CITY OF JOSEPHINE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

FOX BYRD & COMPANY, P.C.
ACCOUNTANTS AND CONSULTANTS

CITY OF JOSEPHINE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023

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City of Josephine, Texas
List of Principal Officials
September 30, 2023

OFFICIALS

Mayor... Jason Turney

Council Member Place 1 ....Doug Ewing (Mayor Pro-Tem)

Council Member Place 2 .... Brad Ahlfinger

Council Member Place 3 ....Alex Esquivel

Council Member Place 4 ....Dr. Pam Sardo

Council Member Place 5 .... Gary Chappell

City Secretary ....Patti Brooks

City Administrator……………………………………………………Lisa Palomba

FINANCIAL SECTION

FOX BYRD & COMPANY, P.C.
ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the City Council
City of Josephine, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate funds of the City of Josephine, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Josephine, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – General Fund and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Texas Municipal Retirement System and the Schedule of Funding Progress on pages 4–13 and 53-56 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 Josephine, Texas' basic financial statements. The Historical Schedule of Assessed Property Valuation and the Historical Schedule of Property Tax Rates are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Fox, Byrd + Company, P.C.

Fox, Byrd & Company, P.C.
March 4, 2024

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management for the City of Josephine, Texas, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. This discussion should be read in conjunction with the financial statements and related notes.

<u>FINANCIAL HIGHLIGHTS:</u>

- Government-wide net position reported in the Statement of Activities are $26,606,318. Of this amount $39,557,021 is invested in capital assets or restricted for debt service, leaving $(12,950,703) of unrestricted net position.
- Government-wide net position increased by $3,296,764 during 2023.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – $381,473 decrease
Debt Service Fund - $60,984 increase
Water Fund - $1,713,961 increase
Sewer Fund - $338,277 increase

<u>USING THIS ANNUAL REPORT:</u>

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and the changes in them. The City's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, sanitation services, judicial, public works, police, infrastructure and the street repairs. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations are reported here.

Component Unit – The City of Josephine includes a discretely presented component unit, the City's Type A Sales Tax Corporation known as the Josephine Community Development Corporation. Although legally separate, the City of Josephine is financially accountable for this component unit. The City Council appoints the component unit's Board of Directors, sets the budget and approves any debt issuance.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found directly following each of the governmental fund financial statements.

Proprietary Funds – The Proprietary/Enterprise funds are used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

In the government-wide financial statements, net position serve as one useful indicator of a government's financial position. In the case of the City, combined net position exceed liabilities by $26,606,318 and $23,309,554 at the close of FY 2023 and 2022, respectively.

The combined net position of the City's activities increased from $23,309,554 to $26,606,318 or $3,296,764 during 2023. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was $(12,950,703).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds, $5,423,466 and proprietary funds $20,185,627 reported combined fund balance and net assets of $25,609,093, a $1,731,749 increase from last year.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets, net of related debt, reported in governmental activities and business-type activities was $4,081,690 and $13,447,494, respectively. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was $1,436,016 and $914,024 in each of the respective activities.

Long-term Debt – at year-end the City had $16,370,998 in bonds outstanding which represents a decrease of $155,205 from the prior year.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

Existing retail establishments within the City of Josephine have increased the city's sales tax revenue by 30% over FY 2022 while also providing resident resources and job opportunities.

The City of Josephine's Comprehensive Plan was adopted July 10, 2023. The Comprehensive Plan was created as a guide to for developers and community officials to ultimately provide safe and convenient places to live, work, worship and play in Josephine. The Future Land use focus is on creating spaces for new commercial, retail, and employment growth; providing opportunities for mixed uses of commercial, office, and a mix of varies densities of residential development; and preserving an appropriate amount of land for low density residential and green space to maintain a quality of life associated with a small but vibrant town.

Residential home growth continues to thrive, and new residents are drawn to Josephine for a variety of housing types that include homes affordable to the first-time home buyer but also choices for more luxurious homes on estate size lots. Murray Manor has pulled permits for 9 homes, Shepherd Place Homes pulled 16 permits in the High Meadows development, DeBerry Heritage pulled 16 permits, Bradley Estates pulled 24 permits, DR Horton has pulled 190 permits for Magnolia Point, 79 permits for Waverly Estates, and 89 permits for the new Riverfield subdivision. In total 423 building permits were issued in Fiscal Year 2023 and over 500 building permits are expected to be issued in Fiscal Year 2024.

The City continues to effectively partner with developers arranging for developer financial contributions to accommodate growth. While bonds have been issued to build a new Public safety building and a new wastewater treatment plant to accommodate a growing police and fire department and utility needs, developer contributions for these projects have reduced the tax burden on existing residents. Grants have been approved for street and drainage projects that are in progress and some nearing completion.

The City has purchased several properties for future municipal uses including a 7-acre property adjacent to the existing City Hall and community park where the new public safety building is to be located fronting FM 6. A historical church property was purchased the previous year, and plans are now well underway for repurposing the building into a community center

Citywide Integrated Software Upgrades and Meter Upgrades have been completed.

Construction on the Community Independent School District site in Josephine is underway. There are also plans for a future CISD Middle School adjacent to the same site as Elementary School #5, which is expected to Open in August 2024. This is the second elementary school in Josephine.

Overall, Josephine is a welcoming, safe and thriving community committed to managing new growth while strengthening existing neighborhoods and encouraging locally responsive commercial development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Director at (469) 717-0055.

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	$ 5,982,724	$ 6,189,595	$ 24,110,746	$ 22,761,558	$ 30,093,470	$ 28,951,153
Capital assets, net	4,081,690	2,645,674	13,447,494	12,533,470	17,529,184	15,179,144
Total Assets	**10,064,414**	**8,835,269**	**37,558,240**	**35,295,028**	**47,622,654**	**44,130,297**
Deferred outflows of resources	166,790	63,602	86,105	35,589	252,895	99,191
LIABILITIES						
Other liabilities	736,896	578,839	4,087,876	3,735,088	4,824,772	4,313,927
Long-term debt	3,026,796	3,092,858	13,344,202	13,433,345	16,370,998	16,526,203
Total Liabilities	**3,763,692**	**3,671,697**	**17,432,078**	**17,168,433**	**21,195,770**	**20,840,130**
Deferred Inflows of Resources						
Deferred inflows from pensions	35,547	49,690	20,827	28,109	56,374	77,799
Deferred inflows OPEB	11,273	1,319	5,813	686	17,086	2,005
Total deferred inflows of resources	**46,820**	**51,009**	**26,640**	**28,795**	**73,460**	**79,804**
NET POSITION						
Net investment in capital assets	4,081,690	2,645,674	13,447,494	12,533,470	17,529,184	15,179,144
Restricted for debt service	803,468	742,484	21,224,369	21,167,413	22,027,837	21,909,897
Unrestricted	1,535,533	1,788,007	(14,486,236)	(15,567,494)	(12,950,703)	(13,779,487)
Total Net Position	**$ 6,420,691**	**$ 5,176,165**	**$ 20,185,627**	**$ 18,133,389**	**$ 26,606,318**	**$ 23,309,554**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	$ 2,664,837	$ 2,467,576	$ 4,864,694	$ 4,280,938	$ 7,529,531	$ 6,748,514
Operating grants/contributions	337,727	305,921	-	-	337,727	305,921
Capital grants/contributions	52,201	51,442	615,779	8,181,122	667,980	8,232,564
General revenues:						
Ad valorem taxes	1,044,115	824,119	-	-	1,044,115	824,119
Sales taxes	328,604	252,134	-	-	328,604	252,134
Franchise taxes	65,194	64,563	-	-	65,194	64,563
Other	519,443	48,274	950,787	246,791	1,470,230	295,065
Total revenues	5,012,121	4,014,029	6,431,260	12,708,851	11,443,381	16,722,880
Expenses:						
Administration	1,645,260	1,486,653	-	-	1,645,260	1,486,653
Sanitation services	564,713	230,030	-	-	564,713	230,030
Public works	44,517	44,626	-	-	44,517	44,626
Park	73,650	69,287	-	-	73,650	69,287
Police department/municipal court	1,504,781	977,829	-	-	1,504,781	977,829
Streets	246,674	315,053	-	-	246,674	315,053
Water and sewer services	-	-	4,067,022	2,535,119	4,067,022	2,535,119
Total Expenses	4,079,595	3,123,477	4,067,022	2,535,119	8,146,617	5,658,598
Excess before transfers	932,526	890,552	2,364,238	10,173,732	3,296,764	11,064,282
Transfers	312,000	305,683	(312,000)	(305,683)	-	-
Change in Net Position	**1,244,526**	**1,196,235**	**2,052,238**	**9,868,049**	**3,296,764**	**11,064,282**
Net position - October 1	5,176,165	3,979,930	18,133,389	8,265,340	23,309,554	12,245,270
Net position - September 30	**$ 6,420,691**	**$ 5,176,165**	**$ 20,185,627**	**$ 18,133,389**	**$ 26,606,318**	**$ 23,309,552**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
September 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 2,750,638	$ 2,919,078
Ad valorem taxes	36,054	27,144
Sales and franchise taxes	5,151	-
Other	133,741	199,591
Due from Proprietary fund	3,010,206	3,010,206
Prepaid items	40,482	32,478
Total Assets	**$ 5,976,272**	**$ 6,188,497**
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	$ 516,752	$ 417,398
Total Liabilities	**516,752**	**417,398**
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	36,054	27,144
Total deferred inflows of resources	**36,054**	**27,144**
FUND BALANCES		
Non-spendable:		
Prepaid items	40,482	32,478
Restricted for debt service	803,468	742,484
Unassigned	4,579,516	4,968,993
Total Fund Balances	**5,423,466**	**5,743,955**
Total Liabilities and Fund Balances	**$ 5,976,272**	**$ 6,188,497**

CITY OF JOSEPHINE, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2023 and 2022

	2023	2022
REVENUES:		
Ad valorem taxes	$ 1,035,205	$ 820,733
Franchise taxes	65,194	64,563
Sales tax	328,604	252,134
Garbage fees	1,228,047	1,930,261
Permits	1,370,340	499,554
Fines	62,283	36,574
Intergovernmental	337,727	305,921
Grant revenue	52,201	51,442
Other income	294,771	38,559
Interest	224,672	9,715
Total Revenues	**4,999,044**	**4,009,456**
EXPENDITURES:		
Administration	1,579,891	1,419,351
Sanitation services	462,208	365,836
Public works	44,517	44,626
Park	45,737	40,710
Street department	227,879	83,524
Police department/municipal court	1,288,923	824,740
Debt Service:		
Principal	139,486	155,419
Interest	103,771	62,332
Capital Outlay	1,739,121	833,385
Total Expenditures	**5,631,533**	**3,829,922**
Excess (Deficiency) of Revenues Over Expenditures	**(632,489)**	**179,534**
Other Revenues and Financing Sources (uses)		
Bond proceeds	-	2,970,000
Premium on bonds issued	-	40,206
Transfers in	312,000	305,683
Total Other Revenues and Financing Sources (uses)	**312,000**	3,315,889
Net change in fund balances	**(320,489)**	**3,495,423**
Fund balance, October 1	**5,743,954**	**2,248,531**
Fund balance, September 30	**$ 5,423,465**	**$ 5,743,954**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF FUND NET POSITION
PROPRIETARY FUND
September 30, 2023 and 2022

	2023 Enterprise Fund Water and Sewer Activities	2022 Enterprise Fund Water and Sewer Activities
ASSETS		
Cash and cash equivalents	$ 2,251,968	$ 1,102,841
Accounts receivable, net	623,100	478,683
Prepaids	11,176	12,488
Restricted assets:		
Cash and cash equivalents	21,224,502	21,167,546
Total current assets	24,110,746	22,761,558
Capital Assets:		
Land	908,742	908,742
Buildings & other improvements	4,356,226	4,345,216
Water and sewer infrastructure	9,548,816	8,395,513
Equipment	1,433,563	1,210,066
Less accumulated depreciation	(2,799,853)	(2,326,067)
Capital Assets, net	13,447,494	12,533,470
Total assets	37,558,240	35,295,028
Deferred Outflows of Resources		
Deferred outflows from pensions	79,897	31,375
Deferred outflows from OPEB	6,209	4,213
Total deferred outflows of resources	86,105	35,588
LIABILITIES		
Accounts payable	406,057	31,631
Compensated absences	13,030	10,372
Due to general fund	3,010,206	3,010,206
Meter deposits payable	303,665	277,148
Notes payable	245,152	140,152
Payable from restricted assets:		
Accrued interest payable	65,407	276,002
Total current liabilities	4,043,517	3,745,511
Pension liability	37,547	(18,946)
OPEB liability	6,812	8,523
Total non-current liabilities	44,359	(10,423)
Rebatable Arbitrage/Yield Restriction	156,010	-
Bonds payable - long-term	13,188,192	13,433,345
Total non-current liabilities	13,344,202	13,433,345
Total liabilities	17,432,078	17,168,433
Deferred Inflows of Resources		
Deferred inflows from pensions	20,827	28,109
Deferred inflows OPEB	5,813	686
Total deferred inflows of resources	26,640	28,795
NET POSITION		
Invested in capital assets, net of related debt	13,447,494	12,533,470
Restricted for debt service	21,224,369	21,167,413
Unrestricted	(14,486,236)	(15,567,494)
Total Net Position	$ 20,185,627	$ 18,133,389

CITY OF JOSEPHINE, TEXAS
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2023 and 2022

	2023 Enterprise Fund Water and Sewer	2022 Enterprise Fund Water and Sewer
OPERATING REVENUES:		
Water sales	$ 2,844,295	$ 2,550,429
Sewer sales	1,210,116	991,984
Grant income	-	-
Tap and reconnect fees	810,283	738,525
Total Operating Revenues	**4,864,694**	**4,280,938**
OPERATING EXPENSES:		
Salaries, taxes, and benefits	701,106	555,430
Contract labor	129,492	9,376
Professional fees	1,433,113	583,296
Water purchases	836,752	471,431
Repairs and facility maintenance	10,432	30,995
Vehicle expense	13,519	24,201
Utilities and telephone	159,707	129,641
Water/Sewer testing	1,977	5,434
Depreciation and amortization	473,785	453,261
Other expense	-	272,054
Total Operating Expenses	**4,067,022**	**2,535,119**
Operating Income	**797,672**	**1,745,819**
NONOPERATING REVENUES (EXPENSES):		
Interest income	817,244	81,258
Interest and fiscal charges	(541,890)	(538,483)
Miscellaneous income	675,433	704,016
Total Non-operating Revenues (Expenses)	**950,787**	**246,791**
Income before capital grants and transfers	**1,748,459**	**1,992,610**
Developer contributions	615,779	8,181,122
Transfers out	(312,000)	(305,683)
Change in net position	**2,052,238**	**9,868,049**
Net position, October 1	**18,133,389**	**8,265,340**
Net position, September 30	**$ 20,185,627**	**$ 18,133,389**

BASIC FINANCIAL STATEMENTS

CITY OF JOSEPHINE, TEXAS
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
ASSETS				
Cash and cash equivalents	$ 1,947,170	$ 2,251,968	$ 4,199,138	$ 344,286
Receivables				
Taxes, net of allowance	41,205	-	41,205	-
Accounts, net of allowance	140,193	623,100	763,293	-
Prepaids	40,482	11,176	51,658	-
Internal balances	3,010,206	(3,010,206)	-	-
Restricted assets:				
Cash and cash equivalents	803,468	21,224,502	22,027,970	-
Capital assets:				
Capital assets, not being depreciated	912,423	908,742	1,821,165	-
Capital assets, net of accumulated depreciation	3,169,267	12,538,752	15,708,019	-
Total Assets	**10,064,414**	**34,548,034**	**44,612,448**	**344,286**
DEFERRED OUTFLOWS OF RESOURCES				
OPEB Contributions after measurement date	74	39	113	
Difference in expected and actual pension experience	20,428	10,590	31,018	-
Pension contributions after measurement date	63,376	32,648	96,024	-
Difference in projected and actual earnings on pension assets	69,837	35,976	105,813	-
Changes in actuarial assumptions used to determine pension assets	1,147	682	1,829	-
Changes in actuarial assumptions used to determine OPEB liability	11,928	6,170	18,098	-
Total deferred outflows of resources	166,790	86,105	252,895	-
LIABILITIES				
Accounts payable	244,714	406,057	650,771	-
Accrued interest payable	272,038	65,407	337,445	-
Meter deposits payable	-	303,665	303,665	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	45,211	13,030	58,241	-
Notes payable	85,348	245,152	330,500	-
Due in more than one year:				
Pension liability (asset)	76,464	37,547	114,011	-
OPEB liability	13,121	6,812	19,933	-
Rebatable Arbitrage/Yield Restriction	19,286	156,010	175,296	-
Notes payable	3,007,510	13,188,192	16,195,702	-
Total Liabilities	**3,763,692**	**14,421,872**	**18,185,564**	-
Deferred Inflows of Resources				
Difference in projected and actual earnings on pension assets	22,397	13,227	35,624	-
Changes in actuarial assumptions used to determine pension liabilities	205	118	323	-
Difference between actuarial assumptions and actual experience on pensions	12,945	7,482	20,427	-
Difference between actuarial assumptions and actual experience on OPEB	942	489	1,431	-
Changes in actuarial assumptions used to determine OPEB liabilities	10,331	5,324	15,655	-
Total deferred inflows of resources	**46,820**	**26,640**	**73,460**	-
NET POSITION				
Net investment in capital assets	4,081,690	13,447,494	17,529,184	-
Restricted for debt service	803,468	21,224,369	22,027,837	-
Unrestricted	1,535,533	(14,486,236)	(12,950,703)	344,286
Total Net position	**$ 6,420,691**	**$ 20,185,627**	**$ 26,606,318**	**$ 344,286**

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

CITY OF JOSEPHINE, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Component Unit
Governmental activities:								
Administration	$ 1,645,260	$ 1,370,340	$ 337,727	$ 52,201	$ 115,008	$ -	$ 115,008	$ -
Sanitation services	564,713	1,228,047	-	-	663,334	-	663,334	-
Public works	44,517	-	-	-	(44,517)	-	(44,517)	-
Park	73,650	-	-	-	(73,650)	-	(73,650)	-
Police department/municipal court	1,504,781	66,450	-	-	(1,438,331)	-	(1,438,331)	-
Street department	246,674	-	-	-	(246,674)	-	(246,674)	-
Total governmental activities	4,079,595	2,664,837	337,727	52,201	(1,024,830)	-	(1,024,830)	-
Business-type activities:								
Water services	2,265,107	3,306,278	-	615,779	-	1,656,950	1,656,950	-
Sewer services	2,343,805	1,558,416	-	-	-	(785,389)	(785,389)	
Total business-type activities	4,608,912	4,864,694	-	615,779	-	871,561	871,561	-
Total primary government	$ 8,688,507	$ 7,529,531	$ 337,727	$ 667,980	(1,024,830)	871,561	(153,269)	-
Component Unit:								
Economic Development Corporation	$ 768	$ -	$ -	$ -	-	-	-	(768)
Total component unit	$ 768	$ -	$ -	$ -	-	-	-	(768)
General revenues:								
Ad valorem taxes					1,044,115	-	1,044,115	-
Sales taxes					328,604	-	328,604	109,532
Franchise taxes					65,194	-	65,194	-
Miscellaneous					294,771	675,433	970,204	-
Unrestricted investment earnings					224,672	817,244	1,041,916	-
Transfers					312,000	(312,000)	-	-
Total general revenues and transfers					2,269,356	1,180,677	3,450,033	109,532
Change in net position					**1,244,526**	**2,052,238**	**3,296,764**	**108,764**
Net position - beginning of year					**5,176,165**	**18,133,389**	**23,309,554**	**235,522**
Net position - end of year					**$ 6,420,691**	**$ 20,185,627**	**$ 26,606,318**	**$ 344,286**

The accompanying notes are an integral part of these financial statements

CITY OF JOSEPHINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2023

	General	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and investments	$ 1,918,227	$ 803,468	$ 28,943	$ 2,750,638
Receivables				
Ad valorem taxes, net	36,054	-	-	36,054
Sales and franchise taxes	5,151	-	-	5,151
Other	133,741	-	-	133,741
Due from proprietary fund	3,010,206	-	-	3,010,206
Prepaids	40,482	-	-	40,482
Total assets	**$ 5,143,861**	**$ 803,468**	**$ 28,943**	**$ 5,976,272**
LIABILITIES				
Accounts payable	$ 223,673	$ -	$ 21,041	$ 244,714
Accrued expenses	264,136	-	7,902	272,038
Due to Other funds	-	-	-	-
Total liabilities	**487,809**	**-**	**28,943**	**516,752**
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	36,054	-	-	36,054
Total deferred inflows of resources	**36,054**	**-**	**-**	**36,054**
FUND BALANCES				
Non spendable -Prepaids	40,482	-	-	40,482
Restricted for debt service	-	803,468	-	803,468
Unassigned	4,579,516	-	-	4,579,516
Total fund balances	**4,619,998**	**803,468**	**-**	**5,423,466**
Total liabilities deferred inflows of resources and fund balances	**$ 5,143,861**	**$ 803,468**	**$ 28,943**	**$ 5,976,272**

Governmental fund balance as presented above:	$ **5,423,466**
Amounts presented for governmental activities in the statement of net assets are different because:	
Capital assets reported in the statement of net assets are not current financial resources and are not reported in the fund balance sheet.	4,081,690
Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of $36,054 and fines receivable of $6,452.	42,506
Deferred inflow/outflow of resources for pensions are not reported in the fund financial statements	119,240
Deferred inflow/outflow of resources for OPEB are not reported in the fund financial statements	729
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(76,464)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements	(13,121)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period.	(3,157,355)
Net Assets of Governmental Activities	$ **6,420,691**

CITY OF JOSEPHINE, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2023

	General Fund	Debt Service	Total Governmental Funds
REVENUES:			
Ad valorem taxes	$ 801,462	$ 233,743	$ 1,035,205
Franchise taxes	65,194	-	65,194
Sales tax	328,604	-	328,604
Charges for services	1,228,047	-	1,228,047
Licenses and Permits	1,370,340	-	1,370,340
Fines	62,283	-	62,283
Intergovernmental	337,727	-	337,727
Capital Grants and contributions revenue	52,201	-	52,201
Other income	294,771	-	294,771
Interest income	224,672	-	224,672
Total Revenues	**4,765,301**	**233,743**	**4,999,044**
EXPENDITURES:			
Current:			
Administration	1,579,891	-	1,579,891
Sanitation services	462,208	-	462,208
Public works	44,517	-	44,517
Park	45,737	-	45,737
Street department	227,879	-	227,879
Police department/municipal court	1,288,923	-	1,288,923
Debt Service:			
Principal	57,486	82,000	139,486
Interest and other costs	1,012	102,759	103,771
Capital outlay	1,739,121	-	1,739,121
Total Expenditures	**5,446,774**	**184,759**	**5,631,533**
Excess of Revenues Over Expenditures	**(681,473)**	**48,984**	**(632,489)**
Other Revenues and Financing Sources (uses)			
Transfers in	300,000	12,000	312,000
Total Other Revenues and Financing Sources (uses)	**300,000**	**12,000**	**312,000**
Net change in fund balances	**(381,473)**	**60,984**	**(320,489)**
Fund balance, October 1	**5,001,471**	**742,484**	**5,743,955**
Fund balance, September 30	**$ 4,619,998**	**$ 803,468**	**$ 5,423,466**

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

CITY OF JOSEPHINE, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended September 30, 2023

Net change in fund balance - Governmental funds	**$**	**(320,489)**
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures, while 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 expenditures of $1,715,601 exceeded depreciation expense of $279,585.		1,436,016
The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while repayment of long-term debt is reported as an expenditure for governmental funds but is reported as a reduction of debt in the statement of activities. This amount represents the net of long-term debt proceeds ($ - 0 -) and long-term debt repayments ($141,098).		141,098
Changes in the rebatable arbitrage/yield restriction are reported as an increase or decrease to expense in the government-wide financial statements but are not reported in governmental funds if the amounts are not expected to be paid from current resources.		(19,286)
Changes in the liability for compensated absences are reported as an increase or decrease to expense in the government-wide financial statements but are not reported in governmental funds if the amounts are not expected to be paid from current resources.		(8,113)
Expenditures are recognized in the governmental funds when paid. However, the statement of activities is presented on the accrual basis and expenses are reported when incurred. The following is the net difference in pension and OPEB costs.		2,223
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable revenue of $(8,910) and court fines of $(4,167).		13,077
Change in net assets of governmental activities	**$**	**1,244,526**

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

CITY OF JOSEPHINE, TEXAS
Statement of Fund Net Position
Proprietary Fund
September 30, 2023

	Enterprise Fund Water Fund	Enterprise Fund Sewer Fund	Total Enterprise Funds Water and Sewer Funds
ASSETS			
Cash and cash equivalents	$ 1,611,858	$ 640,110	$ 2,251,968
Accounts receivable, net	636,692	(13,592)	623,100
Prepaids	5,588	5,588	11,176
Restricted assets:			
Cash and cash equivalents	3,455,092	17,769,410	21,224,502
Total current assets	**5,709,230**	**18,401,516**	**24,110,746**
Capital Assets:			
Land	143,841	764,901	908,742
Buildings & other improvements	1,775,524	2,580,702	4,356,226
Water and sewer infrastructure	4,056,250	5,492,566	9,548,816
Equipment	575,800	857,763	1,433,563
Less accumulated depreciation	(1,750,708)	(1,049,145)	(2,799,853)
Capital Assets, net	**4,800,707**	**8,646,787**	**13,447,494**
Total assets	**10,509,937**	**27,048,303**	**37,558,240**
Deferred Outflows of Resources			
Deferred outflows from pensions	42,152	37,745	79,897
Deferred outflows OPEB	3,270	2,938	6,209
Total deferred outflows of resources	45,422	40,683	86,105
LIABILITIES			
Accounts payable	40,770	365,287	406,057
Compensated absences	13,030	-	13,030
Due to general fund	-	3,010,206	3,010,206
Meter deposits payable	303,665	-	303,665
Pension liability (Asset)	21,411	16,136	37,547
OPEB Liability	3,573	3,239	6,812
Payable from restricted assets:			
Accrued interest payable	-	65,407	65,407
Bonds payable - current	-	245,152	245,152
Total current liabilities	**382,449**	**3,705,427**	**4,087,876**
Rebatable Arbitrage/Yield Restriction	-	156,010	156,010
Bonds payable - long-term	-	13,188,192	13,188,192
Total non-current liabilities	-	**13,344,202**	**13,344,202**
Total liabilities	**382,449**	**17,049,629**	**17,432,078**
Deferred Inflows of Resources			
Deferred inflows from pensions	8,715	12,112	20,827
Deferred inflows OPEB	3,076	2,737	5,813
Total deferred inflows of resources	**11,791**	**14,849**	**26,640**
NET POSITION			
Invested in capital assets, net of related debt	4,800,707	8,646,787	13,447,494
Restricted for debt service	3,454,959	17,769,410	21,224,369
Unrestricted	1,905,453	(16,391,689)	(14,486,236)
Total Net Position	$ **10,161,119**	$ **10,024,508**	$ **20,185,627**

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

CITY OF JOSEPHINE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2022

	Enterprise Fund	Enterprise Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Water and Sewer Fund
OPERATING REVENUES:			
Water sales	$ 2,844,295	$ -	$ 2,844,295
Sewer sales	-	1,210,116	1,210,116
Tap and reconnect fees	461,983	348,300	810,283
Total Operating Revenues	3,306,278	1,558,416	**4,864,694**
OPERATING EXPENSES:			
Salaries, taxes, and benefits	323,248	377,858	701,106
Contract labor	127,296	2,196	129,492
Professional fees	515,064	918,049	1,433,113
Water purchases	836,752	-	836,752
Repairs and facility maintenance	11,042	(610)	10,432
Vehicle expense	6,759	6,760	13,519
Utilities and telephone	66,226	93,481	159,707
Water/Sewer testing	1,977	-	1,977
Depreciation and amortization	220,120	253,665	473,785
Other expense	156,623	150,516	307,139
Total Operating Expenses	2,265,107	1,801,915	**4,067,022**
Operating Income	1,041,171	(243,499)	**797,672**
NONOPERATING REVENUES (EXPENSES):			
Interest income	190,310	626,934	817,244
Miscellaneous income	546,701	128,732	675,433
Interest and fiscal charges	-	(541,890)	(541,890)
Total Nonoperating Revenues (Expenses)	737,011	213,776	950,787
Income before contributions and transfers	1,778,182	(29,723)	1,748,459
Capital contributions	247,779	368,000	615,779
Transfers Out	(312,000)	-	(312,000)
Change in net position	1,713,961	338,277	2,052,238
Net position, October 1	**8,447,158**	**9,686,231**	**18,133,389**
Net position, September 30	$ **10,161,119**	$ **10,024,508**	$ **20,185,627**

CITY OF JOSEPHINE, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2023

	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	$ 4,746,795
Cash paid to suppliers	(2,840,910)
Cash paid to employees	(696,337)
Net cash provided by operating activities	**1,209,548**
Cash flows from noncapital financing activities:	
Transfers	(312,000)
Net cash used by noncapital financing activities	**(312,000)**
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,063,293)
Principal paid on bonds	(140,153)
Capital contributions	615,779
Interest & fiscal charges	(596,475)
Net cash used by capital and related financing activities	**(1,184,142)**
Cash flows from investing activities:	
Proceeds from other income	675,433
Interest on deposits and investments	817,244
Net cash provided by investing activities	**1,492,677**
Net increase in cash and cash equivalents	**1,206,083**
Cash and cash equivalents, October 1	**22,270,387**
Cash and cash equivalents, September 30	**$ 23,476,470**

Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities

	Enterprise Fund Water and Sewer Fund
Operating income	**$ 797,672**
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	473,785
Change in accounts receivable (net)	(144,417)
Change in customer deposits	26,517
Change in prepaids	1,312
Change in accounts payable	49,910
Change in compensated absences	2,658
Change in pension liabilities	3,822
Change in OPEB liabilities	(1,711)
Total Adjustments	411,876
Net cash provided by operating activities	**$ 1,209,548**

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

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Josephine, Texas and its component unit, Josephine Community Development Corporation, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2023.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by an elected mayor and a five member City Council. The City provides general administration, water and sewer, sanitation services, public works, police and judicial, and community development services to its residents.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria, the City has the following component units at September 30, 2023:

Discretely Presented Component Units

Josephine Community Development Corporation (JCDC) - JCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the JCDC board for cause. JCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of developing industries and cultivating communities within the City of Josephine, Texas. Financial statements for JCDC may be obtained by contacting the City offices. JCDC is reported as a discretely presented component unit in the government-wide financial statements.

1. Introduction and Summary of Significant Accounting Policies - continued

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, fines, and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

1. Introduction and Summary of Significant Accounting Policies - continued

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The government-wide statements report 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). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 financial statements report 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. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

1. Introduction and Summary of Significant Accounting Policies - continued

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

Debt Service Fund – reports the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Proprietary Funds

The City reports the following major proprietary funds:

Water Fund - accounts for the operating activities of the City's water utilities services.

Sewer Fund - accounts for the operating activities of the City's sewer utilities services.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains non-pooled cash which is separately held and reflected in the respective individual funds. This non-pooled cash is displayed on its respective balance sheet as "cash and cash equivalents."

Restricted cash and cash equivalents are restricted for debt service requirements ($21,991,152) or for capital projects ($133) at year-end.

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value. The City did not own any nationally traded securities or long-term investments during the current fiscal year, but the City's policy for reporting assets such as these would be at fair value on the balance sheet date.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

1. Introduction and Summary of Significant Accounting Policies - continued

(E) Assets, Liabilities and Net Assets or Equity – continued

Inventories and Prepaids

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements and proprietary fund statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are 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 $1,000 or more as purchase and construction outlays occur and $5,000 for road upgrades. The costs 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.

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

Buildings and Improvements	10-40
Road infrastructure	15
Water and sewer infrastructure and rights	20- 40
Vehicles	5
Furniture, machinery, and equipment	5

The City has not capitalized any interest costs in the carrying value of capital assets.

1. Introduction and Summary of Significant Accounting Policies - continued

(E) Assets, Liabilities and Net Assets or Equity – continued

Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 four items of deferred outflows or resources related to the implementation of the GASB statements on pension accounting. They are for pension contributions after the measurement date, differences in expected and actual pension experience, changes in actuarial assumptions and pension investment experience (difference in projected and actual earnings on pension assets). The amount deferred for pension contributions is recognized in the following fiscal year. The other deferred outflows will be recognized over the estimated average remaining lives of all members determined as of the measurement date. The difference in projected and actual earnings will be amortized over a closed five-year period. These items appear on the Statement of Net Position in the government wide financial statements.

The City has one item of deferred outflows of resources related to the implementation of GASB statement on OPEB. It is for a change in actuarial assumptions used to determine the OPEB liability. The amount deferred for change in assumptions will be amortized over a closed five-year period.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items appearing on the Statement of Position in the government wide financial statements reflecting the implementation of GASB statements on pension accounting. These amounts include differences in projected and actual earnings on pension assets, changes in actuarial assumptions used to determine pension liabilities and differences in expected and actual pension experience. Differences in expected and actual pension experience will be recognized over the estimated average remaining lives of all members determined as of the measurement date. The difference in projected and actual earnings will be amortized over a closed five-year period. The City has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet.

1. Introduction and Summary of Significant Accounting Policies - continued

(E) Assets, Liabilities and Net Assets or Equity – continued

Long-term Debt, Bond Discounts/Premiums, and Issuance Costs

Bond issuance costs incurred are recorded as current expenditures as opposed to being capitalized and amortized over the maturity period of the debt.

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

Other Post-Employment Benefits (OPEB)

In June 2015, GASB made major changes to its OPEB accounting standards with the issuance of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage, and is effective for fiscal years beginning after June 2017. The new requirements called for these major changes:

> A "Total OPEB Liability" is calculated by TMRS' actuary and is put on the face of the City's Statement of Net Position in the government-wide financial statements.
>
> OPEB expense is calculated by the actuary, and is no longer tied to the amount of contributions submitted to TMRS each year; rather, it is tied to the change in total OPEB liability from year to year. OPEB expense is put in the City's Statement of Activities in the government-wide financial statements.
>
> Some of each year's OPEB costs may be deferred (deferred inflows and deferred outflows of resources, recorded in the Statement of Net Position) and amortized over a number of years.

The City's participation in the TMRS Supplemental Death Benefits Plan – with retiree coverage – is making disclosures as a participant in a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

1. Introduction and Summary of Significant Accounting Policies - continued

(E) Assets, Liabilities and Net Assets or Equity – continued

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.*

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave is paid upon termination of employment.

Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and these are included in wages and benefits payable.

Fund Equity

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

1. Introduction and Summary of Significant Accounting Policies - continued

(E) Assets, Liabilities and Net Assets or Equity – continued

Fund Equity - continued

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council.

Unassigned – all other spendable amounts in the general fund.

The City Council delegates the responsibility to assign funds to the Mayor or other designee as determined by the Council. When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverages. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

1. Introduction and Summary of Significant Accounting Policies - continued

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(H) Subsequent Events

Subsequent events have been evaluated through March 4, 2024, which is the date the financial statements were available to be issued.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Mayor and the City Secretary submit an annual budget to the City Council in accordance with the laws of the State of Texas. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally, in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. Deposits and Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Josephine, Texas are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Investments

The City did not own any investments at year-end.

Investment Policies

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Mayor, City Secretary and two members of City Council. Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2023, the City did not own any types of securities other than those permitted by statute.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City did not own any investments during the fiscal year. City policy generally requires investment maturities to correspond to anticipated cash flow needs. City policy on credit risk also prohibits the purchase of investments maturing in more than five years.

3. Deposits and Investments - continued

Investment Policies - continued

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations:

Investment Type	% of Portfolio
U. S. Treasury Notes/ Bonds/Bills	100%
U. S. Agencies	60%
Local Government Investment Pools	50%
Repurchase Agreements	30%
Certificates of Deposit	30%
Money Market Mutual Funds	15%

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on principal protection and safekeeping is, "All bank and savings and loan associations deposits and investments of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC."

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services and grants. These receivables are due within one year. The Enterprise Fund report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Following is the detail of the Enterprise Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	$ 630,754
Less: allowance for uncollectible accounts	(7,654)
Net accounts receivable	$ 623,100

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

Property Taxes Receivable and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1st for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2022, all real property was assessed at a net taxable value of $212,247,252.

The property tax rate for the year ended September 30, 2023 was .491561 per $100 of the assessed valuation on taxable property. The following is a summary of the overall tax rate as levied by fund type:

Maintenance and Operations - General Fund	.380084
Interest and Sinking – Debt Service Fund	.111477

The property tax levy for the year ending September 30, 2023 was $1,018,775. Collections of the current year property tax levy were $1,013,948 or 99.52% of the current year tax levied.

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not collected within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with appropriate allowances for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

October 1	Full year tax levy assessed for the current fiscal year taxes are due and payable.
January 1	Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
February 1	Penalty and interest charges begin to accrue on unpaid past due taxes.
July 1	Taxes become delinquent and are subject to attorney fees incurred for collection.

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

Allowance for Uncollectible Taxes

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of up to ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

The following is a summary of property taxes receivable and the related allowance for uncollectible accounts:

Accounts receivable, gross	$ 40,059
Less: allowance for uncollectible accounts	(4,005)
Net accounts receivable	$ 36,054

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the cash basis.

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

CITY OF JOSEPHINE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2023

5. Capital Assets

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 57,186	$ 855,237	$ -	$ 912,423
Total capital assets not being depreciated	57,186	855,237	-	912,423
Other capital assets being depreciated:				
Buildings and other improvements	1,234,207	235,490	-	1,469,697
Road infrastructure	1,288,003	475,541	-	1,763,544
Furniture and equipment	1,143,418	149,333	-	1,292,751
Total capital assets being depreciated	3,665,628	860,364	-	4,525,992
Total Capital Assets	3,722,814	1,715,601	-	5,438,415
Less accumulated depreciation:				
Buildings and other improvements	171,283	66,561	-	237,844
Road infrastructure	355,004	103,925	-	458,929
Furniture and equipment	550,853	109,099	-	659,952
Total accumulated depreciation	1,077,140	279,585	-	1,356,725
Governmental Activities Capital Assets, net	$ 2,645,674	$ 1,436,016	$ -	$ 4,081,690
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 908,742	$ -	$ -	$ 908,742
Total capital assets not being depreciated	908,742	-	-	908,742
Other capital assets being depreciated:				
Buildings and other improvements	2,676,103	11,010	-	2,687,113
Water and sewer infrastructure	9,972,924	1,241,852	-	11,214,776
Furniture and equipment	1,301,767	134,948	2,227	1,434,488
Total capital assets being depreciated	13,950,794	1,387,810	2,227	15,336,377
Total Capital Assets	14,859,536	1,387,810	(2,227)	16,245,119
Less accumulated depreciation	2,326,067	473,785	(2,227)	2,802,079
Business-type Activities Capital Assets, net	$ 12,533,469	$ 914,025	$ -	$ 13,447,494
Primary Government Capital Assets, net	$ 15,179,143	$ 2,350,041	$ -	$ 17,529,184

5. Capital Assets - continued

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	$	62,047
Parks		27,913
Police Department		81,186
Court		4,514
Street Department		103,925
Total	$	279,585

Depreciation expense recorded in business-type activities and the Proprietary Fund was $473,785.

The gross amount of assets included in the equipment category above, which were recorded under capital lease obligations is $119,363. Accumulated amortization of these assets is $112,322. Amortization expense is included in depreciation expense.

6. Long-Term Debt

General Fund – Interlocal Agreement

On October 8, 2018 the City entered into an interlocal agreement with Collin County, Texas to reconstruct CR596 (Hubbard). The County agreed to arrange for the road improvements. The City agreed to reimburse their share of the costs over a five year period. Terms of the agreement include an annual interest rate of 2.80% and 60 monthly payments of $4,875, with the first payment due November 1, 2018. At September 30, 2023 the principal balance was $ - 0 - .

6. Long-Term Debt - continued

General Fund – Capital Lease Agreements

On October 31, 2018 the City issued Tax Note Series 2018 for the construction and equipping of a new City Hall. The Tax Notes will mature on September 1, 2024. They carry an interest rate of 2.25% based on a 360-day year. Annual principal and interest payments will be due beginning September 1, 2018 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of \$75,000 and the final payment in 2024 of \$84,000. At September 30, 2023 the principal balance was \$84,000. Interest expense was \$3,581 for the year.

General Fund – Certificates of Obligation

On July 11, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2023A (CO's) in the total amount of \$10,845,000 for the construction and equipping of a new Public Safety Building and a New Wastewater Treatment Facility. The share of the CO's payable by the General Fund totals \$2,970,000 The CO's will mature on February 15, 2052. They carry an interest rate ranging from 4.00% to 6.00% based on a 360-day year. Annual interest payments will be due beginning February 15, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of \$50,000 due February 15, 2025 and the final payment in 2052 of \$180,000. At September 30, 2023 the principal balance was \$2,970,000. The City reserved the right , at its option to redeem Certificates having stated maturities on or after February 15, 2033 at par plus accrued interest to the date of redemption. Accrued interest expense was \$90,706 for the year while the next interest payment is due February 15, 2024.

6. Long-Term Debt - continued

Proprietary Fund – Certificates of Obligation

On February 15, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2023 (CO's) in the total amount of $5,065,000 for the acquisition, construction, installing and equipping additions, improvements, extensions and equipment for the City's waterworks and sewer system. They carry an interest rate of ranging from 3.00% to 5.00% based on a 360-day year. Annual principal and interest payments will be due beginning February 15, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $30,000 due February 15, 2023 and the final payment in 2047 of $295,000. At September 30, 2023 the principal balance was $5,035,000. The City reserved the right , at its option to redeem Certificates having stated maturities on or after February 15, 2033 at par plus accrued interest to the date of redemption. Accrued interest expense was $153,949 for the year while the next interest payment is due February 15, 2024 .

On July 11, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2023A (CO's) in the total amount of $10,845,000 for the acquisition, construction, installing and equipping additions, improvements, extensions and equipment for the City's waterworks and sewer system. The share of the CO's payable by the Sewer Fund totals $7,875,000 The CO's will mature on February 15, 2052. They carry an interest rate ranging from 4.00% to 6.00% based on a 360-day year. Annual principal and interest payments will be due beginning February 15, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $85,000 due February 15, 2023 and the final payment in 2052 of $720,000. At September 30, 2023 the principal balance was $7,790,000. The City reserved the right , at its option to redeem Certificates having stated maturities on or after February 15, 2033 at par plus accrued interest to the date of redemption. Interest expense was $257,083 for the year while the next interest payment is due February 15, 2024.

6. Long-Term Debt - continued

The following is a summary of changes in long-term debt for the year ended September 30, 2023:

	Balance October 1, 2022	Issued	Retired	Balance September 30, 2023	Due Within One Year
Description and purpose:					
GOVERNMENTAL ACTIVITIES					
Tax Note Series 2017	$ 166,000	$ -	$ 82,000	$ 84,000	$ 84,000
Interlocal Agreement 2.8%	57,750	-	57,750	-	-
Combination Tax & Revenue CO - Series 2022 A	2,970,000	-	-	2,970,000	-
Premiums	40,206	-	1,348	38,858	1,348
Total Notes Payable	3,233,956	-	141,098	3,092,858	85,348
Net Pension Liability (Asset)	(33,198)	109,662	-	76,464	-
OPEB Liability	16,443	-	3,322	13,121	-
Compensated Absences	37,098	8,113	-	45,211	45,211
Rebatable Arbitrage/Yield Restriction	-	19,286	-	19,286	-
Total Governmental Activities	3,254,299	137,061	144,420	3,246,940	130,559
BUSINESS-TYPE ACTIVITIES					
Combination Tax & Revenue CO - Series 2022	5,065,000	-	30,000	5,035,000	125,000
Combination Tax & Revenue CO - Series 2022 A	7,875,000	-	85,000	7,790,000	95,000
Premiums	633,497	-	25,152	608,345	25,152
Net Pension Liability (Asset)	(18,946)	56,493	-	37,547	-
OPEB Liability	8,523	-	1,711	6,812	-
Compensated Absences	10,372	2,658	-	13,030	13,030
Rebatable Arbitrage/Yield Restriction	-	156,010	-	156,010	-
Total Business-type Activities	8,508,446	215,161	26,863	13,646,744	258,182
Total Primary Government Long-Term Debt	$ 11,762,745	$ 352,222	$ 171,283	$ 16,893,684	$ 388,741

Compensated absences are paid from the fund responsible for the employee's compensation.

6. Long-Term Debt - continued

Debt Service Requirements to Maturity

The annual debt service requirement to maturity for interlocal debt is as follows at year-end:

Governmental Activities

Fiscal Year Ending September 30,	Tax Note Series 2017 Principal	Tax Note Series 2017 Interest	Government Capital Corp Principal	Government Capital Corp Interest	Total Required
2024	$ 84,000	$ 1,890	$ -	$ 133,850	219,740
2025	-	-	50,000	132,350	182,350
2026	-	-	50,000	129,350	179,350
2027	-	-	55,000	126,200	181,200
2028	-	-	60,000	122,750	182,750
2029 - 2033	-	-	350,000	555,650	905,650
2034 - 2038	-	-	455,000	448,875	903,875
2039 - 2043	-	-	575,000	334,500	909,500
2044 - 2048	-	-	700,000	207,000	907,000
2049 - 2052	-	-	675,000	55,300	730,300
Totals	$ 84,000	$ 1,890	2,970,000	2,245,825	$ 5,301,715

Business-Type Activities

Fiscal Year Ending September 30,	Series 2022 Bonds Payable Principal	Series 2022 Bonds Payable Interest	Series 2022 A Bonds Payable Principal	Series 2022 A Bonds Payable Interest	Total Required
2024	$ 125,000	$ 175,825	$ 95,000	$ 341,450	$ 737,275
2025	130,000	169,450	100,000	335,600	735,050
2026	140,000	162,700	105,000	329,450	737,150
2027	145,000	155,575	115,000	322,850	738,425
2028	155,000	148,075	115,000	315,950	734,025
2029 - 2033	890,000	617,750	720,000	1,460,100	3,687,850
2034 - 2038	1,070,000	439,050	930,000	1,242,750	3,681,800
2039 - 2043	1,245,000	265,875	1,165,000	1,009,100	3,684,975
2044 - 2048	1,135,000	69,375	1,725,000	745,500	3,674,875
2049 - 2052			2,720,000	223,000	2,943,000
Totals	$ 5,035,000	$ 2,203,675	$ 7,790,000	$ 6,325,750	$ 21,354,425

7. Commitments/Contingencies

Certain state reports and remittances are required by the City's municipal court. These reports and remittances are subject to audit by the Comptroller of Public Accounts. Any adjustments which may occur based upon such an audit could require the City to remit additional funds. The City expects that costs disallowed, if any, would be minimal.

The City has entered into a contract for garbage collection services with Republic Services. Contract period is from 12/1/17 to 11/30/24. The contract has up to five one-year renewals with a 180 day notice prior to the end of the initial term. During fiscal year 2023, the City spent $448,933 on garbage collection services.

8. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Outstanding balances between the City's General Fund and its Proprietary Fund include funds for operating expenditures that will be transferred after the end of the year. At September 30, 2023 the outstanding balance between the General Fund and the Proprietary Fund is $3,010,206.

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. During the year ending September 30, 2023, there were transfers of $312,000 between funds.

9. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Josephine, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Josephine, Texas and the surrounding area.

The City is currently obligated under a 30-year water purchase contract with the North Texas Municipal Water District until December 31, 2025. Total water cost for the year ended September 30, 2023 was $836,752.

10. TMRS Pension Plan

Plan Description

The City participates as one of 901 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 agent 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 Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided:

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may 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.

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

Beginning in 1993, the City granted an annually repeating (automatic) basis for a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index. (CPI).

10. TMRS Pension Plan - continued

Plan Description - continued

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

Employee deposit rate	6%
Matching ratio (City to employee)	2 to 1
Year required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	0% of CPI Repeating

Employees covered by benefit terms –

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	11
Active employees	24
	38

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting 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 of Josephine were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Josephine were 9.72% and 8.63% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 was $131,641 and was equal to the required contributions.

10. TMRS Pension Plan - continued

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and 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. 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.

10. TMRS Pension Plan - continued

Actuarial assumptions – continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public & Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount Rate –

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

10. TMRS Pension Plan - continued

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2021	$ 886,351	$ 938,496	$ (52,145)
Changes for the year:			
Service cost	180,498	-	180,498
Interest	64,905	-	64,905
Change in benefit terms	-	-	-
Difference between expected and actual experience	35,733	-	35,733
Changes in assumptions	-	-	-
Contribution - employer	-	108,263	(108,263)
Contribution - employee	-	75,522	(75,522)
Net investment income	-	(68,918)	68,918
Benefit payments, including refunds of employee contributions	(30,078)	(30,078)	-
Administrative expense	-	(593)	593
Other changes	-	707	(707)
Net changes	251,058	84,903	166,155
Balance at 12/31/2022	$ 1,137,409	$ 1,023,399	$ 114,011

Sensitivity of the net pension liability to changes in the discount rate –

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension (Asset) liability	$ 292,281	$ 114,011	$ (31,178)

10. TMRS Pension Plan - continued

Pension Plan Fiduciary Net Position –

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of $126,074. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2023, the City reported deferred outflow and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 96,024	$ -
Difference in expected and actual experience	31,018	20,427
Differences in projected and actual earnings	105,813	35,624
Change in assumptions	1,829	323
Total	$ 234,684	$ 56,374

10. TMRS Pension Plan - continued

Pension Plan Fiduciary Net Position – continued

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $82,286 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2023 (i.e. recognized in the City's financial statements as of September 30, 2024). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31,		Amount
2023	$	12,728
2024		18,349
2025		18,558
2026		28,517
2027		4,497
Thereafter		(363)
Total	$	82,286

11. TMRS Supplemental Death Benefits Fund

Post-Employment Benefits Other Than Pensions

Benefit Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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 SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan with benefit payments treated as being equal to the employer's yearly contribution for retirees.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's actual 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.

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *

Number of

- Inactive employees or beneficiaries currently receiving benefits	3
- Inactive employees entitled to but not yet receiving benefits	4
- Active employees	24
- Total	31

* Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

11. TMRS Supplemental Death Benefits Fund - continued

Total OPEB Liability

The City's total OPEB liability of $19,933 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate	1.84%
Retirees' share of benefit related costs	$ 0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Mortality rates – service retirees

RP 2000 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 with scale BB.

Mortality rates – disabled retirees

RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

11. TMRS Supplemental Death Benefits Fund - continued

Changes in the Total OPEB Liability

	2018	2019	2020	2021	2022
Total OPEB Liability - beginning of year	$ 6,900	$ 5,994	$ 7,995	$ 13,227	$ 24,966
Changes for the year					
Service Cost	875	1,025	1,721	2,616	3,902
Interest on Total OPEB Liability	243	241	244	291	495
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,482)	(1,024)	923	7,543	8,156
Changes in assumptions or other inputs	(542)	1,760	2,344	1,289	(17,586)
Benefit payments **	-	-	-	-	-
Net Changes	(906)	2,002	5,232	11,739	(5,033)
Total OPEB Liability - end of year	$ 5,994	$ 7,995	$ 13,227	$ 24,966	$ 19,933

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

Sensitivity of the total OPEB liability to changes in the discount rate –

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.84%) or 1 percentage point higher (2.84%) than the current rate:

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
Total OPEB Liability	$ 26,249	$ 19,933	$ 15,385

Deferred Outflows of Resources and Deferred Inflows of Resources, by year, to be recognized in Future OPEB Expense (excluding City-provided contributions made subsequent to the measurement date).

11. TMRS Supplemental Death Benefits Fund - continued

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ending December 31, 2023 (i.e. recognized in the City's financial statements for the year ending September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year		Net deferred outflows (inflows) of resources
2023	$	(95)
2024		(95)
2025		(95)
2026		(95)
2027		(119)
Thereafter		1,511
Total	$	1,012

12. Litigation

The City is involved in litigation arising in the ordinary course of business. It is management's belief that any liability resulting from such litigation would not be material in relation to the City's financial position.

13. Risks and Uncertainties

The COVID-19 pandemic developed rapidly in 2023, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The City has taken a number of measures to monitor and mitigate the effects of COVID-19, including safety and health measures such as social distancing, and securing the supply of materials that are essential to the production process.

14. Subsequent Events

In October, 2023, the City issued City of Josephine, Texas, Tax Note, Series 2023 for approximately $4,884,000. The Tax Note has a stated coupon of 4.305% with principal and interest payments beginning September 30, 2024 through September 30, 2030.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	$ 725,597	$ 725,597	$ 801,462	$ 75,865
Franchise taxes	62,000	62,000	65,194	3,194
Sales tax	220,000	220,000	328,604	108,604
Charges for services	1,105,000	1,105,000	1,228,047	123,047
Licenses and Permits	719,450	719,450	1,370,340	650,890
Fines	52,000	52,000	62,283	10,283
Intergovernmental	350,000	350,000	337,727	(12,273)
Capital Grants and contributions revenue	-	-	52,201	52,201
Other income	196,250	196,250	294,771	98,521
Interest income	7,800	7,800	224,672	216,872
Total Revenues	**3,438,097**	**3,438,097**	**4,765,301**	**1,327,204**
EXPENDITURES:				
Current:				
Administration	1,317,463	1,317,463	1,579,891	(262,428)
Sanitation services	451,325	451,325	462,208	(10,883)
Public works	40,050	40,050	44,517	(4,467)
Park	60,175	60,175	45,737	14,438
Street department	220,875	220,875	227,879	(7,004)
Police department/municipal court	1,583,614	1,583,614	1,288,923	294,691
Capital outlay	599,475	599,475	1,739,121	(1,139,646)
Debt Service:				
Principal	58,000	58,000	57,486	514
Interest and other costs	1,200	1,200	1,012	188
Total Expenditures	**4,332,177**	**4,332,177**	**5,446,774**	**(1,114,597)**
Excess (deficiency) of revenues over expenditures	**(894,080)**	**(894,080)**	**(681,473)**	**212,607**
OTHER FINANCING SOURCES (USES):				
Transfers	300,000	300,000	300,000	-
Total Other Financing Sources (Uses)	**300,000**	**300,000**	**300,000**	-
Net Change in Fund Balances	(594,080)	(594,080)	(381,473)	212,607
Fund balance, October 1	**5,001,471**	**5,001,471**	**5,001,471**	-
Fund balance, September 30	**$ 4,407,391**	**$ 4,407,391**	**$ 4,619,998**	**$ 212,607**

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

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	$ 210,761	$ 210,761	$ 233,743	$ 22,982
				-
Total Revenues	**210,761**	**210,761**	**233,743**	**22,982**
EXPENDITURES:				
Current:				
Debt Service:				
Principal	82,000	82,000	82,000	-
Interest and other costs	139,444	139,444	102,759	36,685
Total Expenditures	**221,444**	**221,444**	**184,759**	**36,685**
Excess (deficiency) of revenues over expenditures	**(10,683)**	**(10,683)**	**48,984**	**59,667**
OTHER FINANCING SOURCES (USES):				
Transfers in	12,000	12,000	12,000	-
Total Other Financing Sources (Uses)	**12,000**	**12,000**	**12,000**	-
Net Change in Fund Balances	1,317	1,317	60,984	59,667
Fund balance, October 1	**742,484**	**742,484**	**742,484**	-
Fund balance, September 30	**$ 743,801**	**$ 743,801**	**$ 803,468**	**$ 59,667**

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

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - WATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Water sales	$ 2,200,000	$ 2,200,000	$ 2,844,295	$ 644,295
Grant income				-
Tap and reconnect fees	218,000	218,000	461,983	243,983
Other income	89,200	89,200	546,701	457,501
Interest income	17,200	17,200	190,310	173,110
Total Revenues	**2,524,400**	**2,524,400**	**4,043,289**	**1,518,889**
EXPENDITURES:				
Current:				
Salaries, taxes, and benefits	347,200	347,200	323,248	23,952
Contract labor	120,000	120,000	127,296	(7,296)
Professional fees	111,500	111,500	515,064	(403,564)
Water purchases	721,113	721,113	836,752	(115,639)
Repairs and facility maintenance	21,300	21,300	11,042	10,258
Vehicle expense	10,000	10,000	6,759	3,241
Utilities and telephone	41,950	41,950	66,226	(24,276)
Water/Sewer testing	7,000	7,000	1,977	5,023
Depreciation and amortization	-	-	220,120	(220,120)
Other expense	159,675	159,675	156,623	3,052
Total Expenditures	**1,539,738**	**1,539,738**	**2,265,107**	**(725,369)**
Excess (deficiency) of revenues over expenditures	**984,662**	**984,662**	**1,778,182**	**793,520**
OTHER FINANCING SOURCES (USES):				
Transfers out	(312,000)	(312,000)	(312,000)	-
Capital Contributions			247,779	
Total Other Financing Sources (Uses)	**(312,000)**	**(312,000)**	**(64,221)**	**-**
Net Change in Fund Balances	672,662	672,662	1,713,961	793,520
Net Position, October 1	**8,447,158**	**8,447,158**	**8,447,158**	**-**
Net Position, September 30	**$ 9,119,820**	**$ 9,119,820**	**$ 10,161,119**	**$ 793,520**

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

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sewer sales	$ 940,000	$ 940,000	$ 1,210,116	$ 270,116
Tap and reconnect fees	184,000	184,000	348,300	164,300
Engineer/Consultant Fees	100,000	100,000	117,007	17,007
Other income	8,000	8,000	11,725	3,725
Interest income	20,000	20,000	626,934	606,934
Total Revenues	**1,252,000**	**1,252,000**	**2,314,082**	**1,062,082**
EXPENDITURES:				
Current:				
Salaries, taxes, and benefits	391,600	391,600	377,858	13,742
Contract labor	25,000	25,000	2,196	22,804
Professional fees	161,000	161,000	918,049	(757,049)
Repairs and facility maintenance	17,400	17,400	(610)	18,010
Vehicle expense	10,000	10,000	6,760	3,240
Utilities and telephone	106,700	106,700	93,481	13,219
Depreciation and amortization	-	-	253,665	(253,665)
Other expense	939,758	939,758	692,406	247,352
				-
Total Expenditures	**1,651,458**	**1,651,458**	**2,343,805**	**(692,347)**
Excess (deficiency) of revenues over expenditures	**(399,458)**	**(399,458)**	**(29,723)**	**369,735**
OTHER FINANCING SOURCES (USES):				
Capital Contributions	-	-	368,000	368,000
Total Other Financing Sources (Uses)	**-**	**-**	**368,000**	**368,000**
Net Change in Fund Balances	(399,458)	(399,458)	338,277	737,735
Net Position, October 1	**9,686,231**	**9,686,231**	**9,686,231**	**-**
Net Position, September 30	**$ 9,286,773**	**$ 9,286,773**	**$ 10,024,508**	**$ 737,735**

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

CITY OF JOSEPHINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST NINE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
A. Total Pension Liability									
Service cost	$ 19,345	$ 24,663	$ 30,557	$ 36,466	$ 51,786	$ 64,318	$ 108,282	$ 125,222	$ 180,498
Interest (on the Total Pension Liability)	12,337	15,417	18,490	21,217	24,988	29,288	42,465	52,406	64,905
Changes of benefit terms	-	-	-	-	-	-	87,806	-	-
Difference between expected and actual experience	9,840	801	(11,601)	(4,285)	(11,920)	(5,315)	(8,635)	(1,750)	35,733
Change of assumptions	-	9,853	-	-	-	(639)	-	-	-
Benefits payments, including refunds of employee contributions	(366)	-	-	-	(10,379)	(4,459)	-	(6,605)	(30,078)
Net Change in Total Pension Liability	41,156	50,734	37,446	53,398	54,475	83,193	229,918	169,273	251,058
Total Pension Liability - Beginning	166,758	207,914	258,648	296,094	349,492	403,967	487,160	717,078	886,351
Total Pension Liability - Ending (a)	$ 207,914	$ 258,648	$ 296,094	$ 349,492	$ 403,967	$ 487,160	$ 717,078	$ 886,351	$ 1,137,409
B. Plan Fiduciary Net Position									
Contributions - employer	$ 10,136	$ 11,073	$ 16,155	$ 22,675	$ 29,149	$ 34,264	$ 127,213	$ 84,246	$ 108,263
Contributions - employee	11,585	12,801	15,317	18,510	26,221	32,375	44,899	52,321	75,522
Net investment income	9,710	295	15,116	37,462	(10,459)	59,374	38,405	93,636	(68,918)
Benefit payments, including refunds of employee contributions	(366)	-	-	-	(10,379)	(4,459)	-	(6,605)	(30,078)
Administrative expense	(101)	(180)	(171)	(195)	(202)	(335)	(248)	(431)	(593)
Other	(8)	(9)	(9)	(9)	(11)	(10)	(10)	2	707
Net Change in Plan Fiduciary Net Position	30,956	23,980	46,408	78,443	34,319	121,209	210,259	223,169	84,903
Plan Fiduciary Net Position - Beginning	169,752	200,708	224,688	271,096	349,539	383,858	505,067	715,326	938,495
Plan Fiduciary Net Position - Ending (b)	$ 200,708	$ 224,688	$ 271,096	$ 349,539	$ 383,858	$ 505,067	$ 715,326	$ 938,495	$ 1,023,398
C. Net Pension Liability - Ending (a) - (b)	$ 7,206	$ 33,960	$ 24,998	$ (47)	$ 20,110	$ (17,906)	$ 1,752	$ (52,144)	$ 114,011
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.53%	86.87%	91.56%	100.01%	95.02%	103.68%	99.76%	105.88%	89.98%
E. Covered Employee Payroll	$ 193,077	$ 213,351	$ 255,281	$ 308,508	$ 437,014	$ 539,584	$ 748,323	$ 872,017	$ 1,258,705
F. Net Pension Liability as a Percentage of Covered Payroll	3.73%	15.92%	9.79%	-0.02%	4.60%	-3.32%	0.23%	-5.98%	9.06%

CITY OF JOSEPHINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST NINE FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

Plan Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	$ 10,136	$ 11,073	$ 16,155	$ 22,675	$ 29,149	$ 34,264	$ 127,213	$ 84,246	$ 108,263
Contributions in relation to the actuarially determined contribution	10,136	11,328	16,155	22,675	29,149	34,264	127,213	84,246	108,263
Contribution deficiency (excess)	$ -	$ (255)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 193,077	$ 213,351	$ 255,281	$ 308,508	$ 437,014	$ 539,584	$ 748,323	$ 872,017	$ 1,258,705
Contributions as a percentage of covered employee payroll	5.25%	5.31%	6.33%	7.35%	6.67%	6.35%	17.00%	9.66%	8.60%

Notes to Schedule of Contributions

Notes — 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2015.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

Notes — There were no benefit changes during the year.

CITY OF JOSEPHINE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST SIX FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

Measurement Year	2017	2018	2019	2020	2021	2022
Changes in the Total OPEB Liability						
Total OPEB Liability - beginning of year	$ 5,405	$ 6,900	$ 5,994	$ 7,996	$ 13,228	$ 24,966
Changes for the year						
Service Cost	524	875	1,025	1,721	2,616	3,902
Interest on Total OPEB Liability	214	243	241	244	291	495
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,482)	(1,024)	923	7,543	8,156
Changes in assumptions or other inputs	757	(542)	1,760	2,344	1,289	(17,586)
Benefit payments **	-	-	-	-	-	-
Net Changes	1,495	(906)	2,002	5,232	11,739	(5,033)
Total OPEB Liability - end of year	$ 6,900	$ 5,994	$ 7,996	$ 13,228	$ 24,966	$ 19,933

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

Changes in assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

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

SUPPLEMENTARY SCHEDULES

CITY OF JOSEPHINE, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2023 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2022	2023	$ 212,247,252
2021	2022	160,254,077
2020	2021	135,720,903
2019	2020	123,624,553
2018	2019	106,125,444
2017	2018	91,095,631
2016	2017	63,577,112
2015	2016	51,517,105
2014	2015	44,397,598
2013	2014	38,232,507

CITY OF JOSEPHINE, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2023 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2022	2023	0.491561
2021	2022	0.516697
2020	2021	0.559079
2019	2020	0.575000
2018	2019	0.580000
2017	2018	0.540000
2016	2017	0.580000
2015	2016	0.600000
2014	2015	0.615000
2013	2014	0.590000