

**CITY OF JOSHUA, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2020**

**CITY OF JOSHUA, TEXAS  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas as of and for the year ended September 30, 2020, 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.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 4 through 8 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Joshua, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021, on our consideration of the City of Joshua, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Joshua, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Joshua, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
March 22, 2021

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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, 2020. 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 \$11,327,683. Of this amount, \$1,820,066 (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 \$1,238,284. This increase is due to increases in property and sales taxes as well as additional miscellaneous income during the year.
- As of the close of the current fiscal year, the City of Joshua's governmental funds reported combined ending fund balances of \$7,454,941, an increase of \$4,771,909 in comparison with the prior year. Approximately 23% of this amount, \$1,747,095 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,747,095 or 40% 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.

**CITY OF JOSHUA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2020**

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Joshua, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Joshua can be divided into one category: governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Joshua maintains 8 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 3 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Joshua adopts an annual appropriated budget for its General Fund, Debt Service Fund, Type A Economic Development Corporation Fund and Type B Community Development Corporation Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.



**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

**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 \$11,327,683 the close of the most recent fiscal year. By far the largest portion of the City's net position (\$7,441,531 or 66%) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Joshua, Texas' Net Position**

	Governmental Activities	
	2020	2019
Current Assets	\$ 7,875,896	\$ 3,032,190
Noncurrent Assets	18,059,723	18,318,075
Total Assets	<u>25,935,619</u>	<u>21,350,265</u>
Deferred Outflows of Resources	<u>77,449</u>	<u>267,217</u>
Current Liabilities	1,138,534	1,206,399
Noncurrent Liabilities	13,346,662	10,207,420
Total Liabilities	<u>14,485,196</u>	<u>11,413,819</u>
Deferred Inflows of Resources	<u>200,189</u>	<u>114,264</u>
<b>Net Position</b>		
Net Investment in Capital Assets	7,441,531	7,952,691
Restricted	2,066,086	1,431,289
Unrestricted	1,820,066	705,419
Total Net Position	<u><u>\$ 11,327,683</u></u>	<u><u>\$ 10,089,399</u></u>

An additional portion of the City of Joshua's net position (\$2,066,086 or 18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,820,066 or 16%) may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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

During the current fiscal year, the City's net position increased by \$1,238,284. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This increase follows a prior year increase of \$561,327 due to increases in ongoing revenues that were not outpaced by increases in ongoing expenses.

**City of Joshua, Texas' Changes in Net Position**

	Governmental Activities	
	2020	2019
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 943,173	\$ 814,415
Operating Grant and Contributions	96,129	18,170
Capital Grants and Contributions	267,641	8,277
General Revenues:		
Taxes	5,070,451	4,619,630
Franchise Fees	356,832	368,678
Interest	61,567	11,837
Other	166,283	96,326
Total Revenues	<u>6,962,076</u>	<u>5,937,333</u>
<b>Expenditures</b>		
General Government	987,828	1,104,448
Public Safety	1,177,842	1,081,720
Public Works	960,543	836,690
Municipal Court	101,508	140,907
Development Services	651,333	286,277
Animal Control	166,274	162,986
Fire Department	533,678	574,639
Economic Development	57,793	57,203
Parks and Recreation	287,790	372,089
Garbage and Recycling Service	310,521	410,483
Interest on Long-Term	488,682	348,564
Total Expenditures	<u>5,723,792</u>	<u>5,376,006</u>
<b>Change In Net Position</b>	1,238,284	561,327
Net Position - Beginning of Year	<u>10,089,399</u>	<u>9,528,072</u>
<b>Net Position - End of Year</b>	<u><u>\$ 11,327,683</u></u>	<u><u>\$ 10,089,399</u></u>

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**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 \$7,454,941. \$5,707,846 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of \$1,747,095 constitutes unassigned fund balance.

Of the \$7,454,941 ending fund balance, \$253,272 is accounted for in nonmajor governmental funds. The General Fund balance is \$5,956,747 at year-end - an increase of \$4,287,520. This increase was more due to an increase in property tax revenues.

The Debt Service Fund balance increased \$118,610 to \$450,400 at year-end. This increase is primarily the result of increased property tax revenues for debt service. The Capital Improvement Fund balance increased \$167,745 to a year-end total of \$142,159. This increase is caused by increased debt allocated to capital improvements. The Type A Economic Development Corporation Fund balance decreased \$18,475 to a year-end total of \$304,461. This decrease is principal debt payments. The Type B Community Development Corporation Fund balance increased \$179,785 to a year-end total of \$347,902. This increase is primarily related to sales tax revenues off set by transfers out of the fund.

**General Fund Budgetary Highlights** – The actual expenditures for the year were \$4,339,628, which was \$169,233 over budget. This is due to being over budgeted expenditures in debt service and developmental service primarily.

For FY 2020, actual revenues were \$4,815,618 as compared to the budgeted amount of \$4,886,005. Primarily due to lower than expected charges for services of \$73,262.

**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, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash And Cash Equivalents	\$ 5,312,074
Receivables, Net	199,484
Due from Other Governments	273,257
Restricted Cash and Cash Equivalents	<u>2,091,081</u>
Total Current Assets	7,875,896
Noncurrent Assets:	
Net Pension Asset	190,015
Capital Assets:	
Nondepreciable Assets	4,489,947
Depreciable Assets, Net	<u>13,379,761</u>
Total Noncurrent Assets	<u>18,059,723</u>
Total Assets	25,935,619
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows related to TMRS	<u>77,449</u>
Total Deferred Outflows of Resources	77,449
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	133,121
Intergovernmental Payables	16,807
Accrued Payroll Liabilities	85,948
Accrued Interest Payable	83,445
Current Portion of Long-Term Debt, Due Within One Year	<u>819,213</u>
Total Current Liabilities	1,138,534
Noncurrent Liabilities:	
Long-Term Debt, Due in More Than One Year	12,767,016
Accreted Bond Premium Payable	356,887
Compensated Absences	<u>222,759</u>
Total Noncurrent Liabilities	<u>13,346,662</u>
Total Liabilities	14,485,196
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to TMRS	<u>200,189</u>
Total Deferred Inflows of Resources	200,189
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,441,531
Restricted for Specific Purposes	2,066,086
Unrestricted	<u>1,820,066</u>
Total Net Position	<u><u>\$ 11,327,683</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENT ACTIVITIES</b>					
General Government	\$ 987,828	\$ 12,795	\$ 87,666	\$ -	\$ (887,367)
Public Safety	1,177,842	26,700	-	-	(1,151,142)
Public Works	960,543	450,735	-	267,641	(242,167)
Municipal Court	101,508	106,620	-	-	5,112
Development Services	651,333	-	-	-	(651,333)
Animal Control	166,274	1,210	-	-	(165,064)
Fire Department	533,678	9,415	8,463	-	(515,800)
Economic Development	57,793	-	-	-	(57,793)
Parks and Recreation	287,790	-	-	-	(287,790)
Garbage and Recycling Service	310,521	335,698	-	-	25,177
Interest on Long-Term Debt	488,682	-	-	-	(488,682)
Total Governmental Activities	<u>\$ 5,723,792</u>	<u>\$ 943,173</u>	<u>\$ 96,129</u>	<u>\$ 267,641</u>	(4,416,849)
<b>GENERAL REVENUES</b>					
Taxes:					
Property, Levied for General Purposes					2,284,660
Property, Levied for Debt Service					884,443
Sales					1,709,184
Other					192,164
Franchise Fees					356,832
Interest					61,567
Other					166,283
Total General Revenues					<u>5,655,133</u>
<b>CHANGE IN NET POSITION</b>					1,238,284
Net Position - Beginning of Year					<u>10,089,399</u>
<b>NET POSITION - END OF YEAR</b>					\$ 11,327,683

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	General	Debt Service	Capital Improvement
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,176,730	\$ 135,344	\$ -
Receivables, Net	151,585	43,976	-
Due From Other Governments	136,628	-	-
Due From Other Funds	241,224	438,625	7,094
Restricted:			
Cash and Cash Equivalents	610,509	-	270,102
Total Assets	<u>\$ 6,316,676</u>	<u>\$ 617,945</u>	<u>\$ 277,196</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	\$ 109,020	\$ -	\$ 21,216
Intergovernmental Payables	16,807	-	-
Accrued Payroll Liabilities	85,948	-	-
Due to Other Funds	7,050	123,570	113,821
Total Liabilities	<u>218,825</u>	<u>123,570</u>	<u>135,037</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	104,419	43,975	-
Unavailable Revenue - Court Fines	36,685	-	-
Total Deferred Inflows of Resources	<u>141,104</u>	<u>43,975</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted For:			
TIF	610,509	-	-
Debt Service	-	450,400	-
Economic Development	-	-	-
Capital Improvements	3,599,143	-	142,159
Court Security	-	-	-
Court Technology	-	-	-
Tourism	-	-	-
Unassigned	1,747,095	-	-
Total Fund Balances	<u>5,956,747</u>	<u>450,400</u>	<u>142,159</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,316,676</u>	<u>\$ 617,945</u>	<u>\$ 277,196</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 5,312,074
-	-	4,455	200,016
68,314	68,315	-	273,257
3,638	-	3,412	693,993
236,503	722,080	251,887	2,091,081
<u>\$ 308,455</u>	<u>\$ 790,395</u>	<u>\$ 259,754</u>	<u>\$ 8,570,421</u>
\$ 417	\$ -	\$ 3,000	\$ 133,653
-	-	-	16,807
-	-	-	85,948
3,577	442,493	3,482	693,993
3,994	442,493	6,482	930,401
-	-	-	148,394
-	-	-	36,685
-	-	-	185,079
-	-	-	610,509
-	-	-	450,400
304,461	347,902	-	652,363
-	-	-	3,741,302
-	-	21,030	21,030
-	-	3,147	3,147
-	-	229,095	229,095
-	-	-	1,747,095
<u>304,461</u>	<u>347,902</u>	<u>253,272</u>	<u>7,454,941</u>
<u>\$ 308,455</u>	<u>\$ 790,395</u>	<u>\$ 259,754</u>	<u>\$ 8,570,421</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF JOSHUA, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
YEAR ENDED SEPTEMBER 30, 2020**

<b>Total Fund Balances - Governmental Funds Balance Sheet</b>	<b>\$ 7,454,941</b>
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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 balance sheet.	17,869,708
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Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	185,079
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The statement of net position includes the City's proportionate share of the TMRS net pension asset as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.

Net Pension Asset	\$ 190,015	
Deferred Outflows	77,449	
Deferred Inflows	(200,189)	67,275

Long-term liabilities, including capital leases and the related interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements.

Bonds Payable	(13,240,000)	
Capital Leases	(346,229)	
Accrued Interest Payable	(83,445)	
Unamortized Premiums	(356,887)	
Compensated Absences	(222,759)	(14,249,320)

<b>Net Position of Governmental Activities</b>	<b>\$ <u>11,327,683</u></b>
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**CITY OF JOSHUA, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2020**

	General	Debt Service	Capital Improvement
<b>REVENUES</b>			
Property Taxes	\$ 2,282,131	\$ 888,240	\$ -
Sales Taxes	858,132	-	-
Hotel Occupancy Taxes	-	-	-
Alcoholic Beverage Taxes	5,603	-	-
Fire District Taxes	153,000	-	-
Franchise Fees	356,832	-	-
Fines and Forfeitures	63,384	-	-
Grants and Contributions	96,129	-	267,641
Charges For Services	836,553	-	-
Investment Earnings	9,523	48,653	1,565
Miscellaneous	154,331	-	-
Total Revenues	<u>4,815,618</u>	<u>936,893</u>	<u>269,206</u>
<b>EXPENDITURES</b>			
General Government	832,478	-	-
Public Safety	1,081,018	-	-
Public Works	541,184	-	-
Municipal Court	97,661	-	-
Development Services	957,652	-	-
Animal Control	158,763	-	-
Fire Department	344,589	-	-
Economic Development	-	-	-
Debt Service:			
Principal	106,983	3,130,000	-
Interest	152,761	338,283	-
Capital Outlay	66,539	-	603,916
Total Expenditures	<u>4,339,628</u>	<u>3,468,283</u>	<u>603,916</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	475,990	(2,531,390)	(334,710)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	3,755,000	2,500,000	-
Bond Premiums	283,985	-	-
Transfers In	125,000	150,000	502,455
Transfers Out	(352,455)	-	-
Total Other Financing Sources (Uses)	<u>3,811,530</u>	<u>2,650,000</u>	<u>502,455</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,287,520	118,610	167,745
Fund Balances - Beginning of Year	<u>1,669,227</u>	<u>331,790</u>	<u>(25,586)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 5,956,747</u></u>	<u><u>\$ 450,400</u></u>	<u><u>\$ 142,159</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (CONTINUED)**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,170,371
425,526	425,526	-	1,709,184
-	-	33,561	33,561
-	-	-	5,603
-	-	-	153,000
-	-	-	356,832
-	-	6,551	69,935
-	-	-	363,770
-	-	-	836,553
851	975	-	61,567
-	11,952	-	166,283
<u>426,377</u>	<u>438,453</u>	<u>40,112</u>	<u>6,926,659</u>
-	-	-	832,478
-	-	-	1,081,018
-	-	-	541,184
-	-	3,388	101,049
-	-	-	957,652
-	-	-	158,763
-	-	-	344,589
44,125	13,668	-	57,793
145,000	-	-	3,381,983
75,727	-	-	566,771
-	-	-	670,455
<u>264,852</u>	<u>13,668</u>	<u>3,388</u>	<u>8,693,735</u>
161,525	424,785	36,724	(1,767,076)
-	-	-	6,255,000
-	-	-	283,985
-	-	-	777,455
(180,000)	(245,000)	-	(777,455)
<u>(180,000)</u>	<u>(245,000)</u>	<u>-</u>	<u>6,538,985</u>
(18,475)	179,785	36,724	4,771,909
<u>322,936</u>	<u>168,117</u>	<u>216,548</u>	<u>2,683,032</u>
<u>\$ 304,461</u>	<u>\$ 347,902</u>	<u>\$ 253,272</u>	<u>\$ 7,454,941</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2020**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 4,771,909**

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

Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (988,281)

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

Capital Outlays 539,914

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 35,417

Net pension liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and, therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount. 11,445

Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (12,948)

Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (53,207)

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.

Debt Issued	(6,255,000)
Premium on Bonds Issued	(283,985)
Unamortized bond premiums	76,613
Principal Repayments	<u>3,396,407</u>

**Change in Net Position of Governmental Activities** **\$ 1,238,284**

*See accompanying Notes to Basic Financial Statements.*

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Joshua, Texas (the City) is a Home Rule city 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.

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.

**A. Reporting Entity**

The City's basic financial statements include all activities, organizations, and functions for which the City is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the City are such that inclusion would cause the City's financial statements to be misleading or incomplete. The criteria considered in determining organizations to be reported as component units within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name);
- the City holds the corporate powers of the organization;
- the City appoints a voting majority of the organization's board;
- the City is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the City; and
- there is a fiscal dependency by the organization on the City.

Component units are blended with the balances and transactions of the City if one of the following criterion is met:

- The component unit is substantially the same governing body as the City; or
- The component unit provides services entirely (or almost entirely) to the City or benefits the City exclusively (or almost exclusively); or
- The City is able to impose its will on the component unit.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

The above criteria were applied to potential organizations to determine if the entity should be reported as part of the City. The following was determined:

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

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

*General Fund* – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in any other funds.

*Debt Service Fund* – accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of debt. This fund reports the portion of ad valorem taxes collected for debt purposes only.

*Capital Improvement Fund* – accounts for the proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

*Economic Development Fund* – established to account for sales tax revenues collected for the purposes set forth by the Joshua Economic Development Corporation.

*Community Development Fund* – established to account for sales tax revenues collected for the purposes set forth by the Joshua Community Development Corporation.

**D. Assets, Liabilities, and Net Position of Equity**

**Cash and Cash Equivalents**

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

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The Johnson County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred revenue.



**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position of Equity (Continued)**

**Receivables and Payables (Continued)**

As a City that operates under a home-rule charter, the City has a tax rate limitation of \$2.50 per \$100 assessed valuation. For the year ended September 30, 2020, the City had a tax rate of \$0.77527 per \$100 of which \$0.535015 was allocated for general government and \$0.240255 was allocated for payment of principal and interest on general long-term debt.

**Capital Assets**

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The City generally capitalizes assets with a cost of \$5,000 or more as purchases and outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. For information describing capital assets, see Note 2D.

Estimated useful lives, in years, for depreciable assets are as follows:

Infrastructure	30 Years
Buildings	50 Years
Buildings Improvements	20 Years
Vehicles	2 to 15 Years
Office Equipment	3 to 15 Years
Computer Equipment	3 to 15 Years

**Compensated Absences**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position of Equity (Continued)**

**Long-Term Obligations (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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in 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.

**Net Position**

Net Position represents the difference between assets, deferred inflows/outflows of resources, and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the government-wide financial statements, the City's restrictions on net position are for amounts that are not available for appropriation. The City's restricted net position is as follows:

Restricted for TIF	\$ 610,509
Restricted for Debt Service	410,930
Restricted for Economic Development	652,363
Restricted for Capital Improvement	139,012
Restricted for Court Security	21,030
Restricted for Court Technology	3,147
Restricted for Tourism	229,095
Total	<u><u>\$ 2,066,086</u></u>

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position of Equity (Continued)**

**Fund Balance**

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

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

*Nonspendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

*Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned:* This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

*Unassigned:* This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position of Equity (Continued)**

**Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements 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 has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has one type of item that qualifies for reporting in this category in the government-wide financial statements. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Position of Equity (Continued)**

**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.

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investment**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**Cash Deposits**

At September 30, 2020, the total carrying amounts of the City's deposits (restricted and unrestricted cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) were \$7,403,155 and the bank balances were \$7,471,667. The City's cash deposits at September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**Investments**

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local practices.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Deposits and Investment (Continued)**

**Investments (Continued)**

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

**Analysis of Specific Deposit and Investment Risks**

Professional standards require a determination as to whether the City was exposed to the following specific investment risks at year-end and, if so, the reporting of certain related disclosures:

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

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At year-end, the City was not exposed to custodial credit risk.

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

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

*Foreign Currency Risk:* This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables, Uncollectible Accounts, and Deferred Revenue**

**Sales Taxes Receivable**

Sales taxes are collected and remitted to the City by the State Comptroller's office. All sales taxes are collected within 60 days of year-end. At fiscal year-end, the receivables represent taxes collected but not yet received by the City and are recorded as revenue.

**Property Taxes Receivable and Deferred Revenue**

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

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

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

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

**Garbage and Recycling Receivables**

Garbage and Recycling service is provided by the City to all residents. Residents are billed quarterly for this service. The City allows for 50% of receivables aged more six months and 100% of receivables aged more than twelve months.

**Court Receivables**

The City allows for all outstanding court receivables aged more than three months.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables, Uncollectible Accounts, and Deferred Revenue (Continued)**

**Governmental Funds Receivables**

At September 30, 2020, receivables were as follows:

	Governmental Funds					Total
	General	Debt Service	Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	
Receivables:						
Property Tax	\$ 29,995	\$ 11,674	\$ -	\$ -	\$ -	\$ 41,669
Sales Tax	136,628	-	68,314	68,315	-	273,257
Other Taxes	-	-	-	-	4,455	4,455
Accounts	315,726	32,302	-	-	-	348,028
Gross Receivables	482,349	43,976	68,314	68,315	4,455	667,409
Less: Allowance for Uncollectibles	194,136	-	-	-	-	194,136
Net Total Receivables	<u>\$ 288,213</u>	<u>\$ 43,976</u>	<u>\$ 68,314</u>	<u>\$ 68,315</u>	<u>\$ 4,455</u>	<u>\$ 473,273</u>

**C. Restricted Assets**

At September 30, 2020, restricted assets consisted of the following:

	Governmental Activities
Cash and Cash Equivalents:	
TIF 1	\$ 610,509
Capital Improvements	270,102
Type A Sales Tax	236,503
Type B Sales Tax	722,080
Court Security	24,030
Court Technology	2,311
Hotel Occupancy	225,546
Total Restricted Cash and Cash Equivalents	<u>\$ 2,091,081</u>



**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 4,184,089	\$ -	\$ -	\$ 4,184,089
Construction in Progress	64,166	241,692	-	305,858
Total Capital Assets Not Being Depreciated	4,248,255	241,692	-	4,489,947
Capital Assets Being Depreciated:				
Buildings and Improvements	12,496,378	28,350	-	12,524,728
Furniture and Equipment	2,164,118	34,489	-	2,198,607
Streets and Improvements	7,125,340	-	-	7,125,340
Vehicles and Work Equipment	2,647,522	235,383	96,765	2,786,140
Total Capital Assets Being Depreciated	24,433,358	298,222	96,765	24,634,815
Less: Accumulated Depreciation for:				
Buildings and Improvements	3,167,389	256,613	-	3,424,002
Furniture and Equipment	1,995,410	91,152	-	2,086,562
Streets and Improvements	3,221,355	364,478	-	3,585,833
Vehicles and Work Equipment	1,979,384	276,038	96,765	2,158,657
Total Accumulated Depreciation	10,363,538	988,281	96,765	11,255,054
Total Capital Assets Being Depreciated, Net	14,069,820	(690,059)	96,765	13,379,761
Governmental Activities Capital Assets, Net	<u>\$ 18,318,075</u>	<u>\$ (448,367)</u>	<u>\$ 96,765</u>	<u>\$ 17,869,708</u>

At September 30, 2020, depreciation was charged to functions as follows:

General Government	\$ 105,328
Public Safety	94,615
Public Works	383,996
Development Services	4,009
Animal Control	6,864
Fire Department	187,692
Parks and Recreation	205,777
Total Depreciation Expense	<u>\$ 988,281</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations**

At September 30, 2020, the City's bonds payable consisted of the following:

<u>Description</u>	<u>Governmental</u>
2012 Combination Tax and Revenues Certificates of Obligation due in annual installments through 2023, bearing interest at a rate of 2.00%	\$ 3,655,000
2012 General Obligation Bonds due in annual installments through 2032, bearing interest at a rate of 2.00%	1,560,000
2018 Sales Tax Revenue Bonds due in annual installments through 2039, bearing interest at a rate of 2.59%	1,815,000
2019 General Obligation refunding bonds due in semi-annual installments through 2030, bearing interest at a rate of 1.84%	2,455,000
2020 General Obligation Bonds due in annual installments through 2034, bearing interest at a rate of 1.50%	<u>3,755,000</u>
Total	<u><u>\$ 13,240,000</u></u>

Changes in long-term obligations for the year ended September 30, 2020 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 5,830,000	\$ -	\$ 360,000	\$ 5,470,000	\$ 290,000
General Obligation Bonds	4,430,000	6,255,000	2,915,000	7,770,000	415,000
Unamortized Bond Premiums	149,515	283,985	76,613	356,887	-
Capital Leases	467,636	-	121,407	346,229	114,213
Compensated Absences	169,552	53,207	-	222,759	-
Total	<u>\$ 11,046,703</u>	<u>\$ 6,592,192</u>	<u>\$ 3,473,020</u>	<u>\$ 14,165,875</u>	<u>\$ 819,213</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Bonds and Notes Payable**

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Certificates of Obligation Due Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 290,000	\$ 156,846	\$ 446,846
2022	300,000	150,234	450,234
2023	310,000	143,345	453,345
2024	325,000	136,082	461,082
2025	335,000	128,423	463,423
2026-2029	1,475,000	425,067	1,900,067
2030-2034	1,810,000	279,895	2,089,895
2035-2039	625,000	69,822	694,822
Totals	<u>\$ 5,470,000</u>	<u>\$ 1,489,714</u>	<u>\$ 6,959,714</u>

General Obligation Bonds Due Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 415,000	\$ 185,560	\$ 600,560
2022	440,000	183,166	623,166
2023	480,000	170,859	650,859
2024	515,000	157,185	672,185
2025	525,000	142,798	667,798
2026-2030	2,845,000	468,660	3,313,660
2031-2040	2,550,000	235,175	2,785,175
Totals	<u>\$ 7,770,000</u>	<u>\$ 1,543,403</u>	<u>\$ 9,313,403</u>

The effective interest rate on outstanding bonds and notes ranged from 0.70% to 4.00% at September 30, 2020.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Obligations (Continued)**

**Capital Leases**

The City has entered into capital lease agreements. The total capitalized cost of equipment under capital leases is \$605,388 and the amortized value is \$375,580 at September 30, 2020. Amortization expense has been included in depreciation expense for the year ended September 30, 2020.

The following is a schedule of future minimum payments under the capital leases together with the present value of the minimum lease payments as of September 30, 2020:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 128,873
2022	128,873
2023	117,834
Total Payments	375,580
Less: Amount Representing Interest	29,351
Present Value of Net Minimum Lease Payments	<u>\$ 346,229</u>

**F. Interfund Balances and Activity**

Balances due to and due from other funds at September 30, 2020, consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Fund	Nonmajor Funds	\$ 3,482
General Fund	Debt Service	123,570
General Fund	Type B Economic Development	351
General Fund	Capital Improvements	113,821
Type A Economic Development	General Fund	3,638
Capital Improvements	Type A Economic Development	3,577
Capital Improvements	Type B Economic Development	3,517
Debt Service Fund	Type B Economic Development	438,625
Nonmajor Funds	General Fund	3,412
Total		<u>\$ 693,993</u>

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

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Interfund Balances and Activity (Continued)**

Transfers to and from other funds at September 30, 2020 consisted of the following:

Transfers from	Transfers to	Amount
Type A Economic Development	General Fund	\$ 30,000
Type B Economic Development	General Fund	95,000
Type B Economic Development	Debt Service Fund	150,000
Type A Economic Development	Capital Improvements Fund	150,000
General Fund	Capital Improvements Fund	352,455
Total		<u>\$ 777,455</u>

**NOTE 3 OTHER INFORMATION**

**A. 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. During fiscal year 2015, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies**

**Plan Description**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 agency multiple-employer retirement system for municipal employees in the state of Texas. The TMRS Act places the general administration and management of the System with a six- member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the state of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements; If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies (Continued)**

**Benefits Provided (Continued)**

A summary of plan provisions for the City are as follows:

Employee Deposit Rate	7%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility	20 Years to Any Age 5 Years at Age 60 and Above
Updated Service Credit	0%
Annuity Increase to Retirees	0% of CPI

The City does not participate in Social Security.

**Employees Covered by Benefit Terms**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	9
Inactive Employees Entitled to But Not Yet	
Receiving Benefits	50
Active Employees	35
Total	<u>94</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.18% and 5.17% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$90,164, and were equal to the required contributions.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies (Continued)**

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% Per Year
Overall Payroll Growth	3.0% Per Year
Investment Rate of Return	6.75%, Net of Pension Plan Investment Expense, Including Inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and the Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.



**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies (Continued)**

**Net Pension Liability (Continued)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0 %	5.30 %
Cor Fixed Income	10.0	1.25
Non-Core Fixed Income	20.0	4.14
Real Return	10.0	3.85
Real Estate	10.0	4.00
Absolute Return	10.0	3.48
Private Equity	10.0	7.75
Total	<u>100.0 %</u>	

**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 employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies (Continued)**

**Net Pension Liability (Continued)**

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension
	(a)	(b)	(a) - (b)
Balance - December 31, 2018	\$ 3,458,687	\$ 3,361,564	\$ 97,123
Changes for the Year:			
Service Cost	229,881	-	229,881
Interest	237,463	-	237,463
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(9,980)	-	(9,980)
Changes of Assumptions	3,425	-	3,425
Contributions - Employer	-	105,812	(105,812)
Contributions - Employee	-	124,068	(124,068)
Net Investment Income	-	521,071	(521,071)
Benefit Payments, Including Refunds of Employee Contributions	(111,310)	(111,310)	-
Administrative Expense	-	(2,936)	2,936
Other Changes	-	(88)	88
Net Changes	349,479	636,617	(287,138)
Balance - December 31, 2019	\$ 3,808,166	\$ 3,998,181	\$ (190,015)

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-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 Net Pension Liability	\$ 393,575	\$ (190,015)	\$ (666,318)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Defined Benefit Pension Policies (Continued)**

**Net Pension Liability (Continued)**

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

For the year ended September 30, 2020, the City recognized pension expense of \$26,035. At September 30, 2020, 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
Difference Between Expected and Actual Economic Experience	\$ -	\$ 80,021
Changes in Actuarial Assumptions	2,542	-
Difference Between Projected and Actual Investment Earnings	-	120,168
Contributions Subsequent to the Measurement Date	74,907	-
Total	<u>\$ 77,449</u>	<u>\$ 200,189</u>

\$74,907 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ (74,556)
2021	(64,715)
2022	458
2023	(58,834)
Total	<u>\$ (197,647)</u>

**C. 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.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3    OTHER INFORMATION (CONTINUED)**

**C.    Commitments and Contingencies (Continued)**

**Litigation**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF JOSHUA, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,255,715	\$ 2,273,485	\$ 2,282,131	\$ 8,646
Sales	802,725	842,860	858,132	15,272
Alcoholic Beverage	100	5,605	5,603	(2)
Fire District	153,000	153,000	153,000	-
Franchise Fees	372,645	360,275	356,832	(3,443)
Fines and Forfeitures	125,000	97,550	63,384	(34,166)
Grants and Contributions	166,810	9,360	96,129	86,769
Charges For Services	796,305	909,815	836,553	(73,262)
Investment Earnings	2,700	3,550	9,523	5,973
Miscellaneous	78,250	230,505	154,331	(76,174)
Total Revenues	4,753,250	4,886,005	4,815,618	(70,387)
<b>EXPENDITURES</b>				
Current:				
General Government	1,017,875	822,195	832,478	(10,283)
Public Safety	1,997,385	1,065,025	1,081,018	(15,993)
Public Works	762,145	585,835	541,184	44,651
Municipal Court	140,200	93,895	97,661	(3,766)
Development Services	620,855	874,080	957,652	(83,572)
Animal Control	167,900	152,390	158,763	(6,373)
Fire Department	634,500	326,640	344,589	(17,949)
Debt Service	125,730	125,725	259,744	(134,019)
Capital Outlay	-	124,610	66,539	58,071
Total Expenditures	5,466,590	4,170,395	4,339,628	(169,233)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	(713,340)	715,610	475,990	(239,620)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-	-	3,755,000	3,755,000
Bond Premiums	-	-	283,985	283,985
Transfers In	297,455	352,455	125,000	(227,455)
Transfers Out	297,455	352,455	(352,455)	-
Total Other Financing Sources (Uses)	594,910	704,910	3,811,530	3,811,530
<b>NET CHANGE IN FUND BALANCES</b>	(118,430)	1,420,520	4,287,520	3,571,910
Fund Balances - Beginning of Year	1,422,985	1,669,227	1,669,227	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,304,555</u>	<u>\$ 3,089,747</u>	<u>\$ 5,956,747</u>	<u>\$ 3,571,910</u>

See accompanying Note to Required Supplementary Information.

**CITY OF JOSHUA, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2020**

Plan Year	2015	2016	2017	2018	2019
<b>A. Total Pension Liability</b>					
Service Cost	\$ 207,231	\$ 222,255	\$ 207,242	\$ 217,867	\$ 229,881
Interest (on the Total Pension Liability)	164,060	186,581	203,201	224,113	237,463
Difference Between Expected and Actual Experience	(4,751)	(61,172)	18,030	(126,923)	(9,980)
Change of Assumptions	105,326	-	-	-	3,425
Benefit Payments, Including Refunds of Employee Contributions	(42,673)	(75,189)	(112,687)	(135,258)	(111,310)
Net Change in Total Pension Liability	429,193	272,475	315,786	179,799	349,479
Total Pension Liability - Beginning	2,261,434	2,690,627	2,963,102	3,278,888	3,458,687
Total Pension Liability - Ending (a)	<u>\$ 2,690,627</u>	<u>\$ 2,963,102</u>	<u>\$ 3,278,888</u>	<u>\$ 3,458,687</u>	<u>\$ 3,808,166</u>
<b>B. Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 75,539	\$ 87,382	\$ 89,253	\$ 100,554	\$ 105,812
Contributions - Employee	116,985	120,885	112,370	118,498	124,068
Net Investment Income	3,595	174,931	401,837	(101,524)	521,071
Benefit Payments, Including Refunds of Employee Contributions	(42,673)	(75,189)	(112,687)	(135,258)	(111,310)
Administrative Expenses	(2,189)	(1,974)	(2,078)	(1,958)	(2,936)
Other	(109)	(106)	(104)	(103)	(88)
Net Change in Plan Fiduciary Net Position	151,148	305,929	488,591	(19,791)	636,617
Plan Fiduciary Net Position - Beginning	2,435,687	2,586,835	2,892,764	3,381,355	3,361,564
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,586,835</u>	<u>\$ 2,892,764</u>	<u>\$ 3,381,355</u>	<u>\$ 3,361,564</u>	<u>\$ 3,998,181</u>
<b>C. Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ 103,792</u>	<u>\$ 70,338</u>	<u>\$ (102,467)</u>	<u>\$ 97,123</u>	<u>\$ (190,015)</u>
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	96.14%	96.14%	103.13%	97.19%	104.99%
<b>E. Covered Payroll</b>	1,671,215	1,726,924	1,605,284	1,692,826	1,772,403
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	6.21%	4.07%	6.38%	5.74%	-10.72%

See accompanying Note to Required Supplementary Information.

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2020**

<b>Fiscal Year</b>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarial Determined Contribution	\$ 70,288	\$ 79,966	\$ 86,697	\$ 96,073	\$ 107,693	\$ 81,307
Contributions in Relation to the Actuarially Determined Contribution	<u>70,288</u>	<u>79,966</u>	<u>86,697</u>	<u>96,073</u>	<u>107,693</u>	<u>81,307</u>
Contribution Deficiency (Excess)	-	-	-	-	-	-
Covered Employee Payroll	1,657,468	1,652,285	1,726,924	1,662,081	1,743,429	1,744,589
Contributions as a Percentage of Covered Employee Payroll	4.28%	4.84%	5.02%	5.78%	6.18%	4.66%

**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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.

Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.
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**Other Information**

Notes	There were no benefit changes during the year.
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**CITY OF JOSHUA, TEXAS  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)  
SEPTEMBER 30, 2020**

**NOTE 1    GENERAL FUND BUDGETARY ANALYSIS**

**Budgetary Information**

The City Council adopts an annual budget prepared on a non-GAAP basis. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds, and the legal level of control is the fund level.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the Debt Service Fund or in the General Fund. Revised budgets, if any, are used for budget versus actual comparisons.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF JOSHUA, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**DEBT SERVICE FUND**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Property Taxes	\$ 727,630	\$ 883,105	\$ 888,240	\$ 5,135
Investment Earnings	-	-	48,653	48,653
Total Revenues	727,630	883,105	936,893	53,788
<b>EXPENDITURES</b>				
Current:				
Debt Service - Principal	670,000	670,000	3,130,000	(2,460,000)
Debt Service - Interest	249,630	249,630	338,283	(88,653)
Total Expenditures	919,630	919,630	3,468,283	(88,653)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	(192,000)	(36,525)	(2,531,390)	142,441
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	150,000	150,000	150,000	-
Bond Proceeds	-	-	2,500,000	2,500,000
Total Other Financing Sources (Uses)	150,000	150,000	2,650,000	2,500,000
<b>NET CHANGE IN FUND BALANCES</b>	(42,000)	113,475	118,610	2,642,441
Fund Balances - Beginning of Year	201,109	330,944	331,790	846
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 159,109</u>	<u>\$ 444,419</u>	<u>\$ 450,400</u>	<u>\$ 2,643,287</u>

**CITY OF JOSHUA, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**TYPE A ECONOMIC DEVELOPMENT CORPORATION**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Sales Tax	\$ 401,365	\$ 421,430	\$ 425,526	\$ 4,096
Investment Earnings	600	850	851	1
Total Revenues	401,965	422,280	426,377	4,097
<b>EXPENDITURES</b>				
Current:				
Economic Development	32,500	27,200	44,125	(16,925)
Debt Service	220,730	220,730	220,727	3
Total Expenditures	253,230	247,930	264,852	(16,922)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	148,735	174,350	161,525	21,019
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	180,000	180,000	(180,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	328,735	354,350	(18,475)	21,019
Fund Balances - Beginning of Year	252,758	356,143	322,936	235,073
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 581,493</u>	<u>\$ 710,493</u>	<u>\$ 304,461</u>	<u>\$ 256,092</u>

**CITY OF JOSHUA, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**TYPE B ECONOMIC DEVELOPMENT CORPORATION**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Sales Tax	\$ 401,365	\$ 421,430	\$ 425,526	\$ 4,096
Investment Earnings	1,000	1,000	975	(25)
Miscellaneous	-	2,500	11,952	9,452
Total Revenues	402,365	424,930	438,453	13,523
<b>EXPENDITURES</b>				
Economic Development	24,000	23,170	13,668	9,502
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	378,365	401,760	424,785	4,021
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	315,250	245,000	(245,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	693,615	646,760	179,785	4,021
Fund Balances - Beginning of Year	32,643	32,643	168,143	29,685
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 726,258</u>	<u>\$ 679,403</u>	<u>\$ 347,928</u>	<u>\$ 33,706</u>

**CITY OF JOSHUA, TEXAS  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel Occupancy</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>				
Receivables, Net	\$ -	\$ 532	\$ 3,923	\$ 4,455
Restricted Cash and Cash Equivalents	24,030	2,311	225,546	251,887
Due from Other Funds	<u>-</u>	<u>3,412</u>	<u>-</u>	<u>3,412</u>
Total Assets	<u><u>\$ 24,030</u></u>	<u><u>\$ 6,255</u></u>	<u><u>\$ 229,469</u></u>	<u><u>\$ 259,754</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,000	\$ -	\$ -	\$ 3,000
Due to Other Funds	<u>-</u>	<u>3,108</u>	<u>374</u>	<u>3,482</u>
Total Liabilities	3,000	3,108	374	6,482
<b>FUND BALANCES</b>				
Restricted for:				
Court Security	21,030	-	-	21,030
Court Technology	-	3,147	-	3,147
Tourism	-	-	229,095	229,095
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>21,030</u></u>	<u><u>3,147</u></u>	<u><u>229,095</u></u>	<u><u>253,272</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 24,030</u></u>	<u><u>\$ 6,255</u></u>	<u><u>\$ 229,469</u></u>	<u><u>\$ 259,754</u></u>

**CITY OF JOSHUA, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2020**

	Court Security	Court Technology	Hotel Occupancy	Total Other Governmental Funds
<b>REVENUES</b>				
Hotel Occupancy Taxes	\$ -	\$ -	\$ 33,561	\$ 33,561
Fines and Forfeitures	3,241	3,310	-	6,551
Total Revenues	<u>3,241</u>	<u>3,310</u>	<u>33,561</u>	<u>40,112</u>
<b>EXPENDITURES</b>				
Current:				
Municipal Court	-	3,388	-	3,388
Total Expenditures	<u>-</u>	<u>3,388</u>	<u>-</u>	<u>3,388</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,241	(78)	33,561	36,724
Fund Balances - Beginning of Year	<u>17,789</u>	<u>3,225</u>	<u>195,534</u>	<u>216,548</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 21,030</u>	<u>\$ 3,147</u>	<u>\$ 229,095</u>	<u>\$ 253,272</u>

## **INTERNAL CONTROL REPORT**





**INDEPENDENT AUDITORS' 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***

Honorable Mayor and  
Members of the 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, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Joshua, Texas's basic financial statements, and have issued our report thereon dated March 22, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Joshua'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Joshua'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*.

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

City of Joshua, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Joshua, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



**CliftonLarsonAllen LLP**

Fort Worth Texas  
March 22, 2021

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED SEPTEMBER 30, 2020**

**FINDING 2020-001**

**Type of Finding:** Significant Deficiency in Internal Control

**Criteria or specific requirement:** The City did not prepare its own financial statements.

**Condition:** CLA prepared the financial statements of the City in conformance with accounting principles generally accepted in the United States of America.

**Context:** The City does not currently prepare its own financial statements, including all of the required financial statement disclosures and reporting entries to properly reflect restrictions on net position. However, staff has sufficient skills, knowledge, and experience to review the financial statements and note disclosures to determine their accuracy and completeness.

**Cause:** As part of a time/cost savings the City requested the auditor to prepare the financial statements.

**Effect:** The design of the internal controls over the financial reporting process could affect the ability of the City to report their financial data consistently with the assertions of management in the financial statements.

**Repeat Finding:** This is a prior year finding that has not been remedied.

**Recommendation:** The City should weigh the costs and benefits involved with training personnel to draft its own financial statements in conformance with accounting principles generally accepted in the United States of America.

**Views of responsible officials:** There is no disagreement with the audit finding.