# CITY OF JOSEPHINE, TEXAS

# ANNUAL FINANCIAL REPORT

# FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fox Byrd & Company, P.C.
Accountants and Consultants

**CITY OF JOSEPHINE, TEXAS**
**ANNUAL FINANCIAL REPORT**
**For the Year Ended September 30, 2025**

## TABLE OF CONTENTS

**City of Josephine, Texas**
**List of Principal Officials**
**September 30, 2025**

## 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

**Report on the Audit of the Financial Statements**

**Opinions**

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 (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2025, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

The City's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

12400 Coit Road, Suite 505
Dallas, Texas 75251
Ph (214) 696-8320 | Fax (214) 987-9840
www.foxbyrd.com

## Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## 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 5–15 and 56-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

Management is responsible for the other information. The other information comprises the Historical Schedule of Assessed Property Valuation and the Historical Schedule of Property Tax Rates but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Fox, Byrd + Company, P.C.

Fox, Byrd & Company, P.C.
Dallas, Texas
March 5, 2026

# 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, 2025. This discussion should be read in conjunction with the financial statements and related notes.

### ***FINANCIAL HIGHLIGHTS:***

- Government-wide net position reported in the Statement of Activities are $38,164,169. Of this amount $18,627,520 is invested in capital assets or restricted for debt service, leaving $19,536,649 of unrestricted net position.
- Government-wide net position increased by $4,012,190 including ($3,794) prior period adjustment to construction in progress during 2025.
- Each of the City's fund financial statements reported changes in equity as follows:

  General Fund – $4,976,868 decrease
  Debt Service Fund - $221,866 increase
  Water Fund - $2,475,652 increase
  Sewer Fund - $2,048,037 increase after the ($3,794) prior period adjustment.

### ***USING THIS ANNUAL REPORT:***

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 $38,164,169 and $34,151,979 at the close of FY 2025 and 2024, respectively and increased $4,012,190 during 2025. 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 $19,536,649

## *FINANCIAL ANALYSIS OF THE CITY'S FUNDS:*

As the City completed the year, its governmental funds, $4,851,570 and proprietary funds $29,205,206 reported combined fund balance and net assets of $34,056,776, a net decrease of $231,313 from last year including a $3,794 prior period adjustment.

***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 $10,990,326 and $5,812,474, 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 $7,855,942 and ($8,670,233) in each of the respective activities.

*Long-term Debt* – at year-end the City had $35,048,858 in bonds outstanding which represents a increase of $15,293,973 from the prior year.

***BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:***

The City of Josephine has an estimated 2025 population of 3,312 and serves an estimated population of 12,320. Josephine is currently growing at a rate of 22.76% annually and its population has increased by 287.23% since the most recent census, which recorded a population of 2,255 in 2020.

Existing retail establishments within the City of Josephine have increased the city's sales tax revenue by 36% over FY 2024 while also providing resident resources and job opportunities. Commercial and Retail Developers are in constant contact with our City Planner; we expect an abundance of retail growth within the next few years.

The City of Josephine's Comprehensive Plan was adopted July 10, 2023. The Comprehensive Plan was created as a guide for developers and community officials to ultimately provide safe and convenient places to live, work, worship and play in Josepine. 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. Astoria Homes in Murray Manor pulled permits for 9 homes, Shepherd Place Homes pulled 6 permits in the High Meadows development, 7 in Meadow Ridge, and 11 in Murray Manor. Starlight Homes in Liberty Ranch pulled 36 permits, DR Horton pulled 137 permits for Waverly Estates, and 210 permits for Riverfield. Bloomfield pulled 23 permits and Davidson Homes pulled 11 permits in Waverly Estates. In total 450 building permits were issued in Fiscal Year 2025 and over 500 building permits are expected to be issued in Fiscal Year 2026.

The reduction of Fund Balance this year is attributed to the investment in Capital Assets and Infrastructure. Grant Income was received from Collin County for the Greenville Avenue Project. Construction is underway on the new Public Safety building and two new wastewater treatment plants to accommodate a growing police and fire department and utility needs;

developer contributions for these projects have reduced the tax burden on existing residents. The City continues to effectively partner with developers arranging for developer financial contributions to accommodate growth.

The City of Josephine stabilizes the fund balance by strategically holding a portion of operating funds in a high-yield investment account. By maximizing the returns on idle funds through this investment strategy, the City effectively enhanced it's financial position without compromising liquidity or risk. S&P Global Ratings Review was conducted and confirmed the City of Josephine's long-term credit remains at an AA- rating.

Overall, Josephine is a welcoming, safe and thriving community committed to managing new growth while strengthening existing neighborhoods and encouraging locally responsive commercial development. Grant Income was received for Milton Street Improvements which has been completed and from Collin County for the Greenville Avenue Project. Construction is underway on the new Public Safety building and two new wastewater treatment plants to accommodate a growing police and fire department and utility needs; developer contributions for these projects have reduced the tax burden on existing residents. The City continues to effectively partner with developers arranging for developer financial contributions to accommodate growth.

## ***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 | |
|---|---|---|---|---|---|---|
| | **2025** | **2024** | **2025** | **2024** | **2025** | **2024** |
| **ASSETS** | | | | | | |
| Current and other assets | $ 6,516,321 | $ 10,680,087 | $ 38,896,207 | $ 27,503,793 | $ 45,412,528 | $ 38,183,880 |
| Capital assets, net | 14,775,326 | 7,464,817 | 17,022,474 | 14,482,707 | 31,797,800 | 21,947,524 |
| **Total Assets** | **21,291,647** | **18,144,904** | **55,918,681** | **41,986,500** | **77,210,328** | **60,131,404** |
| Deferred outflows of resources | 264,465 | 180,311 | 113,372 | 90,184 | 377,837 | 270,495 |
| **LIABILITIES** | | | | | | |
| Other liabilities | 2,355,347 | 2,448,538 | 1,925,954 | 3,947,883 | 4,281,301 | 6,396,421 |
| Long-term debt | 10,166,109 | 6,340,703 | 24,882,749 | 13,414,182 | 35,048,858 | 19,754,885 |
| **Total Liabilities** | **12,521,456** | **8,789,241** | **26,808,703** | **17,362,065** | **39,330,159** | **26,151,306** |
| **Deferred Inflows of Resources** | | | | | | |
| Deferred inflows from pensions | 63,667 | 54,273 | 17,114 | 30,041 | 80,781 | 84,314 |
| Deferred inflows OPEB | 12,026 | 11,239 | 1,030 | 3,061 | 13,056 | 14,300 |
| **Total deferred inflows of resources** | **75,693** | **65,512** | **18,144** | **33,103** | **93,837** | **98,614** |
| **NET POSITION** | | | | | | |
| Net investment in capital assets | 10,990,326 | 3,134,384 | 5,812,474 | 14,482,707 | 16,802,800 | 17,617,091 |
| Restricted for debt service | 1,087,445 | 865,579 | 737,275 | 737,275 | 1,824,720 | 1,602,854 |
| Unrestricted | (3,118,808) | 5,470,499 | 22,655,457 | 9,461,535 | 19,536,649 | 14,932,034 |
| **Total Net Position** | **$ 8,958,963** | **$ 9,470,462** | **$ 29,205,206** | **$ 24,681,517** | **$ 38,164,169** | **$ 34,151,979** |

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Program revenues: | | | | | | |
| Charges for services | $ 3,886,196 | $ 3,603,397 | $ 6,869,560 | $ 6,146,618 | $ 10,755,756 | $ 9,750,015 |
| Operating grants/contributions | 3,500 | 1,287,705 | - | - | 3,500 | 1,287,705 |
| Capital grants/contributions | 44,863 | 18,964 | - | 1,094,346 | 44,863 | 1,113,310 |
| General revenues: | | | | | | |
| Ad valorem taxes | 1,469,409 | 1,194,152 | - | - | 1,469,409 | 1,194,152 |
| Sales taxes | 347,431 | 254,290 | - | - | 347,431 | 254,290 |
| Franchise taxes | 72,317 | 68,504 | - | - | 72,317 | 68,504 |
| Other | 1,154,875 | 995,364 | 2,883,187 | 453,075 | 4,038,062 | 1,448,439 |
| Total revenues | 6,978,591 | 7,422,376 | 9,752,747 | 7,694,039 | 16,731,338 | 15,116,415 |
| Expenses: | | | | | | |
| Administration | 2,149,421 | 1,715,925 | - | - | 2,149,421 | 1,715,925 |
| Sanitation services | 1,708,555 | 802,436 | - | - | 1,708,555 | 802,436 |
| Public works | 41,841 | 49,705 | - | - | 41,841 | 49,705 |
| Park | 217,701 | 85,134 | - | - | 217,701 | 85,134 |
| Police department/municipal court | 3,236,711 | 1,985,142 | - | - | 3,236,711 | 1,985,142 |
| Streets | 635,861 | 159,263 | - | - | 635,861 | 159,263 |
| Water and sewer services | - | - | 4,725,264 | 3,642,646 | 4,725,264 | 3,642,646 |
| Total Expenses | 7,990,090 | 4,797,605 | 4,725,264 | 3,642,646 | 12,715,354 | 8,440,251 |
| Excess before transfers | (1,011,499) | 2,624,771 | 5,027,483 | 4,051,393 | 4,015,984 | 6,676,164 |
| Transfers | 500,000 | 425,000 | (500,000) | (425,000) | - | - |
| **Change in Net Position** | **(511,499)** | **3,049,771** | **4,527,483** | **3,626,393** | **4,015,984** | **6,676,164** |
| Net position - October 1 | 9,470,462 | 6,420,691 | 24,681,517 | 20,185,627 | 34,151,979 | 26,606,318 |
| **Prior period adjustment** | - | - | (3,794) | 869,497 | (3,794) | 869,497 |
| **Net position - September 30** | **$ 8,958,963** | **$ 9,470,462** | **$ 29,205,206** | **$ 24,681,517** | **$ 38,164,169** | **$ 34,151,979** |

**CITY OF JOSEPHINE, TEXAS**
**COMPARATIVE BALANCE SHEETS**
**GOVERNMENTAL FUNDS**
**September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 6,257,527 | $ 7,409,317 |
| Ad valorem taxes | 86,030 | 38,174 |
| Sales and franchise taxes | 8,984 | 6,600 |
| Other | 219,425 | 158,778 |
| Due from Proprietary fund | - | 3,010,206 |
| Prepaid items | 78,417 | 50,560 |
| **Total Assets** | **$ 6,650,383** | **$ 10,673,635** |
| | | |
| **LIABILITIES AND FUND BALANCES** | | |
| | | |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 1,572,269 | $ 1,028,889 |
| Due to other funds | 140,514 | - |
| **Total Liabilities** | **1,712,783** | **1,028,889** |
| | | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Unavailable revenue | 86,030 | 38,174 |
| **Total deferred inflows of resources** | **86,030** | **38,174** |
| | | |
| **FUND BALANCES** | | |
| Non-spendable: | | |
| Prepaid items | 78,417 | 50,560 |
| Restricted for debt service | 1,087,445 | 865,579 |
| Unassigned | 3,685,708 | 8,690,433 |
| **Total Fund Balances** | **4,851,570** | **9,606,572** |
| | | |
| **Total Liabilities and Fund Balances** | **$ 6,650,383** | **$ 10,673,635** |

**CITY OF JOSEPHINE, TEXAS**
**Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances**
**Governmental Funds**
**Years Ended September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **REVENUES:** | | |
| Ad valorem taxes | $ 1,421,553 | $ 1,192,032 |
| Franchise taxes | 72,317 | 68,504 |
| Sales tax | 347,431 | 254,290 |
| Garbage fees | 2,424,699 | 1,644,843 |
| Permits | 1,367,350 | 1,880,062 |
| Fines | 92,259 | 77,553 |
| Intergovernmental | 3,500 | 1,287,705 |
| Grant revenue | 44,863 | 18,964 |
| Other income | 805,971 | 430,699 |
| Interest | 348,904 | 564,665 |
| **Total Revenues** | **6,928,847** | **7,419,317** |
| **EXPENDITURES:** | | |
| Administration | 2,063,678 | 1,540,328 |
| Sanitation services | 793,060 | 526,572 |
| Public works | 41,841 | 49,705 |
| Park | 188,199 | 57,079 |
| Street department | 306,158 | 156,265 |
| Police department/municipal court | 2,507,417 | 1,448,359 |
| **Debt Service:** | | |
| Principal | 593,000 | 589,863 |
| Interest | 600,723 | 426,007 |
| Capital Outlay | 8,993,240 | 3,751,033 |
| **Total Expenditures** | **16,087,316** | **8,545,211** |
| **Excess (Deficiency) of Revenues Over Expenditures** | **(9,158,469)** | **(1,125,894)** |
| **Other Revenues and Financing Sources (uses)** | | |
| Bond proceeds | 3,785,000 | 4,884,000 |
| Premium on bonds issued | 118,467 | - |
| Transfers in | 500,000 | 425,000 |
| **Total Other Revenues and Financing Sources (uses)** | **4,403,467** | 5,309,000 |
| **Net change in fund balances** | **(4,755,002)** | **4,183,106** |
| **Fund balance, October 1** | **9,606,572** | **5,423,466** |
| **Fund balance, September 30** | **$ 4,851,570** | **$ 9,606,572** |

**CITY OF JOSEPHINE, TEXAS**
**COMPARATIVE STATEMENTS OF FUND NET POSITION**
**PROPRIETARY FUND**
**September 30, 2025 and 2024**

| | 2025 Enterprise Fund Water and Sewer Activities | 2024 Enterprise Fund Water and Sewer Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 37,994,814 | $ 14,120,531 |
| Accounts receivable, net | 728,969 | 646,766 |
| Prepaids | 31,910 | 10,998 |
| **Restricted assets:** | | |
| Cash and cash equivalents | - | 12,725,498 |
| **Total current assets** | 38,755,693 | 27,503,793 |
| **Capital Assets:** | | |
| Land | 908,742 | 908,742 |
| Construction in progress | 3,602,629 | 951,777 |
| Buildings & other improvements | 2,719,027 | 4,358,901 |
| Water and sewer infrastructure | 12,050,246 | 10,058,101 |
| Equipment | 1,598,923 | 1,541,431 |
| Less accumulated depreciation | (3,857,093) | (3,336,245) |
| **Capital Assets, net** | 17,022,474 | 14,482,707 |
| **Total assets** | 55,778,167 | 41,986,500 |
| **Deferred Outflows of Resources** | | |
| Deferred outflows from pensions | 113,372 | 86,838 |
| Deferred outflows from OPEB | - | 3,346 |
| **Total deferred outflows of resources** | 113,372 | 90,184 |
| **LIABILITIES** | | |
| Accounts payable | 998,229 | 105,025 |
| Compensated absences | 79,568 | 36,036 |
| Due to general fund | (140,514) | 3,010,206 |
| Meter deposits payable | 390,160 | 364,615 |
| Notes payable | 245,000 | 255,152 |
| **Payable from restricted assets:** | | |
| Accrued interest payable | 184,461 | 63,913 |
| **Total current liabilities** | 1,756,904 | 3,834,947 |
| Pension liability | 20,094 | 104,847 |
| OPEB liability | 8,442 | 8,089 |
| **Total non-current liabilities** | 28,536 | 112,936 |
| Rebatable Arbitrage/Yield Restriction | 609,351 | 481,143 |
| Bonds payable - long-term | 24,273,398 | 12,933,039 |
| **Total non-current liabilities** | 24,882,749 | 13,414,182 |
| **Total liabilities** | 26,668,189 | 17,362,065 |
| **Deferred Inflows of Resources** | | |
| Deferred inflows from pensions | 17,114 | 30,041 |
| Deferred inflows OPEB | 1,030 | 3,061 |
| **Total deferred inflows of resources** | 18,144 | 33,103 |
| **NET POSITION** | | |
| Invested in capital assets, net of related debt | 5,812,474 | 14,482,707 |
| Restricted for debt service | 737,275 | 737,275 |
| Restricted for capital projects, $11,257,000 (2025) $11,988,223 (2024) | | |
| Net of related debt, $(11,257,000) (2025) $(11,988,223) (2024) | - | - |
| Unrestricted | 22,655,457 | 9,461,535 |
| **Total Net Position** | $ 29,205,206 | $ 24,681,517 |

**CITY OF JOSEPHINE, TEXAS**
**Comparative Statements of Revenues, Expenses and Changes in Fund Net Position**
**Proprietary Fund**
**Years Ended September 30, 2025 and 2024**

| | 2025 Enterprise Fund Water and Sewer | 2024 Enterprise Fund Water and Sewer |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Water sales | $ 4,135,683 | $ 3,742,866 |
| Sewer sales | 1,973,777 | 1,582,727 |
| Tap and reconnect fees | 760,100 | 821,025 |
| **Total Operating Revenues** | **6,869,560** | **6,146,618** |
| **OPERATING EXPENSES:** | | |
| Salaries, taxes, and benefits | 1,163,503 | 1,017,127 |
| Contract labor | 25,780 | 91,564 |
| Professional fees | 212,494 | 178,414 |
| Water purchases | 1,537,141 | 1,238,289 |
| Repairs and facility maintenance | 70,944 | 24,070 |
| Vehicle expense | 26,316 | 19,472 |
| Utilities and telephone | 157,306 | 152,413 |
| Water/Sewer testing | - | 1,876 |
| Depreciation and amortization | 560,881 | 536,393 |
| Other expense | 460,323 | 383,028 |
| **Total Operating Expenses** | **4,214,688** | **3,642,646** |
| **Operating Income** | **2,654,872** | **2,503,972** |
| **NONOPERATING REVENUES (EXPENSES):** | | |
| Interest income | 954,906 | 1,051,336 |
| Interest and fiscal charges | (510,576) | (815,761) |
| Miscellaneous income | 1,909,863 | 217,500 |
| Gain (Loss) on dispositions | 18,418 | - |
| Total Non-operating Revenues (Expenses) | **2,372,611** | **453,075** |
| **Income before capital grants and transfers** | **5,027,483** | **2,957,047** |
| Developer contributions | - | 1,094,346 |
| Transfers out | (500,000) | (425,000) |
| **Change in net position** | **4,527,483** | **3,626,393** |
| **Net position, October 1** | **24,681,517** | **20,185,627** |
| **Prior period adjustment** | **(3,794)** | **869,497** |
| **Net position, September 30** | **$ 29,205,206** | **$ 24,681,517** |

# BASIC FINANCIAL STATEMENTS

**CITY OF JOSEPHINE, TEXAS**
**STATEMENT OF NET POSITION**
**SEPTEMBER 30, 2025**

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total Primary Government | Component Unit |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 5,170,082 | $ 37,994,814 | $ 43,164,896 | $ 61,925 |
| Receivables | | | | |
| Taxes, net of allowance | 95,014 | - | 95,014 | - |
| Accounts, net of allowance | 225,877 | 728,969 | 954,846 | - |
| Prepaids | 78,417 | 31,910 | 110,327 | - |
| Internal balances | (140,514) | 140,514 | - | - |
| **Restricted assets:** | | | | |
| Cash and cash equivalents | 1,087,445 | - | 1,087,445 | - |
| **Capital assets:** | | | | |
| Capital assets, not being depreciated | 9,509,953 | 4,511,371 | 14,021,324 | - |
| Capital assets, net of accumulated depreciation | 5,265,373 | 12,511,103 | 17,776,476 | - |
| **Total Assets** | **21,291,647** | **55,918,681** | **77,210,328** | **61,925** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows related to pensions | 254,453 | 113,372 | 367,825 | - |
| Deferred outflows related to OPEB | 10,013 | - | 10,013 | - |
| **Total deferred outflows of resources** | 264,465 | 113,372 | 377,837 | - |
| **LIABILITIES** | | | | |
| Accounts payable | 1,195,296 | 998,229 | 2,193,525 | - |
| Accrued interest payable | 376,973 | 184,461 | 561,434 | - |
| Meter deposits payable | - | 390,160 | 390,160 | - |
| Noncurrent Liabilities: | | | | |
| **Due within one year:** | | | | |
| Compensated absences | 97,861 | 79,568 | 177,429 | - |
| Notes payable | 626,348 | 245,000 | 871,348 | - |
| **Due in more than one year:** | | | | |
| Pension liability (asset) | 42,584 | 20,094 | 62,678 | - |
| OPEB liability | 16,285 | 8,442 | 24,727 | - |
| Rebatable Arbitrage/Yield Restriction | 92,828 | 609,351 | 702,179 | - |
| Notes payable | 10,073,281 | 24,273,398 | 34,346,679 | - |
| **Total Liabilities** | **12,521,456** | **26,808,703** | **39,330,159** | **-** |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows related to pensions | 63,667 | 17,114 | 80,781 | - |
| Deferred inflows related to OPEB | 12,026 | 1,030 | 13,056 | - |
| **Total deferred inflows of resources** | **75,693** | **18,144** | **93,837** | **-** |
| **NET POSITION** | | | | |
| Net investment in capital assets | 10,990,326 | 5,812,474 | 16,802,800 | - |
| Restricted for debt service | 1,087,445 | 737,275 | 1,824,720 | - |
| Restricted for capital projects, $15,047,000 Net of related debt, ($15,047,000) | - | - | - | - |
| Unrestricted | (3,118,808) | 22,655,457 | 19,536,649 | 61,925 |
| **Total Net position** | **$ 8,958,963** | **$ 29,205,206** | **$ 38,164,169** | **$ 61,925** |

**CITY OF JOSEPHINE, TEXAS**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED SEPTEMBER 30, 2025**

| | | 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 | $ 2,149,421 | $ 1,367,350 | $ 3,500 | $ 44,863 | $ (733,708) | $ - | $ (733,708) | $ - |
| Sanitation services | 1,708,555 | 2,424,699 | - | - | 716,144 | - | 716,144 | - |
| Public works | 41,841 | - | - | - | (41,841) | - | (41,841) | - |
| Park | 217,701 | - | - | - | (217,701) | - | (217,701) | - |
| Police department/municipal court | 3,236,711 | 94,147 | - | - | (3,142,564) | - | (3,142,564) | - |
| Street department | 635,861 | - | - | - | (635,861) | - | (635,861) | - |
| **Total governmental activities** | 7,990,090 | 3,886,196 | 3,500 | 44,863 | (4,055,531) | - | (4,055,531) | - |
| **Business-type activities:** | | | | | | | | |
| Water services | 2,778,052 | 4,534,383 | - | - | - | 1,756,331 | 1,756,331 | - |
| Sewer services | 1,947,212 | 2,335,177 | - | - | - | 387,965 | 387,965 | |
| **Total business-type activities** | 4,725,264 | 6,869,560 | - | - | - | 2,144,296 | 2,144,296 | - |
| **Total primary government** | $ 12,715,354 | $ 10,755,756 | $ 3,500 | $ 44,863 | (4,055,531) | 2,144,296 | (1,911,235) | - |
| **Component Unit:** | | | | | | | | |
| Municipal Development District | $ 535,373 | $ - | $ - | $ - | - | - | - | (535,373) |
| **Total component unit** | $ 535,373 | $ - | $ - | $ - | - | - | - | (535,373) |
| **General revenues:** | | | | | | | | |
| Ad valorem taxes | | | | | 1,469,409 | - | 1,469,409 | - |
| Sales taxes | | | | | 347,431 | - | 347,431 | 157,497 |
| Franchise taxes | | | | | 72,317 | - | 72,317 | - |
| Miscellaneous | | | | | 805,971 | 1,909,863 | 2,715,834 | - |
| Gain (Loss) on dispositions | | | | | - | 18,418 | 18,418 | - |
| Unrestricted investment earnings | | | | | 348,904 | 954,906 | 1,303,810 | - |
| Transfers | | | | | 500,000 | (500,000) | - | - |
| **Total general revenues and transfers** | | | | | 3,544,032 | 2,383,187 | 5,927,219 | 157,497 |
| **Change in net position** | | | | | **(511,499)** | **4,527,483** | **4,015,984** | **(377,876)** |
| **Net position - beginning of year** | | | | | **9,470,462** | **24,681,517** | **34,151,979** | **439,801** |
| **Prior period adjustment - CIP** | | | | | **-** | **(3,794)** | **(3,794)** | **-** |
| **Net position - end of year** | | | | | **$ 8,958,963** | **$ 29,205,206** | **$ 38,164,169** | **$ 61,925** |

**CITY OF JOSEPHINE, TEXAS**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**SEPTEMBER 30, 2025**

| | General | Debt Service | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash, cash equivalents and investments | $ 5,076,699 | $ 1,087,445 | $ 93,383 | $ 6,257,527 |
| Receivables | | | | |
| Ad valorem taxes, net | 86,030 | - | - | 86,030 |
| Sales and franchise taxes | 8,984 | - | - | 8,984 |
| Other | 219,425 | - | - | 219,425 |
| Prepaids | 78,417 | - | - | 78,417 |
| **Total assets** | **$ 5,469,555** | **$ 1,087,445** | **$ 93,383** | **$ 6,650,383** |
| **LIABILITIES** | | | | |
| Accounts payable | $ 1,101,913 | $ - | $ 93,383 | $ 1,195,296 |
| Accrued expenses | 376,973 | - | - | 376,973 |
| Due to Other funds | 140,514 | - | - | 140,514 |
| **Total liabilities** | **1,619,400** | **-** | **93,383** | **1,712,783** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable revenue | 86,030 | - | - | 86,030 |
| **Total deferred inflows of resources** | **86,030** | **-** | **-** | **86,030** |
| **FUND BALANCES** | | | | |
| Non spendable -Prepaids | 78,417 | - | - | 78,417 |
| Restricted for debt service | - | 1,087,445 | - | 1,087,445 |
| Unassigned | 3,685,708 | - | - | 3,685,708 |
| **Total fund balances** | **3,764,125** | **1,087,445** | **-** | **4,851,570** |
| **Total liabilities deferred inflows of resources and fund balances** | **$ 5,469,555** | **$ 1,087,445** | **$ 93,383** | **$ 6,650,383** |

| | |
|---|---|
| **Governmental fund balance as presented above:** | $ **4,851,570** |
| **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. | 14,775,326 |
| 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 $86,030 and fines receivable of $6,452. | 92,482 |
| Deferred inflow/outflow of resources for pensions are not reported in the fund financial statements | 190,785 |
| Deferred inflow/outflow of resources for OPEB are not reported in the fund financial statements | (2,013) |
| Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements | (42,584) |
| Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements | (16,285) |
| Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period. | (10,890,318) |
| **Net Assets of Governmental Activities** | **$ 8,958,963** |

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

## CITY OF JOSEPHINE, TEXAS
## Statement of Revenues, Expenditures, and Changes in Fund Balance
## Governmental Funds
## YEAR ENDED SEPTEMBER 30, 2025

| | General Fund | Debt Service | Total Governmental Funds |
|---|---|---|---|
| **REVENUES:** | | | |
| Ad valorem taxes | $ 1,083,512 | $ 338,041 | $ 1,421,553 |
| Franchise taxes | 72,317 | - | 72,317 |
| Sales tax | 347,431 | - | 347,431 |
| Charges for services | 2,424,699 | - | 2,424,699 |
| Licenses and Permits | 1,367,350 | - | 1,367,350 |
| Fines | 92,259 | - | 92,259 |
| Intergovernmental | 3,500 | - | 3,500 |
| Capital Grants and contributions revenue | 44,863 | - | 44,863 |
| Other income | 805,971 | - | 805,971 |
| Interest income | 348,904 | - | 348,904 |
| **Total Revenues** | **6,590,806** | **338,041** | **6,928,847** |
| **EXPENDITURES:** | | | |
| **Current:** | | | |
| Administration | 2,063,678 | - | 2,063,678 |
| Sanitation services | 793,060 | - | 793,060 |
| Public works | 41,841 | - | 41,841 |
| Park | 188,199 | - | 188,199 |
| Street department | 306,158 | - | 306,158 |
| Police & Fire department/municipal court | 2,507,417 | - | 2,507,417 |
| **Debt Service:** | | | |
| Principal | 543,000 | 50,000 | 593,000 |
| Interest and other costs | 534,548 | 66,175 | 600,723 |
| Capital outlay | 8,993,240 | - | 8,993,240 |
| **Total Expenditures** | **15,971,141** | **116,175** | **16,087,316** |
| **Excess of Revenues Over Expenditures** | **(9,380,335)** | **221,866** | **(9,158,469)** |
| **Other Revenues and Financing Sources (uses)** | | | |
| Bond proceeds | 3,785,000 | - | 3,785,000 |
| Premium on bonds issued | 118,467 | - | 118,467 |
| Transfers in | 500,000 | - | 500,000 |
| **Total Other Revenues and Financing Sources (uses)** | **4,403,467** | **-** | **4,403,467** |
| **Net change in fund balances** | **(4,976,868)** | **221,866** | **(4,755,002)** |
| **Fund balance, October 1** | **8,740,993** | **865,579** | **9,606,572** |
| **Fund balance, September 30** | **$ 3,764,125** | **$ 1,087,445** | **$ 4,851,570** |

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, 2025**

| | |
|---|---|
| **Net change in fund balance - Governmental funds** | **$ (4,755,002)** |
| **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 $8,993,240 exceeded depreciation expense of $366,332. | 8,627,108 |
| 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 including premiums of $(3,903,467) and long-term debt repayments including premium amortization of $594,348 | (3,309,119) |
| 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. | (23,287) |
| 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. | (20,265) |
| 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. | (1,080,678) |
| 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 $47,856 and court fines of $1,888. | 49,744 |
| **Change in net assets of governmental activities** | **$ (511,499)** |

**CITY OF JOSEPHINE, TEXAS**
**Statement of Fund Net Position**
**Proprietary Fund**
**SEPTEMBER 30, 2025**

| | Enterprise Fund | Enterprise Fund | Total Enterprise Funds |
|---|---|---|---|
| | **Water Fund** | **Sewer Fund** | **Water and Sewer Funds** |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 13,546,255 | $ 24,448,559 | $ 37,994,814 |
| Accounts receivable, net | 567,929 | 161,040 | 728,969 |
| Prepaids | 24,137 | 7,773 | 31,910 |
| **Total current assets** | **14,138,321** | **24,617,372** | **38,755,693** |
| **Capital Assets:** | | | |
| Land | 143,841 | 764,901 | 908,742 |
| Construction in progress | - | 3,602,629 | 3,602,629 |
| Buildings & other improvements | 117,618 | 2,601,409 | 2,719,027 |
| Water and sewer infrastructure | 6,575,654 | 5,474,592 | 12,050,246 |
| Equipment | 616,353 | 982,570 | 1,598,923 |
| Less accumulated depreciation | (2,253,757) | (1,603,336) | (3,857,093) |
| **Capital Assets, net** | **5,199,709** | **11,822,765** | **17,022,474** |
| **Total assets** | **19,338,030** | **36,440,137** | **55,778,167** |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows from pensions | 69,398 | 43,974 | 113,372 |
| **Total deferred outflows of resources** | 69,398 | 43,974 | 113,372 |
| **LIABILITIES** | | | |
| Accounts payable | 65,956 | 932,273 | 998,229 |
| Compensated absences | 39,784 | 39,784 | 79,568 |
| Due to general fund | - | (140,514) | (140,514) |
| Meter deposits payable | 390,160 | - | 390,160 |
| Pension liability (Asset) | 12,171 | 7,923 | 20,094 |
| OPEB Liability | 4,436 | 4,006 | 8,442 |
| **Payable from restricted assets:** | | | |
| Accrued interest payable | - | 184,461 | 184,461 |
| Bonds payable - current | - | 245,000 | 245,000 |
| **Total current liabilities** | **512,507** | **1,272,933** | **1,785,440** |
| Rebatable Arbitrage/Yield Restriction | - | 609,351 | 609,351 |
| Bonds payable - long-term | 3,881,420 | 20,391,978 | 24,273,398 |
| **Total non-current liabilities** | **3,881,420** | **21,001,329** | **24,882,749** |
| **Total liabilities** | **4,393,927** | **22,274,262** | **26,668,189** |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows from pensions | 16,600 | 514 | 17,114 |
| Deferred inflows OPEB | 559 | 471 | 1,030 |
| **Total deferred inflows of resources** | **17,159** | **985** | **18,144** |
| **NET POSITION** | | | |
| Invested in capital assets, net of related debt | 5,199,709 | 612,765 | 5,812,474 |
| Restricted for debt service | - | 737,275 | 737,275 |
| Restricted for capital projects, Water Fund $3,707,000 Sewer Fund $7,550,000 Net of related debt, $(11,257,000) | - | - | - |
| Unrestricted | 9,796,633 | 12,858,824 | 22,655,457 |
| **Total Net Position** | **$ 14,996,342** | **$ 14,208,864** | **$ 29,205,206** |

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, 2025**

| | Enterprise Fund | Enterprise Fund | Total Enterprise Funds |
|---|---|---|---|
| | **Water Fund** | **Sewer Fund** | **Water and Sewer Fund** |
| **OPERATING REVENUES:** | | | |
| Water sales | $ 4,135,683 | $ - | $ 4,135,683 |
| Sewer sales | - | 1,973,777 | 1,973,777 |
| Tap and reconnect fees | 398,700 | 361,400 | 760,100 |
| **Total Operating Revenues** | 4,534,383 | 2,335,177 | **6,869,560** |
| **OPERATING EXPENSES:** | | | |
| Salaries, taxes, and benefits | 536,080 | 627,423 | 1,163,503 |
| Contract labor | 3,220 | 22,560 | 25,780 |
| Professional fees | 34,876 | 177,618 | 212,494 |
| Water purchases | 1,537,141 | - | 1,537,141 |
| Repairs and facility maintenance | 20,698 | 50,246 | 70,944 |
| Vehicle expense | 13,169 | 13,147 | 26,316 |
| Utilities and telephone | 60,423 | 96,883 | 157,306 |
| Depreciation and amortization | 276,296 | 284,585 | 560,881 |
| Other expense | 296,149 | 164,174 | 460,323 |
| **Total Operating Expenses** | 2,778,052 | 1,436,636 | **4,214,688** |
| **Operating Income** | 1,756,331 | 898,541 | **2,654,872** |
| **NONOPERATING REVENUES (EXPENSES):** | | | |
| Interest income | 351,604 | 603,302 | 954,906 |
| Miscellaneous income | 855,266 | 1,054,597 | 1,909,863 |
| Gain (Loss) on dispositions | 9,209 | 9,209 | 18,418 |
| Interest and fiscal charges | - | (510,576) | (510,576) |
| Total Nonoperating Revenues (Expenses) | 1,216,079 | 1,156,532 | 2,372,611 |
| **Income before contributions and transfers** | 2,972,410 | 2,055,073 | 5,027,483 |
| Transfers Out | (496,758) | (3,242) | (500,000) |
| **Change in net position** | 2,475,652 | 2,051,831 | 4,527,483 |
| **Net position, October 1** | **12,520,690** | **12,160,827** | **24,681,517** |
| **Prior period adjustment** | **-** | **(3,794)** | **(3,794)** |
| **Net position, September 30** | **$ 14,996,342** | **$ 14,208,864** | **$ 29,205,206** |

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

# CITY OF JOSEPHINE, TEXAS
## Statement of Cash Flows
## Proprietary Fund
## Year Ended September 30, 2025

| | Enterprise Fund Water and Sewer Fund |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from customers and users | $ 6,812,902 |
| Cash paid to suppliers | (1,618,011) |
| Cash paid to employees | (1,242,518) |
| **Net cash provided by operating activities** | **3,952,373** |
| **Cash flows from noncapital financing activities:** | |
| Change in amount due to general fund | (3,150,720) |
| Transfers | (500,000) |
| **Net cash used by noncapital financing activities** | **(3,650,720)** |
| **Cash flows from capital and related financing activities:** | |
| Acquisition of capital assets | (3,100,648) |
| Principal paid on bonds | (255,152) |
| Proceeds on bonds | 11,585,359 |
| Interest & fiscal charges | (261,820) |
| **Net cash used by capital and related financing activities** | **7,967,739** |
| **Cash flows from investing activities:** | |
| Proceeds from other income | 1,924,487 |
| Interest on deposits and investments | 954,906 |
| **Net cash provided by investing activities** | **2,879,393** |
| **Net increase in cash and cash equivalents** | **11,148,785** |
| **Cash and cash equivalents, October 1** | **26,846,029** |
| **Cash and cash equivalents, September 30** | **$ 37,994,814** |

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

| | Enterprise Fund Water and Sewer Fund |
|---|---|
| **Operating income** | **$ 2,654,872** |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | |
| Depreciation | 560,881 |
| Change in accounts receivable (net) | (82,202) |
| Change in customer deposits | 25,545 |
| Change in prepaids | (20,912) |
| Change in accounts payable | 893,204 |
| Change in compensated absences | 43,532 |
| Change in pension liabilities | (122,900) |
| Change in OPEB liabilities | 353 |
| Total Adjustments | 1,297,501 |
| **Net cash provided by operating activities** | **$ 3,952,373** |

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, 2025.

### (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, 2025:

<u>Discretely Presented Component Units</u>

*Municipal Development District and Dissolution of Type B Corporation*

The Josephine Community Development Corporation (Type B) was dissolved following voter approval at the November 5, 2024 election establishing a Municipal Development District (the “District”). The District encompasses all territory within the corporate limits of the City of Josephine, except for the portion located within Hunt County, and includes the City’s extraterritorial jurisdiction (ETJ).

The District was created pursuant to voter authorization under Texas Local Government Code Chapter 377 (the “Act”) and other applicable state laws. The District is a political

## 1. Introduction and Summary of Significant Accounting Policies (continued)

### (A) Reporting Entity and Related Organizations

subdivision of the State of Texas and was established for the purpose of developing and financing projects authorized under the Act.

The District is governed by a board of directors appointed in accordance with the Act. All projects and expenditures must be approved by both the District's board of directors and the City Council.

The District is authorized to levy a 0.5 percent local sales and use tax and may expend funds for any purpose permitted under Chapters 501 and 505 of the Texas Local Government Code (Type A and Type B economic development corporation authority), including economic development projects, commercial and retail recruitment, tourism-related development, convention and community facilities, parks and recreational amenities, and public improvements associated with economic activity. The District may issue revenue bonds, if authorized, and may utilize other revenues permitted by law.

*Dissolution and Transfer of Assets*

Upon dissolution of the Josephine Community Development Corporation (Type B), all remaining assets, liabilities, contractual obligations, and fund balances were transferred to the City in accordance with state law.

*Component Unit Determination*

The District is considered a component unit of the City because the City Council appoints the District's governing board and retains approval authority over projects and expenditures.

The District shall keep books and records of account and shall keep minutes of the proceedings of its Board. The District's books and records of accounts may be audited at any time and for any reason by the City Council or by an outside, independent auditing and accounting firm selected by the City Council.

## 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.

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.

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

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.

*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.

## 1. Introduction and Summary of Significant Accounting Policies - continued

### (D) Fund Types and Major Funds (continued)

*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 ($1,087,445) 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.

#### 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.

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

**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.

**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.

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

**Deferred Outflows of Resources (continued)**

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.

**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:

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

### Other Post-Employment Benefits (OPEB) (continued)

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.

### 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.

The policy to accrue sick leave has been modified to a "PTO" policy. Full-time employees that had accrued "sick leave" retain the accrued time, but unused sick leave is not paid upon termination of employment.

## 1. Introduction and Summary of Significant Accounting Policies - continued

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

**Compensated Absences (continued)**

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.

**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.

## 1. Introduction and Summary of Significant Accounting Policies - continued

### (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.

### (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 5, 2026, 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

## 2. Stewardship, Compliance, and Accountability

### Budgetary Information - continued

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, 2025, the City did not own any types of securities other than those permitted by statute.

## 3. Deposits and Investments - continued

### Investment Policies - continued

**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.

**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 | $ 736,623 |
| Less: allowance for uncollectible accounts | (7,654) |
| Net accounts receivable | $ 728,969 |

*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, 2024, all real property was assessed at a net taxable value of $311,546,073.

The property tax rate for the year ended September 30, 2025 was 0.468097 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 | 0.356623 |
| Interest and Sinking – Debt Service Fund | 0.111474 |

The property tax levy for the year ending September 30, 2025 was $1,410,642. Collections of the current year property tax levy were $1,399,917 or 99.24% 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.

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

*Property Taxes Receivable and Property Tax Calendar*

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. |

*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 | $ 86,030 |
| Less: allowance for uncollectible accounts | - |
| Net accounts receivable | $ 86,030 |

*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.

## 5. Capital Assets

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

| | Balance October 1, 2024 | Increases | Disposals & Transfers | Balance September 30, 2025 |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 1,165,061 | $ | $ | $ 1,165,061 |
| Construction in progress | 1,112,340 | 7,072,114 | 160,438 | 8,344,892 |
| Total capital assets not being depreciated | 2,277,401 | 7,072,114 | 160,438 | 9,509,953 |
| Other capital assets being depreciated: | | | | |
| Buildings and other improvements | 1,836,014 | 1,436,630 | 1,870,987 | 5,143,631 |
| Road infrastructure | 2,157,717 | - | (2,086,770) | 70,947 |
| Furniture and equipment | 2,950,923 | 484,497 | (1,261,255) | 2,174,165 |
| Total capital assets being depreciated | 6,944,654 | 1,921,127 | (1,477,038) | 7,388,743 |
| Total Capital Assets | 9,222,055 | 8,993,241 | (1,316,600) | 16,898,696 |
| Less accumulated depreciation: | | | | |
| Buildings and other improvements | 330,855 | 159,591 | (585,328) | 1,075,774 |
| Road infrastructure | 620,612 | 17,065 | 598,503 | 39,174 |
| Furniture and equipment | 805,771 | 189,476 | (13,175) | 1,008,422 |
| Total accumulated depreciation | 1,757,238 | 366,132 | - | 2,123,370 |
| Governmental Activities Capital Assets, net | $ 7,464,817 | $ 8,627,109 | $ (1,316,600) | $ 14,775,326 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 908,742 | $ - | $ - | $ 908,742 |
| Construction in progress | 951,777 | 2,650,852 | - | 3,602,629 |
| Total capital assets not being depreciated | 1,860,519 | 2,650,852 | - | 4,511,371 |
| Other capital assets being depreciated: | | | | |
| Buildings and other improvements | 4,358,901 | 6,325 | (1,646,199) | 2,719,027 |
| Water and sewer infrastructure | 10,058,101 | 286,759 | 1,705,387 | 12,050,249 |
| Furniture and equipment | 1,541,431 | 160,501 | (103,009) | 1,598,923 |
| Total capital assets being depreciated | 15,958,433 | 453,585 | (43,821) | 16,368,199 |
| Total Capital Assets | 17,818,952 | 3,104,437 | (43,821) | 20,879,570 |
| Less accumulated depreciation | 3,336,246 | 560,881 | 40,033 | 3,857,094 |
| Business-type Activities Capital Assets, net | $ 14,482,704 | $ 2,543,556 | $ (3,788) | $ 17,022,474 |
| Primary Government Capital Assets, net | $ 21,947,521 | $ 11,170,665 | $ (3,788) | $ 31,797,800 |

## 5. Capital Assets - continued

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

| | | |
|---|---|---|
| Administration | $ | 86,428 |
| Parks | | 29,502 |
| Police Department | | 53,363 |
| Fire Department | | 23,290 |
| Court | | 9,715 |
| Street Department | | 163,834 |
| Total | $ | 366,132 |

Depreciation expense recorded in business-type activities and the Proprietary Fund was $560,881.

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 $119,363. Amortization expense is included in depreciation expense.

## 6. Long-Term Debt

*General Fund – Certificates of Obligation*

On July 11, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2022A (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, 2024 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial

## 6. Long-Term Debt - continued

principal payment of $50,000 due February 15, 2025 and the final payment in 2052 of $180,000. At September 30, 2025 the principal balance was $2,920,000. 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 $131,975 for the year while the next interest payment is due February 15, 2026.

On October 10, 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. The amounts due graduate over the term of the notes, with the initial principal payment of $510,000 due September 15, 2024 and the final payment in 2030 of $1,305,000. At September 30, 2025 the principal balance was $3,840,000. Accrued interest expense was $187,714 for the year while the next interest is due March, 15, 2026.

*Proprietary Fund – Certificates of Obligation*

On February 15, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2022 (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, 2024 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, 2024 and the final payment in 2047 of $295,000. At September 30, 2025 the principal balance was $4,780,000. 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 $167,856 for the year while the next interest payment is due February 15, 2026.

On July 11, 2023 the City issued Combination Tax and Revenue Certificates of Obligation Series 2022A (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, 2024 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, 2024 and the final payment in 2052 of $720,000. At September 30, 2025 the principal balance was $7,595,000. 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 $334,638 for the year while the next interest payment is due February 15, 2026.

## 6. Long-Term Debt - continued

On September 24, 2025 the City issued Combination Tax and Revenue Certificates of Obligation Series 2025 (CO's) in the total amount of $14,995,000 Tax and Revenue Certificates of Obligation, Series 2025 to fund Water and Sewer Utility Projects and Flood Control, Storm Water and Drainage Projects. The share of the CO's payable by the Water Fund totals $7,425,000, payable by the Water Fund totals $3,785,000 and payable by the General Fund totals $3,785,000. The CO's will mature on February 15, 2050. They carry an interest rate ranging from 4.25% to 5.00% based on a 360-day year. Annual principal and interest payments will be due beginning February 15, 2026 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $290,000 due February 15, 2027 and the final payment in 2050 of $1,025,000. At September 30, 2025 the principal balance was $14,995,000. The City reserved the right, at its option to redeem Certificates having stated maturities on or after February 15, 2035 at par plus accrued interest to the date of redemption. Interest expense was $78,202 for the year while the next interest payment is due February 15, 2026.

## 6. Long-Term Debt - continued

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

| | Balance October 1, 2024 | Issued | Retired | Balance September 30, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Description and purpose: | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Series 2025 Certificates of Obligation | $ - | $ 3,785,000 | $ - | $ 3,785,000 | $ - |
| Tax Note Series 2023 | 4,383,000 | - | 543,000 | 3,840,000 | 575,000 |
| Combination Tax & Revenue CO - Series 2022 A | 2,970,000 | - | 50,000 | 2,920,000 | 50,000 |
| Premiums | 37,510 | 118,467 | 1,348 | 154,629 | 1,348 |
| Total Notes Payable | 7,390,510 | 3,903,467 | 594,348 | 10,699,629 | 626,348 |
| Net Pension Liability (Asset) | 207,105 | - | 164,521 | 42,584 | - |
| OPEB Liability | 15,600 | 685 | - | 16,285 | - |
| Compensated Absences | 77,596 | 20,265 | - | 97,861 | 97,861 |
| Rebatable Arbitrage/Yield Restriction | 69,541 | 23,287 | - | 92,828 | - |
| Total Governmental Activities | 7,760,352 | 3,947,704 | 758,869 | 10,949,187 | 724,209 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Series 2025 Certificates of Obligation | - | 11,210,000 | - | 11,210,000 | - |
| Combination Tax & Revenue CO - Series 2022 | 4,910,000 | - | 130,000 | 4,780,000 | 140,000 |
| Combination Tax & Revenue CO - Series 2022 A | 7,695,000 | - | 100,000 | 7,595,000 | 105,000 |
| Premiums | 583,193 | 375,357 | 25,152 | 933,398 | 37,664 |
| Net Pension Liability (Asset) | 104,847 | - | 84,753 | 20,094 | - |
| OPEB Liability | 8,089 | 353 | - | 8,442 | - |
| Compensated Absences | 36,036 | 79,568 | 36,037 | 79,567 | 79,568 |
| Rebatable Arbitrage/Yield Restriction | 481,143 | 128,208 | - | 609,351 | - |
| Total Business-type Activities | 13,818,308 | 11,793,486 | 375,942 | 25,235,852 | 362,232 |
| Total Primary Government Long-Term Debt | $ 13,818,308 | $ 11,793,486 | $ 375,942 | $ 25,235,852 | $ 362,232 |

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 2024 Principal | Tax Note Series 2024 Interest | Combination Tax & Revenue CO Series 2022A Principal | Combination Tax & Revenue CO Series 2022A Interest | Certificates of Obligation Series 2025 Principal | Certificates of Obligation Series 2025 Interest | Total Required |
|---|---|---|---|---|---|---|---|
| 2026 | $ 575,000 | $ 165,312 | $ 50,000 | $ 129,350 | $ - | $ 157,089 | $ 1,076,751 |
| 2027 | 603,000 | 140,528 | 55,000 | 126,200 | 40,000 | 175,175 | 1,139,903 |
| 2028 | 633,000 | 114,599 | 60,000 | 122,750 | 40,000 | 173,175 | 1,143,524 |
| 2029 | 724,000 | 87,348 | 60,000 | 119,150 | 40,000 | 171,175 | 1,201,673 |
| 2030 | 1,305,000 | 56,180 | 65,000 | 115,400 | 45,000 | 169,050 | 1,755,630 |
| 2031 - 2035 | - | - | 395,000 | 514,500 | 615,000 | 766,000 | 2,290,500 |
| 2036 - 2040 | - | - | 500,000 | 403,375 | 790,000 | 591,750 | 2,285,125 |
| 2041 - 2045 | - | - | 625,000 | 286,500 | 985,000 | 393,825 | 2,290,325 |
| 2046 - 2050 | - | - | 760,000 | 148,600 | 1,230,000 | 146,363 | 2,284,963 |
| 2051 - 2052 | - | - | 350,000 | 14,200 | | | 364,200 |
| Totals | $ 3,840,000 | $ 563,967 | 2,920,000 | 1,980,025 | $ 3,785,000 | $ 2,743,602 | $ 15,832,594 |

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 | Certificates of Obligation Series 2025 Principal | Certificates of Obligation Series 2025 Interest | Total Required |
|---|---|---|---|---|---|---|---|
| 2026 | $ 140,000 | $ 162,700 | $ 105,000 | $ 329,450 | $ - | $ 467,200 | $ 1,204,350 |
| 2027 | 145,000 | 155,575 | 115,000 | 322,850 | 250,000 | 517,713 | 1,506,138 |
| 2028 | 155,000 | 148,075 | 115,000 | 315,950 | 270,000 | 504,712 | 1,508,737 |
| 2029 | 160,000 | 140,200 | 130,000 | 308,600 | 280,000 | 490,963 | 1,509,763 |
| 2030 | 170,000 | 131,950 | 135,000 | 300,650 | 295,000 | 476,588 | 1,509,188 |
| 2031 - 2035 | 970,000 | 540,450 | 800,000 | 1,375,525 | 1,710,000 | 2,140,562 | 7,536,537 |
| 2036 - 2040 | 1,135,000 | 372,825 | 1,025,000 | 1,149,475 | 2,195,000 | 1,657,087 | 7,534,387 |
| 2041 - 2045 | 1,320,000 | 189,000 | 1,260,000 | 912,000 | 2,760,000 | 1,104,837 | 7,545,837 |
| 2046 - 2050 | 585,000 | 17,625 | 2,495,000 | 577,100 | 3,450,000 | 410,569 | 7,535,294 |
| 2051 - 2052 | - | - | 1,415,000 | 57,100 | - | - | 1,472,100 |
| Totals | $ 4,780,000 | $ 1,858,400 | $ 7,595,000 | $ 5,648,700 | $ 11,210,000 | $ 7,770,231 | $ 38,862,331 |

## 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. The contract period is from 12/1/24 to 11/30/31. The contract has up to seven one-year renewals with a 180 day notice prior to the end of the initial term. During fiscal year 2025, the City spent $776,252 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, 2025 the outstanding balance between the General Fund and the Proprietary Fund is $140,514.

*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, 2025, there were transfers of $500,000 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 20-year water purchase contract with the North Texas Municipal Water District until June 13, 2042. Total water cost for the year ended September 30, 2025 was $1,537,141.

## 10. TMRS Pension Plan

Plan Description

The City participates as one of over 900 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 | 7% |
| 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, 2024 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 | 13 |
| Active employees | 31 |
| | 47 |

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 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Josephine were 12.02% and 12.51% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the fiscal year ended September 30, 2025 was $303,521 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, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.60% to 11.85% including inflation |
| 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, 2024 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 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Equity | 35.0% | 7.10% |
| Core Fixed Income | 6.0% | 5.00% |
| Non-Core Fixed Income | 6.0% | 6.80% |
| Other Private Markets | 4.0% | 7.30% |
| Infrastructure | 6.0% | 6.00% |
| Private Debt | 13.0% | 8.20% |
| Real Estate | 12.0% | 6.70% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 13.0% | 8.50% |
| 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 12/31/2023 | $ 1,672,184 | $ 1,360,232 | $ 311,952 |
| Changes for the year: | | | |
| Service cost | 354,144 | - | 354,144 |
| Interest | 123,786 | - | 123,786 |
| Change in benefit terms | - | - | - |
| Difference between expected and actual experience | 78,083 | - | 78,083 |
| Changes in assumptions | - | - | - |
| Contribution - employer | - | 525,313 | (525,313) |
| Contribution - employee | - | 138,260 | (138,260) |
| Net investment income | - | 142,642 | (142,642) |
| Benefit payments, including refunds of employee contributions | (30,772) | (30,772) | - |
| Administrative expense | - | (906) | 906 |
| Other changes | - | (21) | 21 |
| Net changes | 525,241 | 774,516 | (249,275) |
| Balance at 12/31/2024 | $ 2,197,425 | $ 2,134,748 | $ 62,678 |

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 | $ 393,273 | $ 62,678 | $ (209,076) |

**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, 2025, the City recognized pension expense of $263,324. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2025, 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 | $ 228,239 | $ - |
| Difference in expected and actual experience | 104,398 | 10,989 |
| Differences in projected and actual earnings | 52,905 | 79,971 |
| Change in assumptions | - | 7,589 |
| Total | $ 385,542 | $ 98,549 |

## 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 $228,239 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2024 (i.e. recognized in the City's financial statements as of September 30, 2025). 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 |
|---|---|
| 2025 | $ 14,752 |
| 2026 | 24,711 |
| 2027 | 693 |
| 2028 | 6,515 |
| 2029 | 12,083 |
| Thereafter | - |
| Total | $ 58,754 |

## 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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *

Number of

| | |
|---|---|
| - Inactive employees or beneficiaries currently receiving benefits | 4 |
| - Inactive employees entitled to but not yet receiving benefits | 3 |
| - Active employees | 31 |
| - Total | 38 |

* 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 $24,727 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The total OPEB liability in the December 31, 2024 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 | 3.60% to 11.85% including inflation |
| Discount rate | 4.08% |
| Retirees' share of benefit related costs | $ 0 |

The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

Mortality rates – service retirees

2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Mortality rates – disabled retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

## 11. TMRS Supplemental Death Benefits Fund - continued

Changes in the Total OPEB Liability

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Total OPEB Liability - beginning of year | $ 6,900 | $ 5,994 | $ 7,995 | $ 13,227 | $ 24,966 | $ 19,933 | $ 23,689 |
| Changes for the year | | | | | | | |
| Service Cost | 875 | 1,025 | 1,721 | 2,616 | 3,902 | 3,567 | 4,938 |
| Interest on Total OPEB Liability | 243 | 241 | 244 | 291 | 495 | 876 | 982 |
| Differences between expected and actual experience | (1,482) | (1,024) | 923 | 7,543 | 8,156 | (2,833) | (2,607) |
| Changes in assumptions or other inputs | (542) | 1,760 | 2,344 | 1,289 | (17,586) | 2,308 | (2,077) |
| Benefit payments ** | - | - | - | - | - | (162) | (198) |
| Net Changes | (906) | 2,002 | 5,232 | 11,739 | (5,033) | 3,756 | 1,038 |
| Total OPEB Liability - end of year | $ 5,994 | $ 7,995 | $ 13,227 | $ 24,966 | $ 19,933 | $ 23,689 | $ 24,727 |

** 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 3.08% | Current Discount Rate 4.08% | 1% Increase 5.08% |
|---|---|---|---|
| Total OPEB Liability | $ 32,008 | $ 24,727 | $ 19,377 |

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, 2024 (i.e. recognized in the City's financial statements for the year ending September 30, 2025). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Measurement Year Ended December 31, | | Net deferred outflows (inflows) of resources |
|---|---|---|
| 2025 | $ | (795) |
| 2026 | | (795) |
| 2027 | | (819) |
| 2028 | | (800) |
| 2029 | | (617) |
| Thereafter | | 584 |
| Total | $ | (3,242) |

## 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.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF JOSEPHINE, TEXAS**
**BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND**
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| **REVENUES:** | | | | |
| Ad valorem taxes | $ 1,222,379 | $ 1,222,379 | $ 1,083,512 | $ (138,867) |
| Franchise taxes | 70,000 | 70,000 | 72,317 | 2,317 |
| Sales tax | 360,000 | 360,000 | 347,431 | (12,569) |
| Charges for services | 1,880,000 | 1,880,000 | 2,424,699 | 544,699 |
| Licenses and Permits | 1,303,813 | 1,303,813 | 1,367,350 | 63,537 |
| Fines | 52,000 | 52,000 | 92,259 | 40,259 |
| Intergovernmental | 1,301,295 | 1,301,295 | 3,500 | (1,297,795) |
| Capital Grants and contributions revenue | - | - | 44,863 | 44,863 |
| Other income | 429,750 | 429,750 | 805,971 | 376,221 |
| Interest income | 271,000 | 271,000 | 348,904 | 77,904 |
| **Total Revenues** | **6,890,237** | **6,890,237** | **6,590,806** | **(299,431)** |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| Administration | 2,298,401 | 2,298,401 | 2,063,678 | 234,723 |
| Sanitation services | 622,250 | 622,250 | 793,060 | (170,810) |
| Public works | 49,000 | 49,000 | 41,841 | 7,159 |
| Park | 203,070 | 203,070 | 188,199 | 14,871 |
| Street department | 340,777 | 340,777 | 306,158 | 34,619 |
| Police & Fire department/municipal court | 3,094,407 | 3,094,407 | 2,507,417 | 586,990 |
| Capital outlay | 12,440,249 | 12,440,249 | 8,993,240 | 3,447,009 |
| Debt Service: | | | | |
| Principal | 543,000 | 543,000 | 543,000 | - |
| Interest and other costs | 188,690 | 188,690 | 534,548 | (345,858) |
| **Total Expenditures** | **19,779,844** | **19,779,844** | **15,971,141** | **3,808,703** |
| **Excess (deficiency) of revenues over expenditures** | **(12,889,607)** | **(12,889,607)** | **(9,380,335)** | **3,509,272** |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Proceeds from debt | - | - | 3,785,000 | 3,785,000 |
| Premium on bonds issued | - | - | 118,467 | 118,467 |
| Transfers | 500,000 | 500,000 | 500,000 | - |
| **Total Other Financing Sources (Uses)** | **500,000** | **500,000** | **4,403,467** | **3,903,467** |
| **Net Change in Fund Balances** | (12,389,607) | (12,389,607) | (4,976,868) | 7,412,739 |
| **Fund balance, October 1** | **8,740,993** | **8,740,993** | **8,740,993** | **-** |
| **Fund balance, September 30** | **$ (3,648,614)** | **$ (3,648,614)** | **$ 3,764,125** | **$ 7,412,739** |

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, 2025

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| **REVENUES:** | | | | |
| Ad valorem taxes | $ 303,668 | $ 303,668 | $ 338,041 | $ 34,373 |
| **Total Revenues** | **303,668** | **303,668** | **338,041** | **34,373** |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| Debt Service: | | | | |
| Principal | 150,000 | 150,000 | 50,000 | 100,000 |
| Interest and other costs | 132,350 | 132,350 | 66,175 | 66,175 |
| **Total Expenditures** | **282,350** | **282,350** | **116,175** | **166,175** |
| **Excess (deficiency) of revenues over expenditures** | **21,318** | **21,318** | **221,866** | **200,548** |
| **Net Change in Fund Balances** | 21,318 | 21,318 | 221,866 | 200,548 |
| **Fund balance, October 1** | **865,579** | **865,579** | **865,579** | **-** |
| **Fund balance, September 30** | **$ 886,897** | **$ 886,897** | **$ 1,087,445** | **$ 200,548** |

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, 2025

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Water sales | $ 2,881,000 | $ 2,881,000 | $ 4,135,683 | $ 1,254,683 |
| Tap and reconnect fees | 510,500 | 510,500 | 398,700 | (111,800) |
| Other income | 755,816 | 755,816 | 855,266 | 99,450 |
| Interest income | 290,400 | 290,400 | 351,604 | 61,204 |
| **Total Revenues** | **4,437,716** | **4,437,716** | **5,741,253** | **1,303,537** |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| Salaries, taxes, and benefits | 676,530 | 676,530 | 536,080 | 140,450 |
| Contract labor | 50 | 50 | 3,220 | (3,170) |
| Professional fees | 159,500 | 159,500 | 34,876 | 124,624 |
| Water purchases | 1,300,000 | 1,300,000 | 1,537,141 | (237,141) |
| Repairs and facility maintenance | 35,000 | 35,000 | 20,698 | 14,302 |
| Vehicle expense | 12,800 | 12,800 | 13,169 | (369) |
| Utilities and telephone | 79,300 | 79,300 | 60,423 | 18,877 |
| Depreciation and amortization | - | - | 276,296 | (276,296) |
| Other expense | 755,705 | 755,705 | 296,149 | 459,556 |
| **Total Expenditures** | **3,018,885** | **3,018,885** | **2,778,052** | **240,833** |
| **Excess (deficiency) of revenues over expenditures** | **1,418,831** | **1,418,831** | **2,963,201** | **1,544,370** |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Transfers out | (500,000) | (500,000) | (496,758) | 3,242 |
| Gain (Loss) on dispositions | - | - | 9,209 | 9,209 |
| **Total Other Financing Sources (Uses)** | **(500,000)** | **(500,000)** | **(487,549)** | **12,451** |
| **Net Change in Fund Balances** | 918,831 | 918,831 | 2,475,652 | 1,556,821 |
| **Net Position, October 1** | **12,520,690** | **12,520,690** | **12,520,690** | **-** |
| **Net Position, September 30** | **$ 13,439,521** | **$ 13,439,521** | **$ 14,996,342** | **$ 1,556,821** |

## CITY OF JOSEPHINE, TEXAS
## BUDGET TO ACTUAL COMPARISON SCHEDULE - SEWER FUND
## FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | | |
| **REVENUES:** | | | | |
| Sewer sales | $ 1,260,000 | $ 1,260,000 | $ 1,973,777 | $ 713,777 |
| Tap and reconnect fees | 461,000 | 461,000 | 361,400 | (99,600) |
| Engineer/Consultant Fees | - | - | 12,000 | 12,000 |
| Other income | 1,982,000 | 1,982,000 | 1,042,597 | (939,403) |
| Interest income | 450,000 | 450,000 | 603,302 | 153,302 |
| **Total Revenues** | **4,153,000** | **4,153,000** | **3,993,076** | **(159,924)** |
| **EXPENDITURES:** | | | | |
| **Current:** | | | | |
| Salaries, taxes, and benefits | 778,286 | 778,286 | 627,423 | 150,863 |
| Contract labor | 25,050 | 25,050 | 22,560 | 2,490 |
| Professional fees | 87,750 | 87,750 | 177,618 | (89,868) |
| Repairs and facility maintenance | 36,000 | 36,000 | 50,246 | (14,246) |
| Vehicle expense | 12,800 | 12,800 | 13,147 | (347) |
| Utilities and telephone | 106,780 | 106,780 | 96,883 | 9,897 |
| Depreciation and amortization | - | - | 284,585 | (284,585) |
| Other expense | 537,578 | 537,578 | 164,174 | 373,404 |
| **Total Expenditures** | **1,584,244** | **1,584,244** | **1,436,636** | **147,608** |
| **Excess (deficiency) of revenues over expenditures** | **2,568,756** | **2,568,756** | **2,556,440** | **(12,316)** |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Transfers out | - | - | (3,242) | (3,242) |
| Gain (Loss) on dispositions | - | - | 9,209 | (9,209) |
| Interest and fiscal charges | 505,050 | 505,050 | (510,576) | 1,015,626 |
| **Total Other Financing Sources (Uses)** | **505,050** | **505,050** | **(504,609)** | **1,003,175** |
| **Net Change in Fund Balances** | 3,073,806 | 3,073,806 | 2,051,831 | 990,859 |
| **Net Position, October 1** | **12,160,827** | **12,160,827** | **12,160,827** | **-** |
| **Prior period adjustment** | **-** | **-** | **(3,794)** | **(3,794)** |
| **Net Position, September 30** | **$ 15,234,633** | **$ 15,234,633** | **$ 14,208,864** | **$ 987,065** |

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 TEN FISCAL YEARS**

| **Plan Year** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. Total Pension Liability** | | | | | | | | | | |
| Service cost | $ 24,663 | $ 30,557 | $ 36,466 | $ 51,786 | $ 64,318 | $ 108,282 | $ 125,222 | $ 180,498 | $ 286,322 | $ 354,144 |
| Interest (on the Total Pension Liability) | 15,417 | 18,490 | 21,217 | 24,988 | 29,288 | 42,465 | 52,406 | 64,905 | 95,957 | 123,786 |
| Changes of benefit terms | - | - | - | - | - | 87,806 | - | - | 149,345 | - |
| Difference between expected and actual experience | 801 | (11,601) | (4,285) | (11,920) | (5,315) | (8,635) | (1,750) | 35,733 | 30,462 | 78,083 |
| Change of assumptions | 9,853 | - | - | - | (639) | - | - | - | (10,652) | - |
| Benefits payments, including refunds of employee contributions | - | - | - | (10,379) | (4,459) | - | (6,605) | (30,078) | (16,659) | (30,772) |
| Net Change in Total Pension Liability | 50,734 | 37,446 | 53,398 | 54,475 | 83,193 | 229,918 | 169,273 | 251,058 | 534,775 | 525,241 |
| Total Pension Liability - Beginning | 207,914 | 258,648 | 296,094 | 349,492 | 403,967 | 487,160 | 717,078 | 886,351 | 1,137,409 | 1,672,184 |
| Total Pension Liability - Ending (a) | $ 258,648 | $ 296,094 | $ 349,492 | $ 403,967 | $ 487,160 | $ 717,078 | $ 886,351 | $ 1,137,409 | $ 1,672,184 | $ 2,197,425 |
| B. Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | $ 11,073 | $ 16,155 | $ 22,675 | $ 29,149 | $ 34,264 | $ 127,213 | $ 84,246 | $ 108,263 | $ 137,487 | $ 525,313 |
| Contributions - employee | 12,801 | 15,317 | 18,510 | 26,221 | 32,375 | 44,899 | 52,321 | 75,522 | 97,278 | 138,260 |
| Net investment income | 295 | 15,116 | 37,462 | (10,459) | 59,374 | 38,405 | 93,636 | (68,918) | 119,487 | 142,642 |
| Benefit payments, including refunds of employee contributions | - | - | - | (10,379) | (4,459) | - | (6,605) | (30,078) | (16,659) | (30,772) |
| Administrative expense | (180) | (171) | (195) | (202) | (335) | (248) | (431) | (593) | (754) | (906) |
| Other | (9) | (9) | (9) | (11) | (10) | (10) | 2 | 707 | (5) | (21) |
| Net Change in Plan Fiduciary Net Position | 23,980 | 46,408 | 78,443 | 34,319 | 121,209 | 210,259 | 223,169 | 84,903 | 336,834 | 774,516 |
| Plan Fiduciary Net Position - Beginning | 200,708 | 224,688 | 271,096 | 349,539 | 383,858 | 505,067 | 715,326 | 938,495 | 1,023,398 | 1,360,232 |
| Plan Fiduciary Net Position - Ending (b) | $ 224,688 | $ 271,096 | $ 349,539 | $ 383,858 | $ 505,067 | $ 715,326 | $ 938,495 | $ 1,023,398 | $ 1,360,232 | $ 2,134,748 |
| C. Net Pension Liability - Ending (a) - (b) | $ 33,960 | $ 24,998 | $ (47) | $ 20,110 | $ (17,906) | $ 1,752 | $ (52,144) | $ 114,011 | $ 311,952 | $ 62,677 |
| D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 86.87% | 91.56% | 100.01% | 95.02% | 103.68% | 99.76% | 105.88% | 89.98% | 81.34% | 97.15% |
| E. Covered Employee Payroll | $ 213,351 | $ 255,281 | $ 308,508 | $ 437,014 | $ 539,584 | $ 748,323 | $ 872,017 | $ 1,258,705 | $ 1,621,301 | $ 1,975,146 |
| F. Net Pension Liability as a Percentage of Covered Payroll | 15.92% | 9.79% | -0.02% | 4.60% | -3.32% | 0.23% | -5.98% | 9.06% | 19.24% | 3.17% |

CITY OF JOSEPHINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS

| **Plan Year** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 11,073 | $ 16,155 | $ 22,675 | $ 29,149 | $ 34,264 | $ 127,213 | $ 84,246 | $ 108,263 | $ 137,487 | $ 525,313 |
| Contributions in relation to the actuarially determined contribution | 11,328 | 16,155 | 22,675 | 29,149 | 34,264 | 127,213 | 84,246 | 108,263 | 137,487 | 525,313 |
| Contribution deficiency (excess) | $ (255) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered employee payroll | $ 213,351 | $ 255,281 | $ 308,508 | $ 437,014 | $ 539,584 | $ 748,323 | $ 872,017 | $ 1,258,705 | $ 1,621,301 | $ 1,975,146 |
| Contributions as a percentage of covered employee payroll | 5.31% | 6.33% | 7.35% | 6.67% | 6.35% | 17.00% | 9.66% | 8.60% | 8.48% | 26.60% |

**Notes to Schedule of Contributions**

Notes — ırially determined contribution rates are calculated
ıber 31 and become effective in January, 13 montł

**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 EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)**

| Measurement Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|
| Changes in the Total OPEB Liability | | | | | | | | |
| Total OPEB Liability - beginning of year | $ 5,405 | $ 6,900 | $ 5,994 | $ 7,996 | $ 13,228 | $ 24,966 | $ 19,933 | $ 23,689 |
| Changes for the year | | | | | | | | |
| Service Cost | 524 | 875 | 1,025 | 1,721 | 2,616 | 3,902 | 3,567 | 4,938 |
| Interest on Total OPEB Liability | 214 | 243 | 241 | 244 | 291 | 495 | 876 | 982 |
| Differences between expected and actual experience | - | (1,482) | (1,024) | 923 | 7,543 | 8,156 | (2,833) | (2,607) |
| Changes in assumptions or other inputs | 757 | (542) | 1,760 | 2,344 | 1,289 | (17,586) | 2,308 | (2,077) |
| Benefit payments ** | - | - | - | - | - | - | (162) | (198) |
| Net Changes | 1,495 | (906) | 2,002 | 5,232 | 11,739 | (5,033) | 3,756 | 1,038 |
| Total OPEB Liability - end of year | $ 6,900 | $ 5,994 | $ 7,996 | $ 13,228 | $ 24,966 | $ 19,933 | $ 23,689 | $ 24,727 |

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, 2025 (Unaudited)**

| Tax Roll Year | Fiscal Year Ended September 30 | Net Taxable Valuation |
|---|---|---|
| 2024 | 2025 | $ 311,546,073 |
| 2023 | 2024 | 260,451,101 |
| 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 |

**CITY OF JOSEPHINE, TEXAS**
**HISTORICAL SCHEDULE OF PROPERTY TAX RATES**
**YEAR ENDED SEPTEMBER 30, 2025 (Unaudited)**

| Tax Roll Year | Fiscal Year Ended September 30 | Tax Rates |
|---|---|---|
| 2024 | 2025 | 0.468097 |
| 2023 | 2024 | 0.468097 |
| 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 |