



ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

PB&H

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

CITY OF JOSHUA, TEXAS
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September 30, 2015

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(continued)

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

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, 2015, 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.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Account Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and the schedule of contributions on pages 4 through 10 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, 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 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's internal control over financial reporting and compliance.

Patillo, Brown & Hill, L.L.P.

February 10, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Joshua (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2015. 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 \$9,766,656. Of this amount, \$1,480,040 (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 \$327,027. This increase is due to an increase in charges for services and capital grants and contributions.
- As of the close of the current fiscal year, the City of Joshua's governmental funds reported combined ending fund balances of \$2,738,366, a decrease of \$816,190 in comparison with the prior year. Approximately 45.38% of this amount, \$1,242,751 is available for spending at the City's discretion (unassigned fund balance)
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,242,751 or 38.40% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City of Joshua, Texas' basic financial statements. City of Joshua's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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 categories: governmental funds.

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

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

The City of Joshua maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Capital Improvement Fund, Type A Economic Development Corporation Fund and Type B Community Development Corporation Fund, which are considered to be major funds. Data from the other 3 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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 \$9,766,656 at the close of the most recent fiscal year. By far the largest portion of the City's net position (\$7,282,550 or 74.57%) 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	
	2015	2014
Current assets	\$ 3,422,965	\$ 3,772,448
Noncurrent assets	18,635,460	18,371,163
Total assets	<u>22,058,425</u>	<u>22,143,611</u>
Total deferred outflows of resources	<u>81,732</u>	<u>-</u>
Current liabilities	1,545,790	1,068,467
Noncurrent liabilities	10,801,251	11,863,148
Total liabilities	<u>12,347,041</u>	<u>12,931,615</u>
Total deferred inflows of resources	<u>26,460</u>	<u>-</u>
Net position		
Net investment in capital assets	7,282,550	6,488,471
Restricted	1,004,066	1,197,801
Unrestricted	<u>1,480,040</u>	<u>1,525,724</u>
Total net position	<u>\$ 9,766,656</u>	<u>\$ 9,211,996</u>

An additional portion of the City of Joshua's net position (\$1,004,066 or 10.28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,480,040 or 15.15%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

During the current fiscal year, the City's net position increased by \$327,027. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This increase follows a prior year decrease of \$168,177 due to increases in charges for services and capital grants and contributions as well as decreases in general government and parks and recreation expenses.

City of Joshua, Texas' Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 593,269	\$ 537,364
Operating grant and contributions	5,779	5,898
Capital grants and contributions	422,960	26,773
General revenues:		
Taxes	3,536,341	3,571,441
Franchise fees	320,004	290,143
Interest	5,191	8,101
Other	69,413	60,619
Total revenues	<u>4,952,957</u>	<u>4,500,339</u>
Expenditures		
General government	881,109	949,263
Public safety	1,063,475	1,071,650
Public works	721,253	699,494
Municipal court	144,473	142,032
Development services	263,220	268,662
Animal control	160,058	155,145
Fire department	606,672	556,286
Economic development	309,783	252,294
Parks and recreation	124,856	199,398
Interest on long-term	351,031	374,292
Total expenditures	<u>4,625,930</u>	<u>4,668,516</u>
Change in net position	327,027	(168,177)
Net position, beginning	<u>9,211,996</u>	<u>9,699,520</u>
Prior period adjustment	<u>227,633</u>	<u>(319,347)</u>
Net position, ending	<u>\$ 9,766,656</u>	<u>\$ 9,211,996</u>

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 \$2,738,366. \$19,993 of this total is nonspendable to indicate the amount cannot be spent and \$1,475,622 is restricted to indicate constraints placed on the use of the resources either externally imposed by creditors, by laws or regulations of other governments imposed or imposed by law through constitutional provisions or enabling legislation. The remaining balance of \$1,242,751 constitutes unassigned fund balance.

Of the \$2,738,366 ending fund balance, \$145,636 is accounted for in non-major governmental funds. The General Fund balance is \$1,401,057 at year end – a decrease of \$148,844. This decrease was less than the prior year decrease of \$291,977 due to a combination of increased property taxes and charges for services, as well as decreased general government expenditures. These are offset by increases in public works and fire department expenditures.

The Debt Service Fund balance decreased \$71,209 to \$108,510 at year end. This decrease is primarily the result of increased principal expense. The Capital Improvement Fund balance decreased \$337,649 to a year-end total of \$476,850. This decrease is caused by capital outlay expenditures from prior debt issuances. The Type A Economic Development Corporation Fund balance decreased \$205,097 to a year-end total of \$211,202. This decrease is related to the capital outlay expenditures for the Park & Ride Project. The Type B Community Development Corporation Fund balance decreased \$68,108 to a year-end total of \$395,111. This decrease is primarily related to the decrease in sales tax revenue.

General Fund budgetary highlights. The actual expenditures for the year were \$3,236,170, which was \$110,510 under budget.

For FY 2014-2015, the actual revenues were \$3,198,867 as compared to the budgeted amount of \$3,307,750. Contributing to the variance was lower than anticipated property taxes (\$54,189 less than the budget), sales taxes (\$54,718 less than the budget) and fines and forfeitures (\$65,462 less than the budget). Also contributing to the variance was higher than anticipated revenues from franchise fees (\$65,004 higher than the budget).

With revenues and expenditures below appropriations, the fund balance in the General Fund decreased by \$148,844, which was \$54,406 better than the final budgeted decrease.

CAPITAL ASSETS

At year-end, the City had invested \$18,592,564 (net of accumulated depreciation) in a broad range of capital assets, including land, construction in progress, equipment, buildings and vehicles. Additional information on the City's capital assets is presented in the notes to the financial statements.

City of Joshua, Texas' Capital Assets

	Governmental Activities	
	2015	2014
Land	\$ 2,346,117	\$ 2,346,117
Construction in progress	1,191,526	278,948
Buildings and improvements	12,417,108	12,417,108
Furniture and equipment	2,003,175	1,979,725
Streets and improvements	5,195,145	5,195,145
Vehicles	1,328,640	1,308,596
Totals at historical cost	24,481,711	23,525,639
Total accumulated depreciation	(5,889,147)	(5,200,107)
Total net assets	<u>\$ 18,592,564</u>	<u>\$ 18,325,532</u>

LONG-TERM DEBT

At year-end, the City had \$11,506,922 in outstanding debt as shown in the table below. Of this amount, \$11,320,000 represents bonded debt backed by the full faith and credit of the City. The City's capitalized lease obligations of \$101,922 pertains to the purchase of police radios and a Duramax patcher. More detailed information about the City's long-term debt is presented in the notes to the financial statements.

Table A-4
City of Joshua, Texas' Long-term Debt

	Governmental Activities	
	2014	2014
Bonds payable	\$ 11,320,000	\$ 12,040,000
Notes payable	85,000	165,000
Capital leases	101,922	140,862
Total long-term debt	<u>\$ 11,506,922</u>	<u>\$ 12,345,862</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Certified appraised values for the fiscal year 2016 budget preparation remain fairly static, increasing slightly by increasing by 0.18% from 2015.
- The City's ad valorem tax rate for 2016 increased to \$0.77527 per \$100 of assessed value. The 2016 rate is based on maintenance and operations tax of \$0.532388, and an interest and sinking rate of \$0.242882.
- Sales tax revenues were expected to decrease by 6.6% compared the fiscal year 2015 (amended) budget.
- Revenue from permits and fees is expected to decrease by 4.7% compared to the fiscal year 2015 (amended) budget.

These indicators were taken into account when adopting the General Fund Budget for fiscal year 2016. Amounts available for appropriation in the General Fund budget are \$3,386,585, which is a \$331,345 decrease from the prior year.

Evidence of a significant decline in sales tax revenue began appearing during the Q1 of the 2015 fiscal year. Ultimately, the end result was the closing of a major sales tax contributor, Wedge Industries, in September 2015 that had a dramatic effect on the city's budget mid-year and budget considerations for fiscal year 2016. The substantial decline in sales tax revenue, along with payments for general obligation debt issued over the last several years led to an increase in the city's ad valorem tax rate. The completion of the Joshua Station Park & Ride facility, the beginning of construction in September 2015 for a new 186-unit apartment complex, the forthcoming Plum Street extension project and a respectable increase in commercial investment and development are projected to have positive and measurable impacts in the Joshua Station development area for fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

CITY OF JOSHUA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,365,289
Receivables, net	558,815
Prepaid items	19,993
Restricted cash and cash equivalents	<u>1,478,868</u>
Total current assets	<u>3,422,965</u>
Noncurrent assets:	
Deferred expenses	42,896
Capital assets:	
Non-depreciable assets	3,537,643
Depreciable assets, net	<u>15,054,921</u>
Total noncurrent assets	<u>18,635,460</u>
Total assets	<u>22,058,425</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS	<u>81,732</u>
Total deferred outflows of resources	<u>81,732</u>
LIABILITIES	
Current liabilities:	
Accounts payable	546,345
Intergovernmental payables	34,067
Accrued payroll liabilities	19,147
Accrued interest payable	58,686
Current portion of compensated absences	7,619
Current portion of long-term debt, due within one year	<u>879,926</u>
Total current liabilities	<u>1,545,790</u>
Noncurrent liabilities:	
Long-term debt, due in more than one year	10,452,743
Accreted bond premium payable	279,942
Compensated absences	<u>68,566</u>
Total noncurrent liabilities	<u>10,801,251</u>
Total liabilities	<u>12,347,041</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS	<u>26,460</u>
Total deferred inflows of resources	<u>26,460</u>
NET POSITION	
Net investment in capital assets	7,282,550
Restricted for specific purposes	1,004,066
Unrestricted	<u>1,480,040</u>
Total net position	<u>\$ 9,766,656</u>

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

CITY OF JOSHUA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 881,109	\$ 18,230	\$ -	\$ -	\$(862,879)
Public safety	1,063,475	34,664	2,200	-	(1,026,611)
Public works	721,253	-	-	-	(721,253)
Municipal court	144,473	297,764	-	-	153,291
Development services	263,220	112,343	-	-	(150,877)
Animal control	160,058	1,130	250	-	(158,678)
Fire department	606,672	129,138	3,329	-	(474,205)
Economic development	309,783	-	-	422,960	113,177
Parks and recreation	124,856	-	-	-	(124,856)
Interest on long-term debt	351,031	-	-	-	(351,031)
Total governmental activities	\$ 4,625,930	\$ 593,269	\$ 5,779	\$ 422,960	\$(3,603,922)
General revenues:					
Taxes:					
Property, levied for general purposes					1,605,888
Property, levied for debt service					633,055
Sales					1,276,143
Other					21,255
Franchise fees					320,004
Interest					5,191
Other					69,413
Total general revenues					3,930,949
Change in net assets					327,027
Net position, beginning					9,211,996
Prior period adjustment					227,633
Net position, ending					\$ 9,766,656

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

CITY OF JOSHUA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
ASSETS			
Unrestricted:			
Cash and cash equivalents	\$ 1,365,289	\$ -	\$ -
Receivables, net	270,752	21,486	-
Due from other funds	23,522	-	-
Prepaid items	19,993	-	-
Restricted:			
Cash and cash equivalents	<u>138,313</u>	<u>107,488</u>	<u>734,800</u>
Total assets	<u>\$ 1,817,869</u>	<u>\$ 128,974</u>	<u>\$ 734,800</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 150,291	\$ -	\$ 240,662
Intergovernmental payables	34,067	-	-
Accrued payroll liabilities	19,147	-	-
Due to other funds	<u>148,731</u>	<u>-</u>	<u>17,288</u>
Total liabilities	<u>352,236</u>	<u>-</u>	<u>257,950</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	47,277	20,464	-
Unavailable revenue - court fines	<u>17,299</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>64,576</u>	<u>20,464</u>	<u>-</u>
FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepaid items	19,993	-	-
Restricted for:			
TIF	138,313	-	-
Debt service	-	108,510	-
Economic development	-	-	-
Capital improvements	-	-	476,850
Court security	-	-	-
Court technology	-	-	-
Tourism	-	-	-
Unassigned	<u>1,242,751</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,401,057</u>	<u>108,510</u>	<u>476,850</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,817,869</u>	<u>\$ 128,974</u>	<u>\$ 734,800</u>

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

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,365,289
214,662	50,528	1,387	558,815
143,009	5,784	-	172,315
-	-	-	19,993
-	353,340	144,927	1,478,868
<u>\$ 357,671</u>	<u>\$ 409,652</u>	<u>\$ 146,314</u>	<u>\$ 3,595,280</u>
\$ 146,469	\$ 8,619	\$ 304	\$ 546,345
-	-	-	34,067
-	-	-	19,147
-	5,922	374	172,315
<u>146,469</u>	<u>14,541</u>	<u>678</u>	<u>771,874</u>
-	-	-	67,741
-	-	-	17,299
-	-	-	85,040
-	-	-	19,993
-	-	-	138,313
-	-	-	108,510
211,202	395,111	-	606,313
-	-	-	476,850
-	-	64,074	64,074
-	-	3,008	3,008
-	-	78,554	78,554
-	-	-	1,242,751
<u>211,202</u>	<u>395,111</u>	<u>145,636</u>	<u>2,738,366</u>
<u>\$ 357,671</u>	<u>\$ 409,652</u>	<u>\$ 146,314</u>	<u>\$ 3,595,280</u>

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CITY OF JOSHUA, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fund balances - governmental funds	\$ 2,738,366
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds	18,592,564
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	85,040
Long-term liabilities, including liabilities for compensated absences, bonds and notes payable, obligations under capital lease and net pension liability (asset) are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(11,633,524)
Certain charges related to the issuance of debt and insurance were expended but will be amortized over the life of the debt and therefore are deferred in the government wide statement	42,896
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(58,686)
Net position of governmental activities	\$ <u>9,766,656</u>

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

CITY OF JOSHUA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Debt Service	Capital Improvement
REVENUES			
Property taxes	\$ 1,594,961	\$ 627,761	\$ -
Sales taxes	640,957	-	-
Hotel occupancy taxes	-	-	-
Alcoholic beverage taxes	765	-	-
Fire district taxes	129,138	-	-
Franchise fees	320,004	-	-
Fines and forfeitures	280,573	-	-
Grants and contributions	5,779	-	-
Charges for services	166,367	-	-
Investment earnings	2,302	-	1,716
Miscellaneous	58,021	-	-
Total revenues	<u>3,198,867</u>	<u>627,761</u>	<u>1,716</u>
EXPENDITURES			
General government	819,872	-	-
Public safety	1,043,089	-	-
Public works	379,690	-	-
Municipal court	133,412	-	-
Development services	251,940	-	-
Animal control	141,425	-	-
Fire department	379,375	-	-
Economic development	-	-	-
Debt service:			
Principal	47,940	800,000	-
Interest	5,808	363,617	-
Bond issuance costs	-	-	-
Capital outlay	33,619	-	339,365
Total expenditures	<u>3,236,170</u>	<u>1,163,617</u>	<u>339,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,303)</u>	<u>(535,856)</u>	<u>(337,649)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	32,496	464,647	-
Transfers out	(144,037)	-	-
Total other financing sources (uses)	<u>(111,541)</u>	<u>464,647</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(148,844)</u>	<u>(71,209)</u>	<u>(337,649)</u>
FUND BALANCES, BEGINNING	<u>1,549,901</u>	<u>179,719</u>	<u>814,499</u>
FUND BALANCES, ENDING	<u>\$ 1,401,057</u>	<u>\$ 108,510</u>	<u>\$ 476,850</u>

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

Type A Economic Development Corporation	Type B Community Development Corporation	Other Governmental	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 2,222,722
317,593	317,593	-	1,276,143
-	-	20,490	20,490
-	-	-	765
-	-	-	129,138
-	-	-	320,004
-	-	15,410	295,983
422,960	-	-	428,739
-	-	-	166,367
393	780	-	5,191
-	11,392	-	69,413
<u>740,946</u>	<u>329,765</u>	<u>35,900</u>	<u>4,934,955</u>
-	-	-	819,872
-	-	-	1,043,089
-	-	-	379,690
-	-	10,683	144,095
-	-	10,500	262,440
-	-	-	141,425
-	-	-	379,375
-	-	-	264,505
31,739	232,766	-	-
-	-	-	847,940
-	-	-	369,425
-	-	-	-
705,236	21,069	-	1,099,289
<u>736,975</u>	<u>253,835</u>	<u>21,183</u>	<u>5,751,145</u>
<u>3,971</u>	<u>75,930</u>	<u>14,717</u>	<u>(816,190)</u>
-	-	-	497,143
(209,068)	(144,038)	-	(497,143)
(209,068)	(144,038)	-	-
(205,097)	(68,108)	14,717	(816,190)
416,299	463,219	130,919	3,554,556
<u>\$ 211,202</u>	<u>\$ 395,111</u>	<u>\$ 145,636</u>	<u>\$ 2,738,366</u>

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CITY OF JOSHUA, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds: \$(816,190)

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

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 and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

267,032

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

861,961

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

(5,670)

Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource inflows/outflows related to the pension liability/asset were amortized.

1,892

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

18,002

Change in net position of governmental activities

\$ 327,027

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

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CITY OF JOSHUA, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

I. 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 generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

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

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

Component units are blended with the balances and transactions of the City if one of the following criterion are 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.

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 (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 (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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

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.

E. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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, 2015, the City had a tax rate of \$0.72527 per \$100 of which \$0.520348 was allocated for general government and \$0.204922 was allocated for payment of principal and interest on general long-term debt.

Inventories and Prepaid Items

The City records purchases of utility parts and supplies as inventories, utilizing the lower of cost or market method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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 stated at fair value on the date donated. 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 IID.

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

	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	50 years
Buildings improvements	20 years
Vehicles	2-15 years
Office equipment	3-15 years
Computer equipment	3-15 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 and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

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	\$	138,313
Restricted for Debt Service		113,804
Restricted for Economic Development		606,313
Restricted for Court Security		64,074
Restricted for Court Technology		3,008
Restricted for Tourism		<u>78,554</u>
Total	\$	<u>1,004,066</u>

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.

Fund Balance Flow Assumption

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

Deferred outflows/inflows of resources

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has one type of item that qualifies for reporting in this category in the government-wide financial statements. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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.

Prior Period Adjustment – Change in Accounting Principles

The GASB has issued Statement No. 68, “*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*,” which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. The amount of the prior period adjustment is \$227,633. The restated beginning net position is \$9,439,629.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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, 2015, 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 \$2,828,583 and the bank balances were \$2,918,642. The City's cash deposits at September 30, 2015, 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.

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.

The City's investments at September 30, 2015, are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled Investments (Lone Star)	N/A	\$ 15,574

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.

B. Receivables, Uncollectible Accounts and Deferred Revenue

Sales Taxes Receivable

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

Property Taxes Receivable and Deferred Revenue

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

Allowances for uncollectible tax receivables reported in the General Fund 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 when assessed (October 1). At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of fiscal year-end, they are recorded as deferred revenue.

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

Governmental Funds Receivables

At September 30, 2015, receivables were as follows:

	Governmental Funds					Total
	General	Debt Service	Type A Economic Development Fund	Type B Economic Development Fund	Other Governmental	
Receivables:						
Property tax	\$ 88,466	\$ 36,458	\$ -	\$ -	\$ -	\$ 124,924
Sales tax	101,056	-	50,528	50,528	-	202,112
Other taxes	-	-	-	-	1,387	1,387
Accounts	171,116	-	-	-	-	171,116
Other	757	-	164,134	-	-	164,891
Gross receivables	361,395	36,458	214,662	50,528	1,387	664,430
Less: Allowance for uncollectibles	90,643	14,972	-	-	-	105,615
Net total receivables	<u>\$ 270,752</u>	<u>\$ 21,486</u>	<u>\$ 214,662</u>	<u>\$ 50,528</u>	<u>\$ 1,387</u>	<u>\$ 558,815</u>

C. Restricted Assets

At September 30, 2015, restricted assets consisted of the following:

	Governmental Activities
Cash and cash equivalents:	
TIF 1	\$ 138,313
Debt service	107,488
Capital improvements	734,800
Type B sales tax	353,340
Court security	64,074
Court technology	3,312
Hotel occupancy	77,541
Total restricted cash and cash equivalents	<u>\$ 1,478,868</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,346,117	\$ -	\$ -	\$ 2,346,117
Construction in progress	278,948	912,578	-	1,191,526
Total capital assets not being depreciated	2,625,065	912,578	-	3,537,643
Capital assets being depreciated:				
Buildings and improvements	12,417,108	-	-	12,417,108
Furniture and equipment	1,979,725	23,450	-	2,003,175
Streets and improvements	5,195,145	-	-	5,195,145
Vehicles and work equipment	1,308,596	20,044	-	1,328,640
Total capital assets being depreciated	20,900,574	43,494	-	20,944,068
Less: accumulated depreciation for:				
Buildings and improvements	(1,099,050)	(290,280)	-	(1,389,330)
Furniture and equipment	(1,641,560)	(44,189)	-	(1,685,749)
Streets and improvements	(1,587,915)	(269,899)	-	(1,857,814)
Vehicles and work equipment	(871,582)	(84,672)	-	(956,254)
Total accumulated depreciation	(5,200,107)	(689,040)	-	(5,889,147)
Total capital assets being depreciated, net	15,700,467	(645,546)	-	15,054,921
Governmental activities capital assets, net	\$ 18,325,532	\$ 267,032	\$ -	\$ 18,592,564

At September 30, 2015, depreciation was charged to functions as follows:

General government	\$ 58,736
Public safety	17,293
Public works	318,141
Animal control	18,315
Fire department	151,699
Parks and recreation	124,856
Total depreciation expense	\$ 689,040

E. Long-term Obligations

During the fiscal year ended September 30, 2013, the City issued combination tax and limited pledge revenue certificates of obligation of \$5,000,000. The Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes. They will be paid at an interest rate of 2.0% to 2.75% maturing August 31, 2033.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 12,040,000	\$ -	\$ 720,000	\$ 11,320,000	\$ 745,000
Capital leases	149,862	-	47,940	101,922	49,926
Notes	165,000	-	80,000	85,000	85,000
Net pension liability	(185,325)	11,072	-	(174,253)	-
Compensated absences	66,142	90,441	80,398	76,185	7,619
	<u>\$ 12,235,679</u>	<u>\$ 101,513</u>	<u>\$ 928,338</u>	<u>\$ 11,408,854</u>	<u>\$ 887,545</u>

The associated premium on bonds, totaling \$279,942 as of September 30, 2015, is being amortized over the life of the bonds.

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Bonds and Notes Payable

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	830,000	341,037	1,171,037
2017	765,000	317,942	1,082,942
2018	700,000	294,617	994,617
2019	730,000	273,507	1,003,507
2020	750,000	251,211	1,001,211
2021-2025	2,860,000	998,856	3,858,856
2026-2030	3,455,000	511,734	3,966,734
2031-2035	1,315,000	67,588	1,382,588
Totals	<u>\$ 11,405,000</u>	<u>\$ 3,056,492</u>	<u>\$ 14,461,492</u>

The effective interest rate on outstanding bonds and notes ranged from 0.70% - 4.00% at September 30, 2015.

Capital Leases

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 49,926	\$ 3,822	\$ 53,748
2017	51,996	1,753	53,749
Totals	<u>\$ 101,922</u>	<u>\$ 5,575</u>	<u>\$ 107,497</u>

The effective interest rate on capital leases outstanding ranges from 5.29% to 5.50% annually.

F. Interfund Balances and Activity

Balances due to and due from other funds at September 30, 2015, consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
Type A Economic Development	General Fund	\$ 143,009
General Fund	Type B Economic Development	5,922
Type B Economic Development	Capital Improvements	62
Type B Economic Development	General Fund	5,722
General Fund	Nonmajor Funds	374
General Fund	Capital Improvements	17,226
Total		<u>\$ 172,315</u>

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

Transfers to and from other funds at September 30, 2015, consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Type A Economic Development	Debt Service	\$ 176,572
General Fund	Debt Service	144,037
Type B Economic Development	Debt Service	144,038
Type A Economic Development	General Fund	32,496
Total		<u>\$ 497,143</u>

III. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

B. Defined Benefit Pension Policies

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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.

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, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>35</u>
	<u>67</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.51% and 4.61% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$54,250, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, 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 Mortality Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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 the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 1,996,437	\$ 2,181,762	\$ (185,325)
Changes for the year:			
Service cost	186,909	-	186,909
Interest	145,086	-	145,086
Difference between expected and actual experience	(32,534)	-	(32,534)
Contributions - employer	-	54,250	(54,250)
Contributions - employee	-	110,714	(110,714)
Net investment income	-	124,835	(124,835)
Benefit payments, including refunds of employee contributions	(34,464)	(34,464)	-
Administrative expense	-	(1,303)	1,303
Other changes	-	(107)	107
Net changes	<u>264,997</u>	<u>253,925</u>	<u>11,072</u>
Balance at 12/31/2014	<u>\$ 2,261,434</u>	<u>\$ 2,435,687</u>	<u>\$ (174,253)</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 209,941	\$ (174,253)	\$ (486,650)

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.org.

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

For the year ended September 30, 2015, the City recognized pension expense of \$69,472.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 26,460
Difference between projected and actual investment earnings	22,310	-
Contributions subsequent to the measurement date	59,422	-
Total	<u>\$ 81,732</u>	<u>\$ 26,460</u>

\$59,422 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, 2015. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending December 31,	
2015	\$ (496)
2016	(496)
2017	(496)
2018	(498)
2019	(2,164)
Thereafter	-

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the city has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

C. Other Postemployment Benefits (OPEB)

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. 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 1.

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, for the 12-month period preceding the month of death). Retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers.

The City's schedule of contribution rates (retiree-only portion of the rate) to the TMRS SDBF for the years ended 2015, 2014, and 2013 were as follows:

<u>Plan Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2013	0.00%	0.00%	100%
2014	0.00%	0.00%	100%
2015	0.00%	0.00%	100%

D. Health Care Coverage

During the year ended September 30, 2015, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of \$207,400 to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the licensed insurer is renewable January 1, and terms of coverage and premium costs are included in the contractual provisions.

E. Commitments and Contingencies

Contingencies

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

Litigation

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

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF JOSHUA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,649,151	\$ 1,649,150	\$ 1,594,961	\$(54,189)
Sales	791,624	695,675	640,957	(54,718)
Alcoholic beverage	2,400	1,200	765	(435)
Fire district	130,598	130,595	129,138	(1,457)
Franchise fees	255,000	255,000	320,004	65,004
Fines and forfeitures	346,035	346,035	280,573	(65,462)
Grants and contributions	1,800	4,580	5,779	1,199
Charges for services	144,000	172,600	166,367	(6,233)
Investment earnings	5,000	2,915	2,302	(613)
Miscellaneous	50,000	50,000	58,021	8,021
Total revenues	<u>3,375,608</u>	<u>3,307,750</u>	<u>3,198,867</u>	<u>(108,883)</u>
EXPENDITURES				
Current:				
General government	840,367	842,260	819,872	22,388
Public safety	1,127,158	1,101,320	1,043,089	58,231
Public works	389,613	386,090	379,690	6,400
Municipal court	138,378	134,885	133,412	1,473
Development services	272,029	260,150	251,940	8,210
Animal control	151,139	148,015	141,425	6,590
Fire department	386,051	378,425	379,375	(950)
Debt service:				
Principal	-	-	47,940	(47,940)
Interest and other charges	-	-	5,808	(5,808)
Capital outlay	100,873	95,535	33,619	61,916
Total expenditures	<u>3,405,608</u>	<u>3,346,680</u>	<u>3,236,170</u>	<u>110,510</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,000)</u>	<u>(38,930)</u>	<u>(37,303)</u>	<u>1,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	32,496	2,496
Transfers out	(150,000)	(194,320)	(144,037)	50,283
Total other financing sources (uses)	<u>(120,000)</u>	<u>(164,320)</u>	<u>(111,541)</u>	<u>52,779</u>
NET CHANGE IN FUND BALANCES	<u>(150,000)</u>	<u>(203,250)</u>	<u>(148,844)</u>	<u>54,406</u>
FUND BALANCES, BEGINNING	<u>1,549,901</u>	<u>1,549,901</u>	<u>1,549,901</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,399,901</u>	<u>\$ 1,346,651</u>	<u>\$ 1,401,057</u>	<u>\$ 54,406</u>

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	<u>2014</u>
A. Total pension liability	
Service Cost	\$ 186,909
Interest (on the Total Pension Liability)	145,086
Change of benefit terms	-
Difference between expected and actual experience	(32,534)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(34,464)
Net change in total pension liability	264,997
Total pension liability - beginning	<u>1,996,437</u>
Total pension liability - ending (a)	<u>\$ 2,261,434</u>
B. Plan fiduciary net position	
Contributions - employer	\$ 54,250
Contributions - employee	110,714
Net investment income	124,835
Benefit payments, including refunds of employee contributions	(34,464)
Administrative expenses	(1,303)
Other	<u>(107)</u>
Net change in plan fiduciary net position	253,925
Plan fiduciary net position - beginning	<u>2,181,762</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,435,687</u>
C. Net pension liability - ending (a) - (b)	<u>\$(174,253)</u>
D. Plan fiduciary net position as a percentage of total pension liability	107.71%
E. Covered employee payroll	\$ 1,581,629
F. Net position liability as a percentage of covered employee payroll	-11.02%

CITY OF JOSHUA, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	<u>2014</u>
Actuarial determined contribution	\$ 54,250
Contributions in relation to the actuarially determined contribution	<u>54,250</u>
Contribution deficiency (excess)	-
Covered employee payroll	1,581,629
Contributions as a percentage of covered employee payroll	3.43%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

CITY OF JOSHUA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) SEPTEMBER 30, 2015

A. 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.

B. BUDGET VERSUS ACTUAL RESULTS

In the General Fund, the City's expenditures exceeded appropriations in fire department, debt service principal and interest and other charges. These excess debt service expenditures were due to capital lease payments that were budgeted in other departments. Any other excesses were covered by other expenditure functions and available fund balance.

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**OTHER SUPPLEMENTARY
INFORMATION**

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CITY OF JOSHUA, TEXAS

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 548,970	\$ 548,970	\$ 627,761	\$ 78,791
Total revenues	<u>548,970</u>	<u>548,970</u>	<u>627,761</u>	<u>78,791</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	800,000	800,000	800,000	-
Interest and other charges	<u>363,617</u>	<u>363,617</u>	<u>363,617</u>	<u>-</u>
Total expenditures	<u>1,163,617</u>	<u>1,163,617</u>	<u>1,163,617</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(614,647)</u>	<u>(614,647)</u>	<u>(535,856)</u>	<u>78,791</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>464,647</u>	<u>464,647</u>	<u>464,647</u>	<u>-</u>
Total other financing sources (uses)	<u>464,647</u>	<u>464,647</u>	<u>464,647</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(71,209)</u>	<u>78,791</u>
FUND BALANCES, BEGINNING	<u>179,719</u>	<u>179,719</u>	<u>179,719</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 29,719</u>	<u>\$ 29,719</u>	<u>\$ 108,510</u>	<u>\$ 78,791</u>

CITY OF JOSHUA, TEXAS

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

TYPE A ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 395,342	\$ 355,808	\$ 317,593	\$(38,215)
Grants and contributions	-	537,457	\$ 422,960	(114,497)
Investment earnings	1,100	1,100	393	(707)
Total revenues	<u>396,442</u>	<u>894,365</u>	<u>740,946</u>	<u>(153,419)</u>
EXPENDITURES				
Current:				
Economic development	45,900	14,230	31,739	(17,509)
Capital outlay	<u>195,147</u>	<u>1,046,004</u>	<u>705,236</u>	<u>340,768</u>
Total expenditures	<u>241,047</u>	<u>1,060,234</u>	<u>736,975</u>	<u>323,259</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>155,395</u>	<u>(165,869)</u>	<u>3,971</u>	<u>169,840</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(191,572)</u>	<u>(191,572)</u>	<u>(209,068)</u>	<u>(17,496)</u>
Total other financing sources (uses)	<u>(191,572)</u>	<u>(191,572)</u>	<u>(209,068)</u>	<u>(17,496)</u>
NET CHANGE IN FUND BALANCES	<u>(36,177)</u>	<u>(357,441)</u>	<u>(205,097)</u>	<u>152,344</u>
FUND BALANCES, BEGINNING	<u>416,299</u>	<u>416,299</u>	<u>416,299</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 380,122</u>	<u>\$ 58,858</u>	<u>\$ 211,202</u>	<u>\$ 152,344</u>

CITY OF JOSHUA, TEXAS

BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

TYPE B COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 395,342	\$ 355,808	\$ 317,593	\$(38,215)
Investment earnings	1,100	1,100	780	(320)
Miscellaneous	20,285	20,285	11,392	(8,893)
Total revenues	<u>416,727</u>	<u>377,193</u>	<u>329,765</u>	<u>(47,428)</u>
EXPENDITURES				
Current:				
Economic development	59,400	42,600	232,766	(190,166)
Capital outlay	<u>215,310</u>	<u>177,576</u>	<u>21,069</u>	<u>156,507</u>
Total expenditures	<u>274,710</u>	<u>220,176</u>	<u>253,835</u>	<u>(33,659)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	142,017	157,017	75,930	(81,087)
OTHER FINANCING SOURCES (USES)				
Transfers out	(144,038)	(159,038)	(144,038)	15,000
Total other financing sources (uses)	<u>(144,038)</u>	<u>(159,038)</u>	<u>(144,038)</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCES	(2,021)	(2,021)	(68,108)	(66,087)
FUND BALANCES, BEGINNING	<u>463,219</u>	<u>463,219</u>	<u>463,219</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 461,198</u>	<u>\$ 461,198</u>	<u>\$ 395,111</u>	<u>\$(66,087)</u>

CITY OF JOSHUA, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Court Security	Court Technology	Hotel Occupancy	Total Other Governmental Funds
ASSETS				
Receivables, net	\$ -	\$ -	\$ 1,387	\$ 1,387
Restricted cash and cash equivalents	<u>64,074</u>	<u>3,312</u>	<u>77,541</u>	<u>144,927</u>
Total assets	<u>\$ 64,074</u>	<u>\$ 3,312</u>	<u>\$ 78,928</u>	<u>\$ 146,314</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 304	\$ -	\$ 304
Due to other funds	<u>-</u>	<u>-</u>	<u>374</u>	<u>374</u>
Total liabilities	<u>-</u>	<u>304</u>	<u>374</u>	<u>678</u>
Fund balances:				
Restricted for:				
Court security	64,074	-	-	64,074
Court technology	-	3,008	-	3,008
Tourism	<u>-</u>	<u>-</u>	<u>78,554</u>	<u>78,554</u>
Total fund balances	<u>64,074</u>	<u>3,008</u>	<u>78,554</u>	<u>145,636</u>
Total liabilities and fund balances	<u>\$ 64,074</u>	<u>\$ 3,312</u>	<u>\$ 78,928</u>	<u>\$ 146,314</u>

CITY OF JOSHUA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

OTHER GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2015

	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel Occupancy</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Hotel occupancy taxes	\$ -	\$ -	\$ 20,490	\$ 20,490
Fines and forfeitures	<u>6,607</u>	<u>8,803</u>	<u>-</u>	<u>15,410</u>
Total revenues	<u>6,607</u>	<u>8,803</u>	<u>20,490</u>	<u>35,900</u>
EXPENDITURES				
Current:				
Municipal court	-	10,683	-	10,683
Development services	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Total expenditures	<u>-</u>	<u>10,683</u>	<u>10,500</u>	<u>21,183</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,607	(1,880)	9,990	14,717
FUND BALANCES, BEGINNING	<u>57,467</u>	<u>4,888</u>	<u>68,564</u>	<u>130,919</u>
FUND BALANCES, ENDING	<u>\$ 64,074</u>	<u>\$ 3,008</u>	<u>\$ 78,554</u>	<u>\$ 145,636</u>

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INTERNAL CONTROL REPORT

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Joshua, Texas, as of and for the year ended September 30, 2015, 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 February 10, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

February 10, 2016

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