	(109)
Net change in plan fiduciary net position	858,295	782,702	(207,994)	669,046	408,074	636,617	(19,791)	488,591	305,929	151,148
Plan fiduciary net position, beginning	<u>5,650,009</u>	<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>	<u>2,435,687</u>
Plan fiduciary net position, ending (b)	<u><u>\$ 6,508,304</u></u>	<u><u>\$ 5,650,009</u></u>	<u><u>\$ 4,867,307</u></u>	<u><u>\$ 5,075,301</u></u>	<u><u>\$ 4,406,255</u></u>	<u><u>\$ 3,998,181</u></u>	<u><u>\$ 3,361,564</u></u>	<u><u>\$ 3,381,355</u></u>	<u><u>\$ 2,892,764</u></u>	<u><u>\$ 2,586,835</u></u>
Net Pension Liability/(Asset) (a) - (b)	<u>\$ (742,055)</u>	<u>\$ (326,745)</u>	<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	112.87%	106.14%	99.73%	115.97%	106.87%	82.08%	97.19%	103.13%	97.63%	96.14%
Covered payroll	\$ 3,725,990	\$ 3,876,801	\$ 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	-19.92%	-8.43%	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).

City of Joshua, Texas
Schedule of Employer Pension Contributions and Related Ratios
Last Ten Fiscal Years

Texas Municipal Retirement System (TMRS)											
Year Ended September 30th*:	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
The City's actuarially determined contribution	\$ 206,079	\$ 223,047	\$ 212,617	\$ 164,692	\$ 112,687	\$ 81,307	\$ 107,693	\$ 96,073	\$ 86,697	\$ 79,966	
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	206,079	223,047	212,617	164,692	112,687	81,307	107,693	96,073	86,697	79,966	
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	\$ 3,380,419	\$ 3,879,312	\$ 3,732,633	\$ 2,743,961	\$ 1,955,376	\$ 1,744,589	\$ 1,743,429	\$ 1,662,081	\$ 1,726,924	\$ 1,652,285	
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	6.10%	5.75%	5.70%	6.00%	5.76%	4.66%	6.18%	5.78%	5.02%	4.84%	

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	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other information: There were no benefit changes during the year.

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

City of Joshua, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Eight Measurement Years**

Measurement Date - December 31st*:	Texas Municipal Retirement System (TMRS)									
	2024	2023	2022	2021	2020	2019	2018	2017		
Service cost	\$ 8,197	\$ 8,917	\$ 15,505	\$ 10,622	\$ 5,184	\$ 3,545	\$ 4,401	\$ 3,692		
Interest on total OPEB liability	2,872	2,805	1,618	1,550	1,690	1,633	1,452	1,315		
Changes in benefit terms including TMRS plan participation	-	-	7,214	(6,205)	-	-	-	-		
Difference between expected and actual experience	(6,511)	(7,270)	(38,654)	2,776	(3,807)	216	(1,545)	-		
Changes in assumptions or other inputs	(4,295)	3,947	(912)	10,688	11,395	(3,564)	3,873			
Benefit payments	(1,118)	(1,163)	(637)	(173)	(177)	(169)	(161)			
Net change in Total OPEB Liability	(855)	7,236	(15,229)	8,106	13,582	16,612	575	8,719		
Total OPEB Liability - beginning	72,628	65,392	80,621	72,515	58,933	42,321	41,746	33,027		
Total OPEB Liability - ending	<u>\$ 71,773</u>	<u>\$ 72,628</u>	<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	\$ 3,725,990	\$ 3,876,801	\$ 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	1.93%	1.87%	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 Eight Fiscal Years**

Texas Municipal Retirement System (TMRS)									
Year Ended September 30th*:	2025	2024	2023	2022	2021	2020	2019	2018	
The City's actuarially determined contribution	\$ 1,014	\$ 1,164	\$ 1,120	\$ 823	\$ 580	\$ 174	\$ 174	\$ 166	
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	1,014	1,164	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	\$ 3,380,419	\$ 3,879,312	\$ 3,732,633	\$ 2,743,961	\$ 1,955,376	\$ 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%	0.03%	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	3.60% to 11.85% including inflation
Discount Rate***	4.08%
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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021.
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 the most recent Scale MP-2021 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 Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

SUPPLEMENTARY INFORMATION

City of Joshua, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2025

	Court Security	Court Technology	Court Security and Technology	Hotel Occupancy	Donations	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ 58,430	\$ -	\$ 2,647	\$ -	\$ 44,856	\$ 105,933
Accounts receivables, net	-	8,682	-	26,947	-	35,629
Total assets	58,430	8,682	2,647	26,947	44,856	141,562
Liabilities and fund balances						
Liabilities:						
Due to other funds	-	6,732	-	9	-	6,741
Total liabilities	-	6,732	-	9	-	6,741
Fund balances:						
Restricted for:						
Court security	58,430	-	-	-	-	58,430
Court technology	-	1,950	-	-	-	1,950
Court security and technology	-	-	2,647	-	-	2,647
Tourism	-	-	-	26,938	-	26,938
Public safety	-	-	-	-	1,883	1,883
Fire	-	-	-	-	1,439	1,439
Animal control	-	-	-	-	40,954	40,954
Other	-	-	-	-	580	580
Total fund balances	58,430	1,950	2,647	26,938	44,856	134,821
Total liabilities and fund balances	\$ 58,430	\$ 8,682	\$ 2,647	\$ 26,947	\$ 44,856	\$ 141,562

City of Joshua, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2025

	Court Security	Court Technology	Court Security and Technology	Hotel Occupancy	Donations	Total Nonmajor Governmental Funds
Revenues						
Hotel occupancy tax	\$ -	\$ -	\$ -	\$ 42,906	\$ -	\$ 42,906
Fines and fees	4,485	3,667	2,647	-	-	10,799
Grants and contributions	-	-	-	-	37,430	37,430
Investment earnings	1,654	295	-	2,338	389	4,676
Total revenues	<u>6,139</u>	<u>3,962</u>	<u>2,647</u>	<u>45,244</u>	<u>37,819</u>	<u>95,811</u>
Expenditures						
Mayor and Council	-	-	-	-	5,027	5,027
Public safety	-	-	-	-	1,789	1,789
Municipal court	3,000	3,698	-	-	-	6,698
Animal control	-	-	-	-	959	959
Public works	-	-	-	-	464	464
Tourism	-	-	-	239	-	239
Capital outlay	-	-	-	381,965	-	381,965
Debt service:						
Principal	-	9,206	-	-	-	9,206
Interest	-	<u>2,644</u>	-	-	-	<u>2,644</u>
Total expenditures	<u>3,000</u>	<u>15,548</u>	-	<u>382,204</u>	<u>8,239</u>	<u>408,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,139</u>	<u>(11,586)</u>	<u>2,647</u>	<u>(336,960)</u>	<u>29,580</u>	<u>(313,180)</u>
Other financing sources (uses)						
Transfers in	-	-	-	67,204	2,627	69,831
Total other financing sources (uses)	-	-	-	67,204	2,627	69,831
Changes in fund balances	3,139	(11,586)	2,647	(269,756)	32,207	(243,349)
Fund balances - beginning of year	<u>55,291</u>	<u>13,536</u>	-	<u>296,694</u>	<u>12,649</u>	<u>378,170</u>
Fund balances - end of year	<u>\$ 58,430</u>	<u>\$ 1,950</u>	<u>\$ 2,647</u>	<u>\$ 26,938</u>	<u>\$ 44,856</u>	<u>\$ 134,821</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



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 City of Joshua, Texas (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Joshua, Texas' basic financial statements, and have issued our report thereon dated February 4, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 4, 2026



February 4, 2026

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas (the City) for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City adopted new Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, and No. 102, *Certain Risk Disclosures*, during fiscal year 2025. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the City's net pension liability and total OPEB liability related to TMRS as well as the related deferred inflows, deferred outflows, and expense are based on guidance from GASB Statement Nos. 68 and 75 and the plan's actuarial valuation. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and required supplementary information (RSI), as listed in the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report the combining nonmajor fund financial statements and budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Joshua, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Snow Garrett Williams

Snow Garrett Williams