

**CITY OF JOSHUA, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2021**



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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Joshua, Texas  
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, (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's 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 opinions.

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, 2021, 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, schedule of pension contributions, schedule of changes in total OPEB liability and related ratios, and schedule of OPEB contributions on pages 4 through 9 and 41 through 47 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***

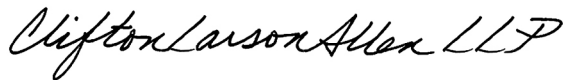
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Joshua, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and 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 16, 2022, 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 16, 2022

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

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, 2021. We encourage readers to consider the information presented here in conjunction with the City's financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources for the City of Joshua exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,315,101. Of this amount, \$6,075,180 (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 \$2,987,418. This increase is due to increases in property and sales taxes as well as additional miscellaneous income from the American Rescue Plan Act.
- As of the close of the current fiscal year, the City of Joshua's governmental funds reported combined ending fund balances of \$9,359,669, an increase of \$1,904,728 in comparison with the prior year. Approximately 66% of this amount, \$6,192,958 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 \$6,516,687 or 142% 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, 2021**

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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Improvement Fund, Type A Economic Development Corporation Fund, and Type B Community Development Corporation Fund, which are considered to be major funds. Data from the other three 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, 2021**

**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 \$14,315,101 at the close of the most recent fiscal year. The City's net investment in capital assets (\$4,814,469 or 34%) 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	
	2021	2020
Current Assets	\$ 10,061,106	\$ 7,875,896
Noncurrent Assets	18,227,419	18,059,723
Total Assets	<u>28,288,525</u>	<u>25,935,619</u>
Deferred Outflows of Resources	<u>104,606</u>	<u>77,449</u>
Current Liabilities	1,501,946	1,138,534
Noncurrent Liabilities	12,380,934	13,346,662
Total Liabilities	<u>13,882,880</u>	<u>14,485,196</u>
Deferred Inflows of Resources	<u>195,150</u>	<u>200,189</u>
<b>Net Position</b>		
Net Investment in Capital Assets	4,814,469	7,441,531
Restricted	3,425,452	2,066,086
Unrestricted	6,075,180	1,820,066
Total Net Position	<u>\$ 14,315,101</u>	<u>\$ 11,327,683</u>

An additional portion of the City of Joshua's net position (\$3,425,452 or 24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,075,180 or 42%) 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, 2021**

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 \$2,987,418. 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 \$1,238,284 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	
	2021	2020
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 1,355,012	\$ 943,173
Operating Grant and Contributions	1,357,020	96,129
Capital Grants and Contributions	187,320	267,641
General Revenues:		
Taxes	5,606,670	5,070,451
Franchise Fees	346,471	356,832
Interest	959	61,567
Other	118,962	166,283
Total Revenues	<u>8,972,414</u>	<u>6,962,076</u>
<b>Expenses</b>		
General Government	1,008,011	987,828
Public Safety	1,178,237	1,177,842
Public Works	975,198	960,543
Municipal Court	101,873	101,508
Development Services	526,994	651,333
Animal Control	166,606	166,274
Fire Department	608,190	533,678
Economic Development	78,390	57,793
Parks and Recreation	295,746	287,790
Garbage and Recycling Service	317,987	310,521
Interest on Long-Term	300,781	488,682
Loss on Sale of Assets	426,983	-
Total Expenditures	<u>5,984,996</u>	<u>5,723,792</u>
<b>Change In Net Position</b>	2,987,418	1,238,284
Net Position - Beginning of Year	<u>11,327,683</u>	<u>10,089,399</u>
<b>Net Position - End of Year</b>	<u><u>\$ 14,315,101</u></u>	<u><u>\$ 11,327,683</u></u>

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**Capital Assets**

The City's investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$4,814,469 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure.

**City of Joshua, Texas' Capital Assets  
(Net of Depreciation)**

	Governmental Activities	
	2021	2020
Land	\$ 3,184,386	\$ 4,184,089
Construction in Progress	1,287,850	305,858
Buildings and Improvements	12,547,728	12,524,728
Furniture and Equipment	2,205,162	2,198,607
Streets and Improvements	7,747,999	7,125,340
Vehicles	2,865,533	2,786,140
Totals at Historical Cost	29,838,658	29,124,762
Total Accumulated Depreciation	11,894,313	11,255,054
Total Net Assets	<u>\$ 17,944,345</u>	<u>\$ 17,869,708</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At year-end, the City had \$13,103,078 in bonds and leases outstanding. \$12,871,062 are general obligation bonds that are backed by the full faith and credit of the City and \$232,016 are capital leases outstanding.

	Governmental Activities	
	2021	2020
Bonds Payable	\$ 12,871,062	\$ 13,596,889
Capital Leases	232,016	346,229
Total Long-Term Debt	<u>\$ 13,103,078</u>	<u>\$ 13,943,118</u>

More detailed information about the City's debt is presented in the notes to the financial statements.

**CITY OF JOSHUA, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,359,669. \$3,166,711 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 \$6,192,958 constitutes unassigned fund balance.

Of the \$9,359,669 ending fund balance, \$215,086 is accounted for in nonmajor governmental funds. The General Fund balance is \$7,279,967 at year-end, an increase of \$1,323,220 due to an increase in property tax revenues.

The Debt Service Fund balance increased \$54,375 to \$504,775 at year-end. This increase is primarily the result of increased property tax revenues for debt service. The Capital Improvement Fund balance decreased (\$465,888) to a year-end total of (\$323,729). This decrease is caused by decreased debt allocated to capital improvements. The Type A Economic Development Corporation Fund balance increased \$782,398 to a year-end total of \$1,086,859. This increase is due to the sale of property in Joshua Station. The Type B Community Development Corporation Fund balance increased \$248,809 to a year-end total of \$596,711. This increase is primarily related to sales tax revenues offset by transfers out of the fund.

**General Fund Budgetary Highlights** – The actual expenditures for the year were \$4,592,491, which was \$1,279,069 over budget. This is primarily due to being over budgeted for expenditures in debt service and developmental service.

For FY 2021, actual revenues were \$6,863,839 as compared to the budgeted amount of \$5,094,730, primarily due to ARPA and CARES Act grant funds received and charges for services over budgeted amounts.

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

The City expects revenues to increase due to continued commercial and residential development.

**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, 2021**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash And Cash Equivalents	\$ 6,547,181
Receivables, Net	198,613
Due from Other Governments	416,605
Restricted Cash and Cash Equivalents	2,898,707
Total Current Assets	<u>10,061,106</u>
Noncurrent Assets:	
Net Pension Asset	283,074
Capital Assets:	
Nondepreciable Assets	4,472,236
Depreciable Assets, Net	13,472,109
Total Noncurrent Assets	<u>18,227,419</u>
Total Assets	28,288,525
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows related to TMRS	86,174
Deferred Outflows related to OPEB	18,432
Total Deferred Outflows of Resources	<u>104,606</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	379,595
Intergovernmental Payables	8,162
Accrued Payroll Liabilities	119,044
Accrued Interest Payable	63,550
Current Portion of Long-Term Debt, Due Within One Year	859,080
Total OPEB Liability	72,515
Total Current Liabilities	<u>1,501,946</u>
Noncurrent Liabilities:	
Long-Term Debt, Due in More Than One Year	11,907,936
Accreted Bond Premium Payable	336,030
Compensated Absences	136,968
Total Noncurrent Liabilities	<u>12,380,934</u>
Total Liabilities	13,882,880
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to TMRS	191,126
Deferred Inflows Related to OPEB	4,024
Total Deferred Inflows of Resources	<u>195,150</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,814,469
Restricted for:	
TIF	763,280
Debt Service	480,442
Economic Development	1,683,570
Court Security	26,688
Court Technology	6,869
Tourism	181,529
Pension	283,074
Unrestricted	6,075,180
Total Net Position	<u><u>\$ 14,315,101</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2021**

<u>Functions/Programs</u>	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	\$ 1,008,011	\$ 14,591	\$ 1,353,020	\$ -	\$ 359,600
Public Safety	1,178,237	18,400	-	-	(1,159,837)
Public Works	975,198	794,610	-	187,320	6,732
Municipal Court	101,873	179,478	-	-	77,605
Development Services	526,994	-	-	-	(526,994)
Animal Control	166,606	1,385	-	-	(165,221)
Fire Department	608,190	9,172	4,000	-	(595,018)
Economic Development	78,390	-	-	-	(78,390)
Parks and Recreation	295,746	-	-	-	(295,746)
Garbage and Recycling Service	317,987	337,376	-	-	19,389
Loss on Sale of Assets	426,983	-	-	-	(426,983)
Interest on Long-Term Debt	300,781	-	-	-	(300,781)
Total Governmental Activities	<u>\$ 5,984,996</u>	<u>\$ 1,355,012</u>	<u>\$ 1,357,020</u>	<u>\$ 187,320</u>	<u>(3,085,644)</u>
<b>GENERAL REVENUES</b>					
Taxes:					
Property, Levied for General Purposes					2,520,488
Property, Levied for Debt Service					804,824
Sales					2,076,937
Other					204,421
Franchise Fees					346,471
Interest					959
Other					118,962
Total General Revenues					<u>6,073,062</u>
<b>CHANGE IN NET POSITION</b>					2,987,418
Net Position - Beginning of Year					<u>11,327,683</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 14,315,101</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	General	Debt Service	Capital Improvement
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,357,461	\$ 189,720	\$ -
Receivables, Net	155,473	39,218	-
Due From Other Governments	208,303	-	-
Due From Other Funds	241,227	438,625	7,096
Restricted:			
Cash and Cash Equivalents	763,280	-	-
Total Assets	<u>\$ 7,725,744</u>	<u>\$ 667,563</u>	<u>\$ 7,096</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	\$ 156,100	\$ -	\$ 217,004
Intergovernmental Payables	8,162	-	-
Accrued Payroll Liabilities	119,044	-	-
Due to Other Funds	7,052	123,571	113,821
Total Liabilities	<u>290,358</u>	<u>123,571</u>	<u>330,825</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	118,734	39,217	-
Unavailable Revenue - Court Fines	36,685	-	-
Total Deferred Inflows of Resources	<u>155,419</u>	<u>39,217</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
TIF	763,280	-	-
Debt Service	-	504,775	-
Economic Development	-	-	-
Court Security	-	-	-
Court Technology	-	-	-
Tourism	-	-	-
Unassigned	6,516,687	-	(323,729)
Total Fund Balances	<u>7,279,967</u>	<u>504,775</u>	<u>(323,729)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,725,744</u>	<u>\$ 667,563</u>	<u>\$ 7,096</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2021**

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 6,547,181
-	-	4,454	199,145
104,151	104,151	-	416,605
3,638	-	3,412	693,998
983,672	935,053	216,702	2,898,707
<u>\$ 1,091,461</u>	<u>\$ 1,039,204</u>	<u>\$ 224,568</u>	<u>\$ 10,755,636</u>
\$ 1,023	\$ -	\$ 6,000	\$ 380,127
-	-	-	8,162
-	-	-	119,044
3,579	442,493	3,482	693,998
4,602	442,493	9,482	1,201,331
-	-	-	157,951
-	-	-	36,685
-	-	-	194,636
-	-	-	763,280
-	-	-	504,775
1,086,859	596,711	-	1,683,570
-	-	26,688	26,688
-	-	6,869	6,869
-	-	181,529	181,529
-	-	-	6,192,958
1,086,859	596,711	215,086	9,359,669
<u>\$ 1,091,461</u>	<u>\$ 1,039,204</u>	<u>\$ 224,568</u>	<u>\$ 10,755,636</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, 2021**

**Total Fund Balances - Governmental Funds Balance Sheet** **\$ 9,359,669**

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. 17,944,345

Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements. 194,636

The statement of net position includes the City's proportionate share of the TMRS net pension asset, the City's OPEB liability as well as certain pension and OPEB related transactions accounted for as Deferred Inflows and Outflows of resources.

Net Pension Asset	\$ 283,074		
OPEB Liability	(72,515)		
Deferred Outflows	104,606		
Deferred Inflows	<u>(195,150)</u>		120,015

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	(12,535,000)		
Capital Leases	(232,016)		
Accrued Interest Payable	(63,550)		
Unamortized Premiums	(336,030)		
Compensated Absences	<u>(136,968)</u>		<u>(13,303,564)</u>

**Net Position of Governmental Activities** **\$ 14,315,101**

**CITY OF JOSHUA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2021**

	General	Debt Service	Capital Improvement
<b>REVENUES</b>			
Property Taxes	\$ 2,506,173	\$ 809,582	\$ -
Sales Taxes	1,042,059	-	-
Hotel Occupancy Taxes	-	-	-
Alcoholic Beverage Taxes	11,689	-	-
Fire District Taxes	155,976	-	-
Franchise Fees	346,471	-	-
Fines and Forfeitures	163,566	-	-
Grants and Contributions	1,357,020	-	187,320
Charges For Services	1,175,534	-	-
Investment Earnings	85	-	742
Miscellaneous	105,266	-	-
Total Revenues	<u>6,863,839</u>	<u>809,582</u>	<u>188,062</u>
<b>EXPENDITURES</b>			
General Government	944,366	-	-
Public Safety	1,173,803	-	-
Public Works	605,484	-	-
Municipal Court	99,123	-	-
Development Services	853,188	-	-
Animal Control	188,217	-	-
Fire Department	557,869	-	-
Economic Development	-	-	-
Debt Service:			
Principal	98,690	640,000	-
Interest	14,788	269,997	-
Capital Outlay	56,963	-	2,156,272
Total Expenditures	<u>4,592,491</u>	<u>909,997</u>	<u>2,156,272</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,271,348	(100,415)	(1,968,210)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of assets	7,175	-	17,000
Transfers In	145,697	154,790	1,485,322
Transfers Out	(1,101,000)	-	-
Total Other Financing Sources (Uses)	<u>(948,128)</u>	<u>154,790</u>	<u>1,502,322</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,323,220	54,375	(465,888)
Fund Balances - Beginning of Year	<u>5,956,747</u>	<u>450,400</u>	<u>142,159</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 7,279,967</u></u>	<u><u>\$ 504,775</u></u>	<u><u>\$ (323,729)</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF JOSHUA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2021**

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,315,755
517,439	517,439	-	2,076,937
-	-	36,756	36,756
-	-	-	11,689
-	-	-	155,976
-	-	-	346,471
-	-	15,912	179,478
-	-	-	1,544,340
-	-	-	1,175,534
66	66	-	959
-	13,696	-	118,962
<u>517,505</u>	<u>531,201</u>	<u>52,668</u>	<u>8,962,857</u>
312	-	-	944,678
-	-	-	1,173,803
-	-	-	605,484
-	-	6,532	105,655
-	-	-	853,188
-	-	-	188,217
-	-	-	557,869
66,485	11,905	-	78,390
65,000	-	-	803,690
72,271	-	-	357,056
-	-	-	2,213,235
<u>204,068</u>	<u>11,905</u>	<u>6,532</u>	<u>7,881,265</u>
313,437	519,296	46,136	1,081,592
798,961	-	-	823,136
-	-	-	1,785,809
<u>(330,000)</u>	<u>(270,487)</u>	<u>(84,322)</u>	<u>(1,785,809)</u>
<u>468,961</u>	<u>(270,487)</u>	<u>(84,322)</u>	<u>823,136</u>
782,398	248,809	(38,186)	1,904,728
<u>304,461</u>	<u>347,902</u>	<u>253,272</u>	<u>7,454,941</u>
<u>\$ 1,086,859</u>	<u>\$ 596,711</u>	<u>\$ 215,086</u>	<u>\$ 9,359,669</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, 2021**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,904,728**

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. (825,460)

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	2,150,216
Capital Asset Disposals	(1,250,119)

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. 9,557

Net pension and OPEB 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. 52,770

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. 19,895

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. 85,791

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.

Unamortized bond premiums	20,827
Principal Repayments	705,000
Payments on Capital Leases	114,213

**Change in Net Position of Governmental Activities** **\$ 2,987,418**

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 or
- the City owns or acquires a majority of the equity interest in a legally separate organization.

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, 2021**

**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, 2021**

**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, 2021**

**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 net position, 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 unavailable revenue.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**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, 2021, 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:

Streets and Improvements	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, 2021**

**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 and OPEB**

For purposes of measuring the net pension asset. OPEB liability, pension/ OPEB related deferred outflows and inflows of resources, and pension/OPEB 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	\$ 763,280
Restricted for Debt Service	480,442
Restricted for Economic Development	1,683,570
Restricted for Capital Improvement	-
Restricted for Court Security	26,688
Restricted for Court Technology	6,869
Restricted for Tourism	181,529
Restricted for Pension	283,074
Total	<u>\$ 3,425,452</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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, 2021**

**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 pension and OPEB related items that qualify for reporting in this category.

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, 2021**

**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, 2021, 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, 2021 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, 2021**

**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, 2021**

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

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

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

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

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

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

**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, 2021**

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

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

**Governmental Funds Receivables**

At September 30, 2021, 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	\$ 29,239	\$ 9,400	\$ -	\$ -	\$ -	\$ 38,639
Other Taxes	-	-	-	-	4,454	4,454
Accounts	379,765	29,818	-	-	-	409,583
Due from Other Governments	208,303	-	104,151	104,151	-	416,605
Gross Receivables	617,307	39,218	104,151	104,151	4,454	869,281
Less: Allowance for Uncollectibles	253,531	-	-	-	-	253,531
Net Total Receivables	<u>\$ 363,776</u>	<u>\$ 39,218</u>	<u>\$ 104,151</u>	<u>\$ 104,151</u>	<u>\$ 4,454</u>	<u>\$ 615,750</u>

**C. Restricted Assets**

At September 30, 2021, restricted assets consisted of the following:

	Governmental Activities
Cash and Cash Equivalents:	
TIF 1	\$ 763,280
Type A Sales Tax	983,672
Type B Sales Tax	935,053
Court Security	32,688
Court Technology	6,033
Hotel Occupancy	177,981
Total Restricted Cash and Cash Equivalents	<u>\$ 2,898,707</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 4,184,089	\$ 250,416	\$ (1,250,119)	\$ 3,184,386
Construction in Progress	305,858	981,992	-	1,287,850
Total Capital Assets Not Being Depreciated	4,489,947	1,232,408	(1,250,119)	4,472,236
Capital Assets Being Depreciated:				
Buildings and Improvements	12,524,728	23,000	-	12,547,728
Furniture and Equipment	2,198,607	6,555	-	2,205,162
Streets and Improvements	7,125,340	622,659	-	7,747,999
Vehicles and Work Equipment	2,786,140	265,594	(186,201)	2,865,533
Total Capital Assets Being Depreciated	24,634,815	917,808	(186,201)	25,366,422
Less: Accumulated Depreciation for:				
Buildings and Improvements	3,424,002	256,633	-	3,680,635
Furniture and Equipment	2,086,562	45,082	-	2,131,644
Streets and Improvements	3,585,833	379,260	-	3,965,093
Vehicles and Work Equipment	2,158,657	144,485	(186,201)	2,116,941
Total Accumulated Depreciation	11,255,054	825,460	(186,201)	11,894,313
Total Capital Assets Being Depreciated, Net	13,379,761	92,348	(186,201)	13,472,109
Governmental Activities Capital Assets, Net	<u>\$ 17,869,708</u>	<u>\$ 1,324,756</u>	<u>\$ (1,436,320)</u>	<u>\$ 17,944,345</u>

At September 30, 2021, depreciation was charged to functions as follows:

General Government	\$ 110,377
Public Safety	46,617
Public Works	396,820
Development Services	-
Animal Control	6,884
Fire Department	66,700
Parks and Recreation	198,062
Total Depreciation Expense	<u>\$ 825,460</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

**E. Long-Term Obligations**

At September 30, 2021, 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%	\$ 3,430,000
2012 General Obligation Bonds due in annual installments through 2032, bearing interest at a rate of 2.00%	1,450,000
2018 Sales Tax Revenue Bonds due in annual installments through 2039, bearing interest at a rate of 2.59%	1,750,000
2019 General Obligation refunding bonds due in semi-annual installments through 2030, bearing interest at a rate of 1.84%	2,230,000
2020 General Obligation Bonds due in annual installments through 2034, bearing interest at a rate of 1.50%	<u>3,675,000</u>
Total	<u><u>\$ 12,535,000</u></u>

Changes in long-term obligations for the year ended September 30, 2021 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 5,470,000	\$ -	\$ 290,000	\$ 5,180,000	\$ 300,000
General Obligation Bonds	7,770,000	-	415,000	7,355,000	440,000
Unamortized Bond Premiums	356,889	-	20,827	336,062	-
Capital Leases	346,229	-	114,213	232,016	119,080
Compensated Absences	222,759	-	85,791	136,968	-
Total	<u>\$ 14,165,877</u>	<u>\$ -</u>	<u>\$ 925,831</u>	<u>\$ 13,240,046</u>	<u>\$ 859,080</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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, 2021, are as follows:

Certificates of Obligation Due Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	350,000	120,370	470,370
2027-2031	1,940,000	454,593	2,394,593
2032-2036	1,230,000	174,055	1,404,055
2037-2039	390,000	25,764	415,764
Totals	<u>\$ 5,180,000</u>	<u>\$ 1,332,865</u>	<u>\$ 6,512,865</u>

General Obligation Bonds Due Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	540,000	127,444	667,444
2027-2031	2,665,000	389,679	3,054,679
2032-2040	2,190,000	186,713	2,376,713
Totals	<u>\$ 7,355,000</u>	<u>\$ 1,357,843</u>	<u>\$ 8,712,843</u>

The effective interest rate on outstanding bonds and notes ranged from 1.50% to 4.00% at September 30, 2021.

**Capital Leases**

The City has entered into capital lease agreements. The total capitalized cost of equipment under capital leases is \$532,543 and the amortized value is \$246,706 at September 30, 2021. Amortization expense has been included in depreciation expense for the year ended September 30, 2021.

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, 2021:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 128,873
2023	117,833
Total Payments	246,706
Less: Amount Representing Interest	14,690
Present Value of Net Minimum Lease Payments	<u>\$ 232,016</u>

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

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

**F. Interfund Balances and Activity**

Balances due to and due from other funds at September 30, 2021, consisted of the following:

Due to Fund	Due from Fund	Amount
General Fund	Nonmajor Funds	\$ 3,484
General Fund	Debt Service	123,571
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	3,579
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><u>\$ 693,998</u></u>

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

Transfers to and from other funds at September 30, 2021 consisted of the following:

Transfers from	Transfers to	Amount
Type A Economic Development	General Fund	\$ 30,000
Type B Community Development	General Fund	115,697
Nonmajor Funds	Capital Improvements Fund	84,322
Type B Community Development	Debt Service Fund	154,790
Type A Economic Development	Capital Improvements Fund	300,000
General Fund	Capital Improvements Fund	1,101,000
Total		<u><u>\$ 1,785,809</u></u>

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

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

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

**B. Defined Benefit Pension Policies**

**Plan Description**

The City participates as one of 883 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

**Benefits Provided**

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

At retirement, the 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.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

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

**Benefits Provided (Continued)**

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).

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, 2020 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	52
Active Employees	35
Total	<u>96</u>

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

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

**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, 2021 were \$112,107, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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 three-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.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

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

**Net Pension Liability (Continued)**

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.

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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0 %	5.30 %
Core Fixed Income	10.0	1.25
Noncore 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	100.0 %	

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

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

**Net Pension Liability (Continued)**

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (a) - (b)
Balance - December 31, 2019	\$ 3,808,166	\$ 3,998,181	\$ (190,015)
Changes for the Year:			
Service Cost	223,786	-	223,786
Interest	260,770	-	260,770
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(55,945)	-	(55,945)
Changes of Assumptions	-	-	-
Contributions - Employer	-	98,509	(98,509)
Contributions - Employee	-	120,965	(120,965)
Net Investment Income	-	304,236	(304,236)
Benefit Payments, Including Refunds of Employee Contributions	(113,595)	(113,595)	-
Administrative Expense	-	(1,964)	1,964
Other Changes	-	(77)	77
Net Changes	315,016	408,074	(93,058)
Balance - December 31, 2020	\$ 4,123,182	\$ 4,406,255	\$ (283,073)

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 one-percentage-point lower (5.75%) of one-percentage-higher (7.75%) than the current rate:

	One Percent Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	One Percent Increase In Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ 326,828	\$ (283,074)	\$ (783,328)

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

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

**Net Pension Liability (Continued)**

**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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2021, the City recognized pension expense (income) of (\$2,729). At September 30, 2021, 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	\$ -	\$ 77,730
Changes in Actuarial Assumptions	1,659	-
Difference Between Projected and Actual Investment Earnings	-	113,396
Contributions Subsequent to the Measurement Date	84,515	-
Total	\$ 86,174	\$ 191,126

\$84,515 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2022	(88,643)
2023	(23,470)
2024	(70,483)
2025	(6,871)
Total	\$ (189,467)

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits**

**Plan Description**

The City provides a defined benefit group term life insurance death benefit through the Supplemental Death Benefits Fund (SDBF) administered the by Texas Municipal Retirement System (TMRS). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City has elected to offer these benefits to retirees of the municipality. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e.no assets are accumulated). As such, the SDBF is considered to be a single-employer unfunded OPEB plan, with benefit payments treated as being equal to the employer's yearly contributions for retirees.

**Benefits**

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. There was no sharing of benefit-related costs with inactive employees for the plan year

**Employees Covered by Benefit Terms**

At the December 31, 2020 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees Currently Receiving Benefits	7
Inactive Employees Entitled to But Not Yet Receiving Benefits	4
Active Employees	35
Total	<u>46</u>

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from those eligible under the TMRS pension plan as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits**

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The contribution rate is determined annually for each participating municipality as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serve as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire career. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The employer contribution rates for the municipalities participating in the SDBG are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are determined actuarially, based on the plan provisions in effect as of April 1, 2020 and the actuarial assumptions and methodology adopted by the Board. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one (1) year after the valuation date. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January.

**Schedule of Contributions – Retiree: only portion of the rate, for OPEB:**

<u>Plan/Calendar Year</u>	Total SDB Contribution	Retiree Portion of SDB
	<u>Rate</u>	<u>Contribution Rate</u>
2021	0.10%	0.03%
2020	0.10%	0.01%

The City's contributions to the SDBF for the year ended September 30, 2021 were \$580.

**Total OPEB Liability**

The total OPEB liability (TOL) shown in this report is based on an actuarial valuation performed as of December 31, 2020 and a measurement date of December 31, 2020; as such, no roll-forward is required.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits**

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate*	2.00%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All Administrative Expenses are Paid Through the Pension Trust and Accounted for Under Reporting Requirements Under GASB

*\*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2020.*

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2019. They were adopted in 2019 and first used in the December 31, 2020 actuarial valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable. Mortality rates for the SDBF were the same as those used for the pension trust fund. See the TMRS pension plan note for mortality rate information. For purposes of calculating an employer's actuarially determined contribution rate, the one-year term cost is used. The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method.

**Changes in Actuarial Assumptions and Methods**

Mortality Assumptions were modified as of the December 31, 2020 valuation. In addition, premiums for retirees are based on the full \$7,500 benefit. A credit is granted against premiums for active employees equal to 2% of the SDB Fund balance as of the valuation date expressed as a percentage of payroll.

**Investment Return and Valuation of Assets**

The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis, each December 31 based on the mean balance in the SDBF during the year. Thus, the SDBF receives a statutory interest credit of 5% allocated annually and is not dependent on investment earnings. Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term costs, assets are not included in developing the rate.

**CITY OF JOSHUA, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits**

**Discount Rate**

The applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. As of December 31, 2020, the discount rate used in the development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019.

**Changes in the Total OPEB Liability**

Total OPEB Liability Beginning of Year	\$ 58,933
Change for the Year:	
Service Cost	5,184
Interest on Total OPEB Liability	1,690
Differences Between Expected and Actual Experience	(3,807)
Changes in Assumptions or Other Inputs	10,688
Benefit Payments	(173)
Net Changes	<u>13,582</u>
Total OPEB Liability - End of Year	<u>\$ 72,515</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate:

	One Percent Decrease in Rate (1.00%)	Discount Rate (2.00%)	One Percent Increase in Rate (3.00%)
Total OPEB Liability	<u>\$ 89,817</u>	<u>\$ 72,515</u>	<u>\$ 58,665</u>

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**C. Other Postemployment Benefits**

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$58,107, which included prior year expense of \$48,960. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Economic Experience	\$ -	\$ 4,024
Changes in Actuarial Assumptions	17,136	-
Contributions Subsequent to the Measurement Date	1,296	-
Total	<u>\$ 18,432</u>	<u>\$ 4,024</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TMRS OPEB (Continued)**

The \$1,296 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	2,413
2023	2,413
2024	2,413
2025	2,246
2026	2,127
Thereafter	1,500
Total	<u>\$ 13,112</u>

**D. 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,

**CITY OF JOSHUA, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**D. Commitments and Contingencies**

no provision has been recorded in the accompanying basic financial statements for contingencies.

**Litigation**

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

**NOTE 4 SUBSEQUENT EVENTS**

The City issued General Obligation Refunding Bonds, Series 2021 in November 2021 to refund General Obligation Bonds, Series 2012. The proceeds will be utilized to provide for the (i) discharge and final payment of the Refunded Obligations and (ii) payment of the costs of issuance of general obligation refunding bonds.

The City issued Tax Notes, Series 2022 in the amount of \$860,000 in February 2022. The proceeds of the notes will be used to for the purchase of a firetruck.

## **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, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 2,651,000	\$ 2,668,775	\$ 2,506,173	\$ (162,602)
Sales	863,935	863,935	1,042,059	178,124
Alcoholic Beverage	6,000	6,000	11,689	5,689
Fire District	158,000	161,000	155,976	(5,024)
Franchise Fees	371,085	383,825	346,471	(37,354)
Fines and Forfeitures	125,000	125,000	163,566	38,566
Grants and Contributions	116,870	116,870	1,357,020	1,240,150
Charges For Services	684,815	684,815	1,175,534	490,719
Investment Earnings	3,280	3,280	85	(3,195)
Miscellaneous	81,230	81,230	105,266	24,036
Total Revenues	5,061,215	5,094,730	6,863,839	1,769,109
<b>EXPENDITURES</b>				
Current:				
General Government	866,600	2,380,465	944,366	1,436,099
Public Safety	1,221,425	1,231,030	1,173,803	57,227
Public Works	807,980	911,860	605,484	306,376
Municipal Court	101,295	101,295	99,123	2,172
Development Services	848,620	419,755	853,188	(433,433)
Animal Control	177,710	177,620	188,217	(10,597)
Fire Department	629,180	649,535	557,869	91,666
Debt Service	113,485	-	113,478	(113,478)
Capital Outlay	140,770	-	56,963	(56,963)
Total Expenditures	4,907,065	5,871,560	4,592,491	1,279,069
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	154,150	(776,830)	2,271,348	3,048,178
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	-	-	7,175	7,175
Transfers In	266,715	266,715	145,697	(121,018)
Transfers Out	(1,101,000)	-	(1,101,000)	(1,101,000)
Total Other Financing Sources (Uses)	(834,285)	266,715	(948,128)	(1,214,843)
<b>NET CHANGE IN FUND BALANCES</b>	(680,135)	(510,115)	1,323,220	1,833,335
Fund Balances - Beginning of Year	1,967,916	1,967,916	5,956,747	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,287,781</u>	<u>\$ 1,457,801</u>	<u>\$ 7,279,967</u>	<u>\$ 1,833,335</u>

See accompanying Note to Required Supplementary Information.

**CITY OF JOSHUA, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TEN MEASUREMENT PERIODS**

Plan Year	2015	2016	2017	2018	2019	2020
<b>A. Total Pension Liability</b>						
Service Cost	\$ 207,231	\$ 222,255	\$ 207,242	\$ 217,867	\$ 229,881	\$ 223,786
Interest (on the Total Pension Liability)	164,060	186,581	203,201	224,113	237,463	260,770
Difference Between Expected and Actual Experience	(4,751)	(61,172)	18,030	(126,923)	(9,980)	(55,945)
Change of Assumptions	105,326	-	-	-	3,425	-
Benefit Payments, Including Refunds of Employee Contributions	(42,673)	(75,189)	(112,687)	(135,258)	(111,310)	(113,595)
Net Change in Total Pension Liability	429,193	272,475	315,786	179,799	349,479	315,016
Total Pension Liability - Beginning	2,261,434	2,690,627	2,963,102	3,278,888	3,458,687	3,808,166
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>	<u>\$ 4,123,182</u>
<b>B. Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 75,539	\$ 87,382	\$ 89,253	\$ 100,554	\$ 105,812	\$ 98,509
Contributions - Employee	116,985	120,885	112,370	118,498	124,068	120,965
Net Investment Income	3,595	174,931	401,837	(101,524)	521,071	304,236
Benefit Payments, Including Refunds of Employee Contributions	(42,673)	(75,189)	(112,687)	(135,258)	(111,310)	(113,595)
Administrative Expenses	(2,189)	(1,974)	(2,078)	(1,958)	(2,936)	(1,964)
Other	(109)	(106)	(104)	(103)	(88)	(77)
Net Change in Plan Fiduciary Net Position	151,148	305,929	488,591	(19,791)	636,617	408,074
Plan Fiduciary Net Position - Beginning	2,435,687	2,586,835	2,892,764	3,381,355	3,361,564	3,998,181
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>	<u>\$ 4,406,255</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>	<u>\$ (283,073)</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%	106.87%
<b>E. Covered Payroll</b>	1,671,215	1,726,924	1,605,284	1,692,826	1,772,403	1,728,076
<b>F. Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	6.21%	4.07%	6.38%	5.74%	-10.72%	-16.38%

See accompanying Note to Required Supplementary Information.

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF PENSION CONTRIBUTIONS  
LAST TEN YEARS**

<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)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered 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 Payroll	4.28%	4.84%	5.02%	5.78%	6.18%	4.66%

**NOTES TO SCHEDULE OF PENSION 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; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information**

Notes There were no benefit changes during the year.

*See accompanying Note to Required Supplementary Information.*

**CITY OF JOSHUA, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TEN MEASUREMENT PERIODS**

	<b>Measurement Year *</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:				
Service Cost	5,184	3,545	4,401	3,692
Interest on Total OPEB Liability	1,690	1,633	1,452	1,315
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(3,807)	216	(1,545)	-
Changes in Assumptions or Other Inputs	10,688	11,395	(3,564)	3,873
Benefit Payments **	<u>(173)</u>	<u>(177)</u>	<u>(169)</u>	<u>(161)</u>
Net Change in Total OPEB Liability	13,582	16,612	575	8,719
 Total OPEB Liability - Beginning	<u>58,933</u>	<u>42,321</u>	<u>41,746</u>	<u>33,027</u>
 Total OPEB Liability - Ending	<u><u>\$ 72,515</u></u>	<u><u>\$ 58,933</u></u>	<u><u>\$ 42,321</u></u>	<u><u>\$ 41,746</u></u>
 Covered Payroll	1,728,076	1,772,403	1,692,826	1,605,284
 Total OPEB Liability as a Percentage of Covered Payroll	4.20%	3.33%	2.50%	2.60%

\* Only four years of information is currently available. The City will build this schedule over the next six-year period.

\*\* Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF OPEB CONTRIBUTIONS  
LAST TEN YEARS**

	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 166	\$ 174	\$ 174	\$ 580
Contributions in Relation to the Actuarially Determined Contribution	<u>(166)</u>	<u>(174)</u>	<u>(174)</u>	<u>(580)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	1,662,081	1,743,429	1,744,589	1,933,285
Contributions as a Percentage of Covered Payroll	-0.01%	-0.01%	-0.01%	-0.03%

Note: Only four years of data is presented in accordance with GASB Statement No. 75. Additional years' information will be displayed as it becomes available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

**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
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate*	2.00%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality Rates-Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates-Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF OPEB CONTRIBUTIONS (CONTINUED)  
SEPTEMBER 30, 2021**

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

**Other Information**

GASB 75, paragraph 170 requires that the information on this schedule be presented for the Plan's measurement year (January 1st - December 31st) as opposed to the City's fiscal year. Pursuant to GASB 75, paragraph 171, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

There were no benefit changes during the year:

**CITY OF JOSHUA, TEXAS**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

**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, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Property Taxes	\$ 507,995	\$ 507,995	\$ 809,582	\$ 301,587
Investment Earnings	-	-	-	-
Total Revenues	507,995	507,995	809,582	301,587
<b>EXPENDITURES</b>				
Current:				
Debt Service - Principal	640,000	640,000	640,000	-
Debt Service - Interest	270,140	269,040	269,997	(957)
Total Expenditures	910,140	909,040	909,997	(957)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	(402,145)	(401,045)	(100,415)	300,630
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	154,790	154,790	154,790	-
<b>NET CHANGE IN FUND BALANCES</b>	(247,355)	(246,255)	54,375	300,630
Fund Balances - Beginning of Year	445,265	445,265	450,400	5,135
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 197,910</u>	<u>\$ 199,010</u>	<u>\$ 504,775</u>	<u>\$ 305,765</u>

**CITY OF JOSHUA, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL (NON-GAAP**  
**BUDGETARY BASIS) – TYPE A ECONOMIC DEVELOPMENT CORPORATION**  
**YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
<b>REVENUES</b>				
Sales Tax	\$ 431,970	\$ 431,970	\$ 517,439	\$ 85,469
Investment Earnings	1,000	1,000	66	(934)
Total Revenues	432,970	432,970	517,505	84,535
<b>EXPENDITURES</b>				
Current:				
Economic Development	40,000	20,000	66,485	(46,485)
Debt Service	137,270	137,270	137,271	(1)
Total Expenditures	177,270	157,270	203,756	(46,486)
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	255,700	275,700	313,749	38,049
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(330,000)	(330,000)	(330,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	(74,300)	(54,300)	(16,251)	38,049
Fund Balances - Beginning of Year	294,286	294,286	304,461	10,175
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 219,986</u>	<u>\$ 239,986</u>	<u>\$ 288,210</u>	<u>\$ 48,224</u>

**CITY OF JOSHUA, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL (NON-GAAP**  
**BUDGETARY BASIS) – TYPE B ECONOMIC DEVELOPMENT CORPORATION**  
**YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Sales Tax	\$ 431,970	\$ 431,970	\$ 517,439	\$ 85,469
Investment Earnings	1,000	1,000	66	(934)
Miscellaneous	2,000	3,000	13,696	10,696
Total Revenues	434,970	435,970	531,201	95,231
<b>EXPENDITURES</b>				
Economic Development	24,000	24,000	11,905	12,095
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	410,970	411,970	519,296	107,326
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(391,505)	(391,505)	(270,487)	121,018
<b>NET CHANGE IN FUND BALANCES</b>	19,465	20,465	248,809	228,344
Fund Balances - Beginning of Year	334,297	334,297	347,902	13,605
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 353,762</u>	<u>\$ 354,762</u>	<u>\$ 596,711</u>	<u>\$ 241,949</u>

**CITY OF JOSHUA, TEXAS**  
**COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2021**

	Court Security	Court Technology	Hotel Occupancy	Total Other Governmental Funds
<b>ASSETS</b>				
Restricted Cash and Cash Equivalents	\$ 32,688	\$ 6,033	\$ 177,981	\$ 216,702
Receivables, Net	-	532	3,922	4,454
Due from Other Funds	-	3,412	-	3,412
	<u>-</u>	<u>3,412</u>	<u>-</u>	<u>3,412</u>
Total Assets	<u>\$ 32,688</u>	<u>\$ 9,977</u>	<u>\$ 181,903</u>	<u>\$ 224,568</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,000	\$ -	\$ -	\$ 6,000
Due to Other Funds	-	3,108	374	3,482
Total Liabilities	<u>6,000</u>	<u>3,108</u>	<u>374</u>	<u>9,482</u>
<b>FUND BALANCES</b>				
Restricted for:				
Court Security	26,688	-	-	26,688
Court Technology	-	6,869	-	6,869
Tourism	-	-	181,529	181,529
Unassigned	-	-	-	-
Total Fund Balances	<u>26,688</u>	<u>6,869</u>	<u>181,529</u>	<u>215,086</u>
Total Liabilities and Fund Balances	<u>\$ 32,688</u>	<u>\$ 9,977</u>	<u>\$ 181,903</u>	<u>\$ 224,568</u>

**CITY OF JOSHUA, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2021**

	Court Security	Court Technology	Hotel Occupancy	Total Other Governmental Funds
<b>REVENUES</b>				
Hotel Occupancy Taxes	\$ -	\$ -	\$ 36,756	\$ 36,756
Fines and Forfeitures	8,658	7,254	-	15,912
Total Revenues	8,658	7,254	36,756	52,668
<b>EXPENDITURES</b>				
Current:				
Municipal Court	3,000	3,532	-	6,532
Total Expenditures	3,000	3,532	-	6,532
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	5,658	3,722	36,756	46,136
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	(84,322)	(84,322)
Total Other Financing Sources (Uses)	-	-	(84,322)	(84,322)
<b>NET CHANGE IN FUND BALANCES</b>	5,658	3,722	(47,566)	(38,186)
Fund Balances - Beginning of Year	21,030	3,147	229,095	253,272
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 26,688</u>	<u>\$ 6,869</u>	<u>\$ 181,529</u>	<u>\$ 215,086</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  
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, 2021, 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 16, 2022.

**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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

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 16, 2022

**CITY OF JOSHUA, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2021**

**FINDING 2021-001**

**Type of Finding:** Material Weakness

**Criteria or specific requirement:** City management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions.

**Condition:** As part of the audit, we proposed material adjustments to the City's general ledger related to accounts payable, capital assets, and other post-employment benefits. These adjustments were recorded by management in the financial statements as of and for the year ended September 30, 2021.

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

**Effect:** The design of the internal controls over recording transactions and year-end accruals limit the ability of the City to provide accurate accrual basis financial information upon request.

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

**Views of responsible officials:** Management acknowledges recommendations to eliminate any material weakness as identified.

