



ANNUAL FINANCIAL REPORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014



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

CITY OF JOSHUA, TEXAS
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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Joshua, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Joshua's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, 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 1 to the Financial Statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. 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 and budgetary comparison information on pages 4 through 10 and 36 through 38 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, 2015, 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, 2015

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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, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

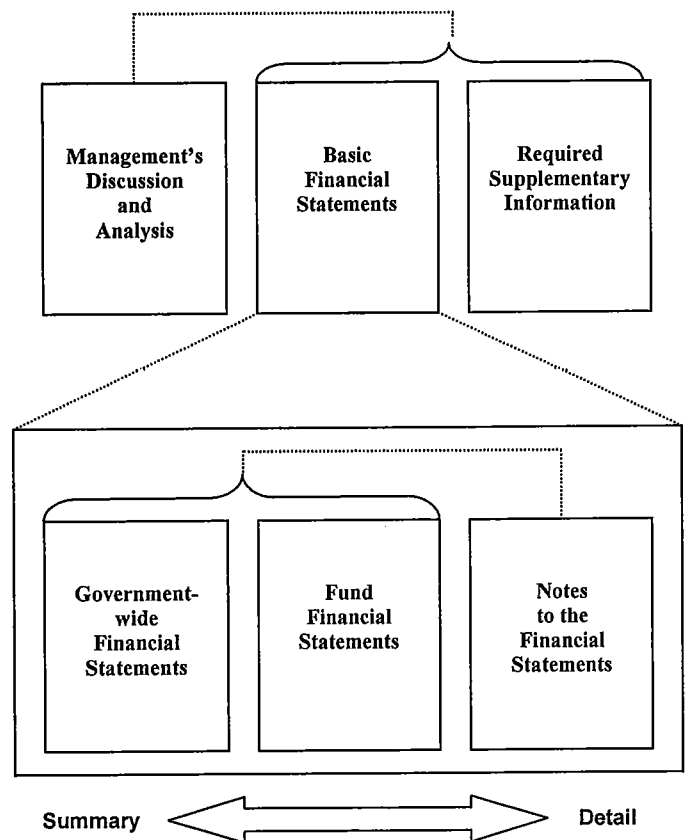
- The City's total combined net position was \$9,211,996 at September 30, 2014, of which \$1,525,724 was unrestricted.
- During the year, expenses were \$168,177 more than the \$4,500,339 generated in revenues for the City's activities.
- The City's General Fund reported a fund balance this year of \$1,549,901, of which \$1,529,908 is subject to use at the City's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like businesses. At this time, the City has no proprietary funds.
 - *Fiduciary funds* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. At this time, the City has no fiduciary funds.

Figure A-1, Required Components of the City's Annual Financial Report



- The financial statements also include *notes to financial statements* that explain some of the information in the financial statements and provide more detailed data.
- The report also contains supplementary information in addition to the basic financial statements themselves.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

<p style="text-align: center;">Figure A-2 Major features of the City's Government-wide and Fund Financial Statements</p>				
Type of Statement	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses or self-insurance	Instances in which the City is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Position. Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Net Position, Statement of Cash Flows	Statement of Net Position, Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Types of accountability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long-term; the City's funds do not currently include capital assets, although they can.
<i>Types of Inflow/outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

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, charges for services, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The City Council establishes guidelines to control and manage money for particular purposes or to show that it is properly using certain revenue resources.

The City has one fund type:

- *Governmental funds*—The City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position was \$9,211,996 at September 30, 2014 (Table A-1).

Table A-1
City of Joshua, Texas' Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets	\$ 3,772,448	\$ 6,779,291
Noncurrent assets	<u>18,371,163</u>	<u>17,513,865</u>
Total assets	<u>22,143,611</u>	<u>24,293,156</u>
Liabilities		
Current liabilities	1,068,467	1,860,185
Noncurrent liabilities	<u>11,863,148</u>	<u>12,733,451</u>
Total liabilities	<u>12,931,615</u>	<u>14,593,636</u>
Net position		
Net investment in capital assets	6,488,471	6,235,247
Restricted	1,197,801	1,534,397
Unrestricted	<u>1,525,724</u>	<u>1,929,876</u>
Total net position	<u>\$ 9,211,996</u>	<u>\$ 9,699,520</u>

Change in Current Assets

The City's total revenues were \$4,500,339 and total expenditures were \$4,668,516, resulting in a decrease in net position of \$168,177 for the year ended September 30, 2014 (Table A-2).

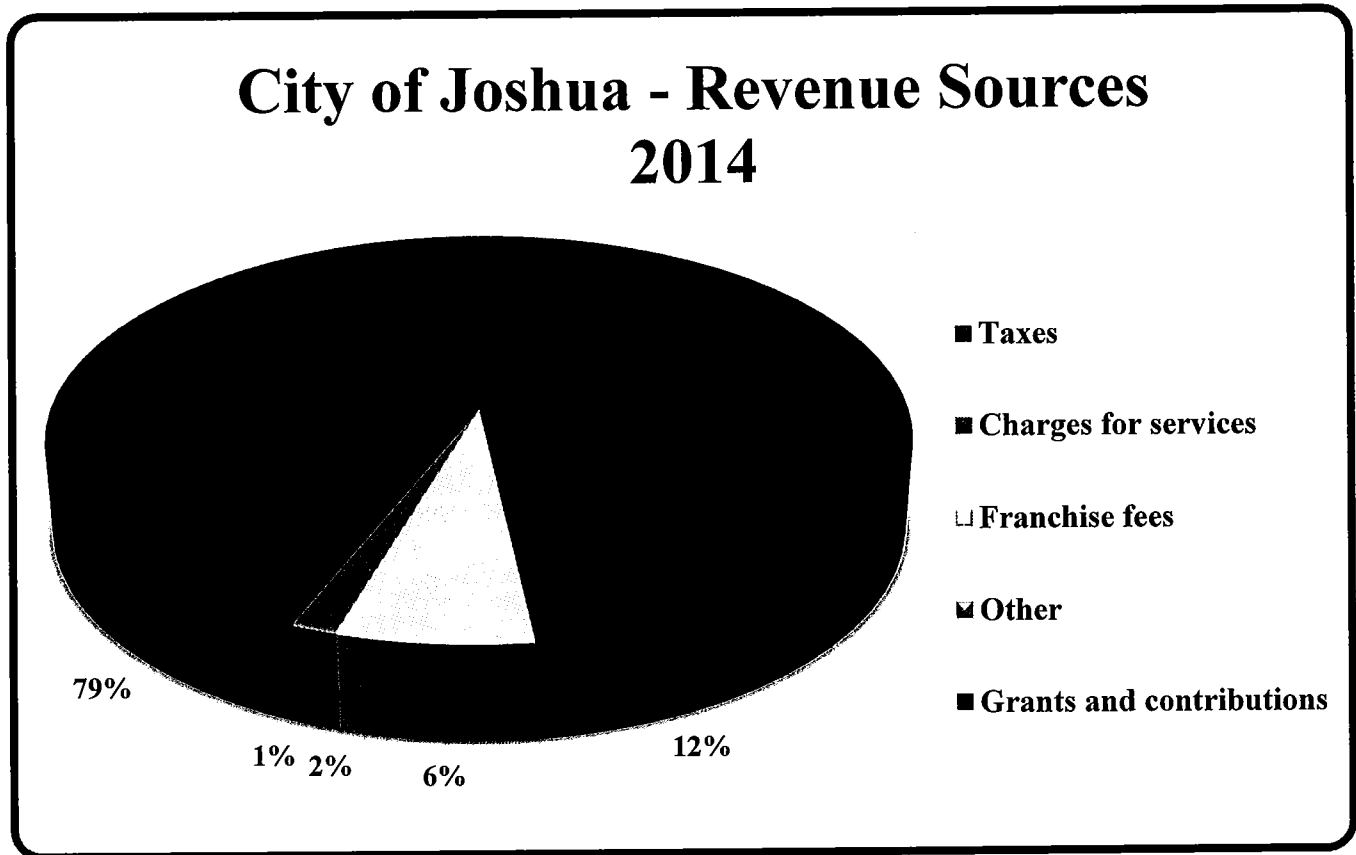
Table A-2
City of Joshua, Texas' Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 537,364	\$ 640,954
Operating grant and contributions	5,898	6,915
Capital grants and contributions	26,773	304,287
General revenues:		
Taxes	3,571,441	3,662,634
Franchise fees	290,143	267,520
Interest	8,101	15,777
Other	60,619	85,868
Total revenues	<u>4,500,339</u>	<u>4,983,955</u>
Expenditures		
General government	949,263	875,550
Public safety	1,071,650	1,092,891
Public works	699,494	720,196
Municipal court	142,032	130,597
Development services	268,662	265,064
Animal control	155,145	161,761
Fire department	556,286	507,867
Economic development	252,294	285,704
Parks and recreation	199,398	15,468
Interest on long-term	374,292	458,397
Total expenditures	<u>4,668,516</u>	<u>4,513,495</u>
Change in net position	(168,177)	470,460
Net position, beginning	<u>9,699,520</u>	<u>9,292,322</u>
Prior period adjustment	(319,347)	(63,262)
Net position, ending	<u>\$ 9,211,996</u>	<u>\$ 9,699,520</u>

Revenue Sources

The majority of the City's revenue comes from taxes (79 percent) (Figure A-3).

Figure A-3



CAPITAL ASSETS

At year-end, the City had invested \$18,325,532 in a broad range of capital assets, including land, equipment, buildings and vehicles (Table A-3). Additional information on the City's capital assets is presented in the notes to the financial statements.

**Table A-3
City of Joshua, Texas' Capital Assets**

	Governmental Activities	
	2014	2013
Land	\$ 2,346,117	\$ 2,274,993
Construction in progress	278,948	3,839,108
Buildings and improvements	12,417,108	7,162,530
Furniture and equipment	1,979,725	1,926,232
Streets and improvements	5,195,145	5,195,145
Vehicles	1,308,596	1,174,269
Totals at historical cost	23,525,639	21,572,277
Total accumulated depreciation	(5,200,107)	(4,426,126)
Total net assets	\$ 18,325,532	\$ 17,146,151

LONG-TERM DEBT

At year-end, the City had \$12,345,862 in outstanding debt as shown in Table A-4. 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	2013
Bonds payable	\$ 12,040,000	\$ 12,730,000
Notes payable	165,000	245,000
Capital leases	140,862	224,038
Total long-term debt	<u>\$ 12,345,862</u>	<u>\$ 13,199,038</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified appraised values used for the fiscal year 2015 budget preparation are up 2% from 2014.
- The City's ad valorem tax rate for 2015 increased to \$0.72527 per \$100 of assessed value. The 2015 rate is based on maintenance and operations tax of \$0.520348, and an interest and sinking rate of \$0.204922.
- Sales tax revenues were expected to increase 5.1% compared to the fiscal year 2014 budget amount due to the opening of new businesses.
- Revenue from permits and fees is expected to remain flat compared to the prior year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2015. Amounts available for appropriation in the General Fund budget are \$3,568,959. which is a \$169,267. (5.0%) increase from prior year.

The Brookshire's grocery store continues to increase in sales and the new signal light installation has greatly improved traffic flow in and out of the stores location. As well as the YMCA. The Joshua Station Park and Ride facility broke ground in January 2015 and although delayed from 2014, it has had little impact on other developments in Joshua Station. Also in Joshua Station, construction for a 186 unit apartment complex is scheduled to begin construction in July 2015. This will be a gated complex with an amenity center, swimming pool and playground. Marketing efforts continue in Joshua Station and plans are in progress for a 16,000 square foot retail site. Additionally, work continues for the future Plum Street extension across Hwy. 174 into Joshua Station. That project is scheduled for FY2017.

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, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,404,515
Receivables, net	380,658
Prepaid items	19,993
Restricted cash and cash equivalents	<u>1,967,282</u>
Total current assets	<u>3,772,448</u>
Noncurrent assets:	
Deferred expenses	45,631
Capital assets:	
Non-depreciable assets	2,625,065
Depreciable assets, net	<u>15,700,467</u>
Total noncurrent assets	<u>18,371,163</u>
Total assets	<u>22,143,611</u>
LIABILITIES	
Current liabilities:	
Accounts payable	115,755
Intergovernmental payables	24,643
Accrued payroll liabilities	10,456
Accrued interest payable	63,059
Current portion of compensated absences	6,614
Current portion of long-term debt, due within one year	<u>847,940</u>
Total current liabilities	<u>1,068,467</u>
Noncurrent liabilities:	
Long-term debt, due in more than one year	11,506,922
Accreted bond premium payable	296,698
Compensated absences	<u>59,528</u>
Total noncurrent liabilities	<u>11,863,148</u>
Total liabilities	<u>12,931,615</u>
NET POSITION	
Net investment in capital assets	6,488,471
Restricted for specific purposes	1,197,801
Unrestricted	<u>1,525,724</u>
Total net position	<u>\$ 9,211,996</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, 2014

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	\$ 949,263	\$ 17,819	\$ -	\$ -	\$ (931,444)
Public safety	1,071,650	18,040	2,448	-	(1,051,162)
Public works	699,494	-	-	26,773	(672,721)
Municipal court	142,032	285,497	-	-	143,465
Development services	268,662	77,918	-	-	(190,744)
Animal control	155,145	1,570	-	-	(153,575)
Fire department	556,286	136,520	3,450	-	(416,316)
Economic development	252,294	-	-	-	(252,294)
Parks and recreation	199,398	-	-	-	(199,398)
Interest on long-term debt	374,292	-	-	-	(374,292)
Total governmental activities	\$ 4,668,516	\$ 537,364	\$ 5,898	\$ 26,773	\$ (4,098,481)
General revenues:					
Taxes:					
Property, levied for general purposes					1,534,793
Property, levied for debt service					643,569
Sales					1,370,531
Other					22,548
Franchise fees					290,143
Interest					8,101
Other					60,619
Total general revenues					3,930,304
Change in net assets					(168,177)
Net position, beginning					9,699,520
Prior period adjustment					(319,347)
Net position, ending					\$ 9,211,996

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

CITY OF JOSHUA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>
ASSETS			
Unrestricted:			
Cash and cash equivalents	\$ 1,404,515	\$ -	\$ -
Receivables, net	253,396	16,766	-
Due from other funds	74,374	-	-
Prepaid items	19,993	-	-
Restricted:			
Cash and cash equivalents	<u>-</u>	<u>178,123</u>	<u>831,787</u>
Total assets	<u>\$ 1,752,278</u>	<u>\$ 194,889</u>	<u>\$ 831,787</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 115,410	\$ -	\$ -
Intergovernmental payables	24,643	-	-
Accrued payroll liabilities	10,456	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>17,288</u>
Total liabilities	<u>150,509</u>	<u>-</u>	<u>17,288</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	36,350	15,170	-
Unavailable revenue - court fines	<u>15,518</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>51,868</u>	<u>15,170</u>	<u>-</u>
FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepaid items	19,993	-	-
Restricted for:			
TIF	-	-	76,251
Debt service	-	179,719	-
Economic development	-	-	-
Capital improvements	-	-	738,248
Court security	-	-	-
Court technology	-	-	-
Tourism	-	-	-
Unassigned	<u>1,529,908</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,549,901</u>	<u>179,719</u>	<u>814,499</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,752,278</u>	<u>\$ 194,889</u>	<u>\$ 831,787</u>

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

<u>Type A Economic Development Corporation</u>	<u>Type B Community Development Corporation</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,404,515
54,507	54,507	1,482	380,658
-	62	-	74,436
-	-	-	19,993
<u>401,822</u>	<u>425,435</u>	<u>130,115</u>	<u>1,967,282</u>
\$ <u>456,329</u>	\$ <u>480,004</u>	\$ <u>131,597</u>	\$ <u>3,846,884</u>
\$ -	\$ 41	\$ 304	\$ 115,755
-	-	-	24,643
-	-	-	10,456
<u>40,030</u>	<u>16,744</u>	<u>374</u>	<u>74,436</u>
<u>40,030</u>	<u>16,785</u>	<u>678</u>	<u>225,290</u>
-	-	-	51,520
-	-	-	15,518
-	-	-	67,038
-	-	-	19,993
-	-	-	76,251
-	-	-	179,719
416,299	463,219	-	879,518
-	-	-	738,248
-	-	57,467	57,467
-	-	4,888	4,888
-	-	68,564	68,564
-	-	-	1,529,908
<u>416,299</u>	<u>463,219</u>	<u>130,919</u>	<u>3,554,556</u>
\$ <u>456,329</u>	\$ <u>480,004</u>	\$ <u>131,597</u>	\$ <u>3,846,884</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, 2014

Fund balances - governmental funds	\$ 3,554,556
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	18,325,532
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	67,038
Long-term liabilities, including liabilities for compensated absences, bonds and notes payable and obligations under capital lease are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(12,717,702)
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	45,631
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(<u>63,059</u>)
Net position of governmental activities	\$ <u>9,211,996</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, 2014

	General	Debt Service	Capital Improvement
REVENUES			
Property taxes	\$ 1,531,967	\$ 635,924	\$ -
Sales taxes	688,064	-	-
Hotel occupancy taxes	-	-	-
Alcoholic beverage taxes	1,040	-	-
Fire district taxes	136,520	-	-
Franchise fees	290,143	-	-
Fines and forfeitures	281,347	-	-
Grants and contributions	5,898	-	-
Charges for services	115,347	-	-
Investment earnings	3,818	-	2,315
Miscellaneous	40,973	-	-
Total revenues	<u>3,095,117</u>	<u>635,924</u>	<u>2,315</u>
EXPENDITURES			
General government	876,604	-	-
Public safety	1,035,796	-	-
Public works	341,472	-	-
Municipal court	112,559	-	-
Development services	251,466	-	-
Animal control	135,442	-	-
Fire department	352,500	-	-
Economic development	-	-	-
Debt service:			
Principal	74,175	770,000	-
Interest	7,716	384,623	-
Bond issuance costs	-	-	-
Capital outlay	9,200	-	1,596,411
Total expenditures	<u>3,196,930</u>	<u>1,154,623</u>	<u>1,596,411</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(101,813)</u>	<u>(518,699)</u>	<u>(1,594,096)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	458,777	-
Transfers out	(190,164)	-	-
Total other financing sources (uses)	<u>(190,164)</u>	<u>458,777</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(291,977)</u>	<u>(59,922)</u>	<u>(1,594,096)</u>
FUND BALANCES, BEGINNING	<u>1,841,878</u>	<u>239,641</u>	<u>2,408,595</u>
FUND BALANCES, ENDING	<u>\$ 1,549,901</u>	<u>\$ 179,719</u>	<u>\$ 814,499</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
\$ -	\$ -	\$ -	\$ 2,167,891
341,234	341,233	-	1,370,531
-	-	21,508	21,508
-	-	-	1,040
-	-	-	136,520
-	-	-	290,143
-	-	13,933	295,280
-	-	-	5,898
-	-	-	115,347
1,025	943	-	8,101
26,773	19,646	-	87,392
<u>369,032</u>	<u>361,822</u>	<u>35,441</u>	<u>4,499,651</u>
-	-	-	876,604
-	-	-	1,035,796
-	-	-	341,472
-	-	29,631	142,190
-	-	6,874	258,340
-	-	-	135,442
-	-	-	352,500
35,268	217,026	-	252,294
-	-	-	844,175
-	-	-	392,339
-	-	-	-
455,834	23,752	-	2,085,197
<u>491,102</u>	<u>240,778</u>	<u>36,505</u>	<u>6,716,349</u>
(122,070)	121,044	(1,064)	(2,216,698)
49,426	-	-	508,203
(177,301)	(140,738)	-	(508,203)
(127,875)	(140,738)	-	-
(249,945)	(19,694)	(1,064)	(2,216,698)
666,244	482,913	131,983	5,771,254
<u>\$ 416,299</u>	<u>\$ 463,219</u>	<u>\$ 130,919</u>	<u>\$ 3,554,556</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, 2014

Net change in fund balances - total governmental funds:	\$(2,216,698)
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.	1,179,381
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded debt payments in the current period.	844,176
Certain long-term liabilities are accrued at the government-wide level but are not at the fund level. This is the current year charge in those liabilities, reported as expense in the statement of activities.	24,276
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	688
Change in net position of governmental activities	<u>\$(168,177)</u>

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, 2014

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 are prepared using the economic resources measurement focus and accrual basis of accounting. Government-wide financial statements do not provide information by individual fund or fund types, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. The statements report information on all of the nonfiduciary activities of the primary government and its component units. The City's Statement of Net Position includes both noncurrent assets and noncurrent liabilities of the City. Accrual accounting reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. Additionally, the government-wide financial statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

The statement of net position is designed to display the financial position of the primary government (government and business-type activities). The City reports all capital assets, including infrastructure, in the government-wide statement of net position and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of the City is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Long-term liabilities are reported in two categories: 1) the amount due within one year; and 2) the amount due in more than one year.

The government-wide statement of activities reports net (expense) revenue in a format that focuses on the cost of each of the City's governmental activities and for each of the business-type activities of the City. The expense of individual functions is compared to revenues generated directly by the function (for instance, through user charges or intergovernmental grants). General revenues (including all taxes), investment earnings, special and extraordinary items, and transfers between governmental and business-type activities are reported separately after the total net expenses of the government's functions, ultimately

arriving at the change in net position for the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated among functions based on use.

Fund Level Financial Statements

In addition to the government-wide financial statements, the City prepares fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus. The focus on the fund financial statements is on the major individual funds of the governmental and business-type activities, as well as any fiduciary funds (by category) and any component units.

C. Fund Accounting

The City reports the following major governmental funds:

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

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

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

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

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

D. Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. *Available* means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are

recorded when the related fund liability is incurred, except for debt principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and property taxes and third party revenues for ambulance services. In general, other revenues are recognized when cash is received.

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.

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. Proprietary capital assets are also reported in their respective funds. 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

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Outstanding debt is reported within governmental activities based on use of proceeds. Bond issuance costs are capitalized and amortized over the terms of the respective bonds using the straight-line method.

The governmental fund level financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity and Net Position

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.

In the government-wide financial statements, net position represents the difference between assets, deferred inflows and 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 improvements 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 legislations 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	\$ 76,251
Restricted for Debt Service	179,719
Restricted for Economic Development	879,518
Restricted for Capital Improvements	738,248
Restricted for Court Security	57,467
Restricted for Court Technology	4,888
Restricted for Tourism	<u>68,564</u>
Total	<u>\$ 2,004,655</u>

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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 does not have any items that qualify for reporting in this category in the current fiscal year.

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.

Prior Period Adjustment – Change in Accounting Principles

As the result of implementing GASB Statement 65, the City has decreased beginning net position as of October 1, 2013 by \$319,347 for its governmental activities. This decrease results from no longer deferring and amortizing bond issuance costs.

F. Revenues and Expenditures/Expenses

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables, if applicable, are netted and presented as a single "internal balances" line on the government-wide statement of net position.

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.

Use of 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Final amounts could differ from those estimates.

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, 2014, 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 \$3,356,268 and the bank balances were \$3,499,469. The City's cash deposits at September 30, 2014, 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, 2014, are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Pooled Investments (Lone Star)	N/A	\$ 15,529

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, 2014, 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	\$ 71,957	\$ 29,957	\$ -	\$ -	\$ -	\$ 101,914
Sales tax	109,014	-	54,507	54,507	-	218,028
Other taxes	-	-	-	-	1,482	1,482
Accounts	157,923	-	-	-	-	157,923
Other	<u>757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757</u>
Gross receivables	339,651	29,957	54,507	54,507	1,482	480,104
Less: Allowance for uncollectibles	<u>86,255</u>	<u>13,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,446</u>
Net total receivables	<u>\$ 253,396</u>	<u>\$ 16,766</u>	<u>\$ 54,507</u>	<u>\$ 54,507</u>	<u>\$ 1,482</u>	<u>\$ 380,658</u>

C. Restricted Assets

At September 30, 2014, restricted assets consisted of the following:

	Governmental Activities
Cash and cash equivalents:	
TIF 1	\$ 76,251
Debt service	178,123
Capital improvements	831,787
Type A sales tax	325,571
Type B sales tax	425,435
Court security	57,467
Court technology	5,192
Hotel occupancy	<u>67,456</u>
Total restricted cash and cash equivalents	<u>\$ 1,967,282</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,274,993	\$ 71,124	\$ -	\$ 2,346,117
Construction in progress	3,839,108	142,929	3,703,089	278,948
Total capital assets not being depreciated	6,114,101	214,053	3,703,089	2,625,065
Capital assets being depreciated:				
Buildings and improvements	7,162,530	5,254,578	-	12,417,108
Furniture and equipment	1,926,232	53,493	-	1,979,725
Streets and improvements	5,195,145	-	-	5,195,145
Vehicles and work equipment	1,174,269	134,327	-	1,308,596
Total capital assets being depreciated	15,458,176	5,442,398	-	20,900,574
Less: accumulated depreciation for:				
Buildings and improvements	(808,770)	(290,280)	-	(1,099,050)
Furniture and equipment	(1,540,157)	(101,403)	-	(1,641,560)
Streets and improvements	(1,303,407)	(284,508)	-	(1,587,915)
Vehicles and work equipment	(773,792)	(97,790)	-	(871,582)
Total accumulated depreciation	(4,426,126)	(773,981)	-	(5,200,107)
Total capital assets being depreciated, net	11,032,050	4,668,417	-	15,700,467
Governmental activities capital assets, net	\$ 17,146,151	\$ 4,882,470	\$ 3,703,089	\$ 18,325,532

At September 30, 2014, depreciation was charged to functions as follows:

General government	\$ 70,884
Public safety	35,240
Public works	325,226
Animal control	20,031
Fire department	204,261
Parks and recreation	118,339
Total depreciation expense	\$ 773,981

E. Long-term Obligations

During the fiscal year ended September 30, 2014, 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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 12,730,000	\$ -	\$ 690,000	\$ 12,040,000	\$ 720,000
Capital leases	224,038	-	74,176	149,862	47,940
Notes	245,000	-	80,000	165,000	80,000
Compensated absences	72,372	101,896	108,126	66,142	6,614
	<u>\$ 8,607,525</u>	<u>\$ 101,896</u>	<u>\$ 952,302</u>	<u>\$ 7,757,119</u>	<u>\$ 854,554</u>

The associated premium on bonds, totaling \$296,698 as of September 30, 2014, is being amortized over the life of the bonds.

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Bonds and Notes Payable

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	800,000	363,617	1,163,617
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
2020-2024	2,995,000	1,084,386	4,079,386
2025-2029	3,325,000	621,484	3,946,484
2030-2034	<u>2,060,000</u>	<u>123,519</u>	<u>2,183,519</u>
Totals	<u>\$ 12,205,000</u>	<u>\$ 3,420,109</u>	<u>\$ 15,625,109</u>

The effective interest rate on outstanding bonds and notes ranged from 0.70% - 4.00% at September 30, 2014.

Capital Leases

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 47,940	\$ 5,808	\$ 53,748
2016	49,927	3,822	53,749
2017	<u>51,995</u>	<u>1,753</u>	<u>53,748</u>
Totals	<u>\$ 149,862</u>	<u>\$ 11,383</u>	<u>\$ 161,245</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, 2014, consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Fund	Type A Economic Development	\$ 40,030
General Fund	Type B Economic Development	16,744
Type B Economic Development	Capital Improvements	62
General Fund	Nonmajor Funds	374
General Fund	Capital Improvements	17,226
Total		<u>\$ 74,436</u>

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

Transfers to and from other funds at September 30, 2014, consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Type A Economic Development	Debt Service	\$ 177,301
General Fund	Debt Service	140,738
Type B Economic Development	Debt Service	140,738
General Fund	Type A Economic Development	49,426
Total		<u>\$ 508,203</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. Pension Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
09/30/2012	42,985	42,985	100%	-
09/30/2013	41,007	41,007	100%	-
09/30/2014	47,973	47,973	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	24.4 years; closed period	25.3 years; closed period	25.0 years; closed period
Amortization period for new gains/losses	25 years	25 years	25 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Funded Status and Funding Progress – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	2,064,885	1,996,437	103.4%	(68,448)	1,527,169	(4.5%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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 2014, 2013, and 2012 were as follows:

<u>Plan Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2012	0.00%	0.00%	100%
2013	0.00%	0.00%	100%
2014	0.00%	0.00%	100%

D. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the "Plan"). The City paid premiums of \$210,860. 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, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 1,559,460	\$ 1,559,460	\$ 1,531,967	\$(27,493)
Sales	684,574	753,031	688,064	(64,967)
Alcoholic beverage	3,000	2,400	1,040	(1,360)
Fire district	130,598	130,598	136,520	5,922
Franchise fees	255,000	255,000	290,143	35,143
Fines and forfeitures	352,490	336,035	281,347	(54,688)
Grants and contributions	1,800	5,400	5,898	498
Charges for services	197,200	134,400	115,347	(19,053)
Investment earnings	5,368	5,368	3,818	(1,550)
Miscellaneous	50,000	50,000	40,973	(9,027)
Total revenues	<u>3,239,490</u>	<u>3,231,692</u>	<u>3,095,117</u>	<u>(136,575)</u>
EXPENDITURES				
Current:				
General government	824,087	821,046	876,604	(55,558)
Public safety	1,064,384	1,088,656	1,035,796	52,860
Public works	383,774	369,193	341,472	27,721
Municipal court	120,255	114,437	112,559	1,878
Development services	271,564	267,760	251,466	16,294
Animal control	148,425	145,557	135,442	10,115
Fire department	345,125	343,167	352,500	(9,333)
Debt service:				
Principal	-	-	74,175	(74,175)
Interest and other charges	-	-	7,716	(7,716)
Capital outlay	<u>111,876</u>	<u>111,876</u>	<u>9,200</u>	<u>102,676</u>
Total expenditures	<u>3,269,490</u>	<u>3,261,692</u>	<u>3,196,930</u>	<u>64,762</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,000)</u>	<u>(30,000)</u>	<u>(101,813)</u>	<u>(71,813)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	-	(30,000)
Transfers out	<u>-</u>	<u>-</u>	<u>(190,164)</u>	<u>(190,164)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>(190,164)</u>	<u>(220,164)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(291,977)</u>	<u>(291,977)</u>
FUND BALANCES, BEGINNING	<u>1,841,878</u>	<u>1,841,878</u>	<u>1,841,878</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,841,878</u>	<u>\$ 1,841,878</u>	<u>\$ 1,549,901</u>	<u>\$(291,977)</u>

CITY OF JOSHUA, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	12/31/13	12/31/12	12/31/11
Actuarial valuation date			
Actuarial value of assets	\$ 2,064,885	\$ 1,843,020	\$ 1,608,545
Actuarial accrued liability	1,996,437	1,771,109	1,558,137
Percentage funded	103.4%	104.1%	103.2%
Unfunded actuarial accrued liability	(68,448)	(71,911)	(50,408)
Annual covered payroll	1,527,169	1,426,340	1,375,236
Unfunded actuarial accrued liability (UAAL) % of covered payroll	(4.5%)	(5.0%)	(3.7%)

CITY OF JOSHUA, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) SEPTEMBER 30, 20144

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 general government, fire department, debt service principal, interest and other charges and transfers out. 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.

**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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 545,447	\$ 545,447	\$ 635,924	\$ 90,477
Total revenues	<u>545,447</u>	<u>545,447</u>	<u>635,924</u>	<u>90,477</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	770,000	770,000	770,000	-
Interest and other charges	<u>384,223</u>	<u>384,223</u>	<u>384,623</u>	(400)
Total expenditures	<u>1,154,223</u>	<u>1,154,223</u>	<u>1,154,623</u>	(400)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(608,776)	(608,776)	(518,699)	90,077
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>458,777</u>	<u>458,777</u>	<u>458,777</u>	-
Total other financing sources (uses)	<u>458,777</u>	<u>458,777</u>	<u>458,777</u>	-
NET CHANGE IN FUND BALANCES	(149,999)	(149,999)	(59,922)	90,077
FUND BALANCES, BEGINNING	<u>239,641</u>	<u>239,641</u>	<u>239,641</u>	-
FUND BALANCES, ENDING	<u>\$ 89,642</u>	<u>\$ 89,642</u>	<u>\$ 179,719</u>	<u>\$ 90,077</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 342,286	\$ 376,515	\$ 341,234	\$(35,281)
Investment earnings	1,400	1,400	1,025	(375)
Miscellaneous	-	-	26,773	26,773
Total revenues	<u>343,686</u>	<u>377,915</u>	<u>369,032</u>	<u>(8,883)</u>
EXPENDITURES				
Current:				
Economic development	34,400	47,180	35,268	11,912
Capital outlay	<u>99,000</u>	<u>409,369</u>	<u>455,834</u>	<u>(46,465)</u>
Total expenditures	<u>133,400</u>	<u>456,549</u>	<u>491,102</u>	<u>(34,553)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>210,286</u>	<u>(78,634)</u>	<u>(122,070)</u>	<u>(43,436)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	49,426	49,426
Transfers out	<u>(177,301)</u>	<u>(177,301)</u>	<u>(177,301)</u>	<u>-</u>
Total other financing sources (uses)	<u>(177,301)</u>	<u>(177,301)</u>	<u>(127,875)</u>	<u>49,426</u>
NET CHANGE IN FUND BALANCES	32,985	(255,935)	(249,945)	5,990
FUND BALANCES, BEGINNING	<u>666,244</u>	<u>666,244</u>	<u>666,244</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 699,229</u>	<u>\$ 410,309</u>	<u>\$ 416,299</u>	<u>\$ 5,990</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 342,286	\$ 376,515	\$ 341,233	\$(35,282)
Investment earnings	1,100	1,100	943	(157)
Miscellaneous	20,285	20,285	19,646	(639)
Total revenues	<u>363,671</u>	<u>397,900</u>	<u>361,822</u>	<u>(36,078)</u>
EXPENDITURES				
Current:				
Economic development	249,306	239,330	217,026	22,304
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>23,752</u>	<u>26,248</u>
Total expenditures	<u>299,306</u>	<u>289,330</u>	<u>240,778</u>	<u>48,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	64,365	108,570	121,044	12,474
OTHER FINANCING SOURCES (USES)				
Transfers out	(140,738)	(140,738)	(140,738)	-
Total other financing sources (uses)	<u>(140,738)</u>	<u>(140,738)</u>	<u>(140,738)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(76,373)	(32,168)	(19,694)	12,474
FUND BALANCES, BEGINNING	<u>482,913</u>	<u>482,913</u>	<u>482,913</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 406,540</u>	<u>\$ 450,745</u>	<u>\$ 463,219</u>	<u>\$ 12,474</u>

CITY OF JOSHUA, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel Occupancy</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Receivables, net	\$ -	\$ -	\$ 1,482	\$ 1,482
Restricted cash and cash equivalents	<u>57,467</u>	<u>5,192</u>	<u>67,456</u>	<u>130,115</u>
Total assets	<u>\$ 57,467</u>	<u>\$ 5,192</u>	<u>\$ 68,938</u>	<u>\$ 131,597</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	57,467	-	-	57,467
Court technology	-	4,888	-	4,888
Tourism	<u>-</u>	<u>-</u>	<u>68,564</u>	<u>68,564</u>
Total fund balances	<u>57,467</u>	<u>4,888</u>	<u>68,564</u>	<u>130,919</u>
Total liabilities and fund balances	<u>\$ 57,467</u>	<u>\$ 5,192</u>	<u>\$ 68,938</u>	<u>\$ 131,597</u>

CITY OF JOSHUA, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

OTHER GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2014

	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel Occupancy</u>	<u>Total Other Governmental Funds</u>
REVENUES				
Hotel occupancy taxes	\$ -	\$ -	\$ 21,508	\$ 21,508
Fines and forfeitures	<u>5,975</u>	<u>7,958</u>	<u>-</u>	<u>13,933</u>
Total revenues	<u>5,975</u>	<u>7,958</u>	<u>21,508</u>	<u>35,441</u>
EXPENDITURES				
Current:				
Municipal court	10,747	18,884	-	29,631
Development services	<u>-</u>	<u>-</u>	<u>6,874</u>	<u>6,874</u>
Total expenditures	<u>10,747</u>	<u>18,884</u>	<u>6,874</u>	<u>36,505</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,772)	(10,926)	14,634	(1,064)
FUND BALANCES, BEGINNING	<u>62,239</u>	<u>15,814</u>	<u>53,930</u>	<u>131,983</u>
FUND BALANCES, ENDING	<u>\$ 57,467</u>	<u>\$ 4,888</u>	<u>\$ 68,564</u>	<u>\$ 130,919</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, 2014, 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, 2014.

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.

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

February 10, 2015

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