CITY OF JOSEPHINE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF JOSEPHINE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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City of Josephine, Texas
List of Principal Officials
September 30, 2022

OFFICIALS

Mayor	Jason Turney
Council Member Place 1	Doug Ewing (Mayor Pro-Tem)
Council Member Place 2	Jane Ridgway
Council Member Place 3	Brad Ahlfinger
Council Member Place 4	Doug Thomas
Council Member Place 5	Joyce Holley
City Secretary	Patti Brooks
City Administrator	Lisa Palomba

FINANCIAL SECTION

Independent Auditor's Report

To the City Council
City of Josephine, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate funds of the City of Josephine, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Josephine, Texas, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – General Fund and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Texas Municipal Retirement System and the Schedule of Funding Progress on pages 4–13 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Josephine, Texas' basic financial statements. The Historical Schedule of Assessed Property Valuation and the Historical Schedule of Property Tax Rates are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Fox, Byrd + Company, P.C.

Fox, Byrd & Company, P.C.
March 9, 2023

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, 2022. 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 $23,309,554. Of this amount $37,089,041 is invested in capital assets or restricted for debt service, leaving $(13,779,487) of unrestricted net position.
- Government-wide net position increased by $11,064,284 during 2022.
- Each of the City's fund financial statements reported changes in equity as follows:

General Fund – $3,189,920 increase
Debt Service Fund - $305,503 increase
Water Fund - $1,695,624 increase
Sewer Fund - $8,172,425 increase

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 $23,309,554 and $12,245,270 at the close of FY 2022 and 2021, respectively.

The combined net position of the City's activities increased from $12,245,270 to $23,309,554 or $11,064,284 during 2022. 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 $(14,779,487).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds, $5,743,955 and proprietary funds $18,133,389 reported combined fund balance and net assets of $23,877,344, a $13,363,472 increase from last year.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets, net of related debt, reported in governmental activities and business-type activities was $4,294,606 and $8,238,864, 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 $2,432,159 and $4,221,189 in each of the respective activities.

Long-term Debt – at year-end the City had $16,807,453 in bonds outstanding which represents an increase of $16,447,802 from the prior year.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

Retail establishments have increased the city's sales tax revenue, while also providing resources and jobs in Josephine. Zoning has been approved for Sonic and we hope to attract additional retail in the future. The Magnolia Point housing development completed building 397 homes in phases 6-9, phase 10 is underway. Shepherd Place Homes built 56 more homes in the High Meadows development DeBerry Heritage began building and has pulled 30 building permits. In total 483 building permits were issued in the 2022 FY and 327 building permits are expected to be issued in 2023 FY.

Eight new developments have been approved and are in different phases of construction, they include: De Berry Heritage which will have final build out of 100 homes, Bradley Estates with 26 homes, Murray Manor will have 50 homes, Waverly Estates Phase 1a and 1b has a total of 217 homes (infrastructure is in process), Riverfield phase 1 has a total of 841 homes with a planned complete build out of 4,110 homes (infrastructure is in process), Liberty Ranch West zoning has been approved, Liberty Ranch has sold their 187 lots to builder Ashton Woods (infrastructure is in process), and Morningside Addition is in the final zoning process for their phase 1 with 200 homes and phase 2 will be 400 homes.

A bond has been issued to build a new Public Safety Building and a new wastewater treatment plant to accommodate Josephine's growth. Grants have been approved for Streets and Drainage projects that are underway.

The Methodist Church Building in Josephine was purchased, and renovations are planned to convert the building into the new Josephine Community Center. Parks additions include a brand-new Splash Pad, partially funded by the Collin County Parks and Open Spaces Grant. An additional full size basketball court was added along with additional benches, canopies, and lighting. Citywide Integrated Software Upgrades and Meter Upgrades have been approved and conversions are in process. Roderick Elementary School in Magnolia Point opened in August 2022. Community Independent School District has purchased land in Josephine. Zoning has been approved for Elementary School #5 and Middle School #3.

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	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and other assets	$ 6,189,595	$ 2,393,451	$ 22,761,558	$ 4,434,596	$ 28,951,153	$ 6,828,047
Capital assets, net	2,645,674	2,086,197	12,533,470	4,310,188	15,179,144	6,396,385
Total Assets	**8,835,269**	**4,479,648**	**35,295,028**	**8,744,784**	**44,130,297**	**13,224,432**
Deferred outflows of resources	63,602	56,433	35,589	29,254	99,191	85,687
LIABILITIES						
Other liabilities	578,839	294,043	3,735,088	488,812	4,313,927	782,855
Long-term debt	3,092,858	223,750	13,433,345	-	16,526,203	223,750
Total Liabilities	**3,671,697**	**517,793**	**17,168,433**	**488,812**	**20,840,130**	**1,006,605**
Deferred Inflows of Resources						
Deferred inflows from pensions	49,690	36,851	28,109	19,103	77,799	55,954
Deferred inflows OPEB	1,319	1,507	686	783	2,005	2,290
Total deferred inflows of resources	**51,009**	**38,358**	**28,795**	**19,886**	**79,804**	**58,244**
NET POSITION						
Net investment in capital assets	2,645,674	1,862,447	12,533,470	4,017,675	15,179,144	5,880,122
Restricted for debt service	742,484	436,981	21,167,413	(133)	21,909,897	436,848
Unrestricted	1,788,007	1,680,502	(15,567,494)	4,247,798	(13,779,487)	5,928,300
Total Net Position	**$ 5,176,165**	**$ 3,979,930**	**$ 18,133,389**	**$ 8,265,340**	**$ 23,309,554**	**$ 12,245,270**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	$ 2,467,576	$ 746,199	$ 4,280,938	$ 3,103,390	$ 6,748,514	$ 3,849,589
Operating grants/contributions	305,921	283,756	-	-	305,921	283,756
Capital grants/contributions	51,442	1,644,214	8,181,122	-	8,232,564	1,644,214
General revenues:						
Ad valorem taxes	824,119	746,737	-	-	824,119	746,737
Sales taxes	252,134	142,950	-	-	252,134	142,950
Franchise taxes	64,563	52,592	-	-	64,563	52,592
Other	48,274	445,999	246,791	9,729	295,065	455,728
Total revenues	4,014,029	4,062,447	12,708,851	3,113,119	16,722,880	7,175,566
Expenses:						
Administration	1,486,653	672,318	-	-	1,486,653	672,318
Sanitation services	230,030	254,566	-	-	230,030	254,566
Public works	44,626	25,585	-	-	44,626	25,585
Park	69,287	51,505	-	-	69,287	51,505
Police department/municipal court	977,829	873,313	-	-	977,829	873,313
Streets	315,053	177,465	-	-	315,053	177,465
Water and sewer services	-	-	2,535,119	1,590,436	2,535,119	1,590,436
Total Expenses	3,123,477	2,054,753	2,535,119	1,590,436	5,658,596	3,645,189
Excess before transfers	890,552	2,007,694	10,173,732	1,522,683	11,064,284	3,530,377
Transfers	305,683	229,000	(305,683)	(229,000)	-	-
Change in Net Position	**1,196,235**	**2,236,694**	**9,868,049**	**1,293,683**	**11,064,284**	**3,530,377**
Net position - October 1	3,979,930	1,743,235	8,265,340	6,971,657	12,245,270	8,714,892
Net position - September 30	**$ 5,176,165**	**$ 3,979,929**	**$ 18,133,389**	**$ 8,265,340**	**$ 23,309,554**	**$ 12,245,269**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,919,078	$ 2,207,049
Ad valorem taxes	27,144	23,758
Other	199,591	63,805
Prepaid items	32,478	97,741
Total Assets	**$ 6,188,497**	**$ 2,392,353**
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	$ 417,398	$ 120,063
Total Liabilities	**417,398**	**120,063**
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	27,144	23,758
Total deferred inflows of resources	**27,144**	**23,758**
FUND BALANCES		
Non-spendable:		
Prepaid items	32,478	97,741
Restricted for debt service	742,484	436,981
Unassigned	4,968,993	1,713,810
Total Fund Balances	**5,743,955**	**2,248,532**
Total Liabilities and Fund Balances	**$ 6,188,497**	**$ 2,392,353**

CITY OF JOSEPHINE, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2022 and 2021

	2022	2021
REVENUES:		
Ad valorem taxes	$ 820,733	$ 751,159
Franchise taxes	64,563	52,592
Sales tax	252,134	142,950
Garbage fees	1,930,261	391,188
Permits	499,554	298,052
Fines	36,574	62,262
Intergovernmental	305,921	283,756
Grant revenue	51,442	1,644,214
Other income	38,559	444,508
Interest	9,715	1,491
Total Revenues	**4,009,456**	**4,072,172**
EXPENDITURES:		
Administration	1,419,351	635,353
Sanitation services	365,836	261,529
Public works	44,626	25,585
Park	40,710	33,876
Street department	83,524	97,114
Police department/municipal court	824,740	809,071
Debt Service:		
Principal	155,419	132,359
Interest	62,332	11,429
Capital Outlay	833,385	710,651
Total Expenditures	**3,829,922**	**2,716,968**
Excess (Deficiency) of Revenues Over Expenditures	**179,534**	**1,355,204**
Other Revenues and Financing Sources (uses)		
Bond proceeds	2,970,000	-
Premium on bonds issued	40,206	
Transfers in	305,683	229,000
Total Other Revenues and Financing Sources (uses)	**3,315,889**	229,000
Net change in fund balances	**3,495,423**	**1,584,204**
Fund balance, October 1	**2,248,531**	**664,327**
Fund balance, September 30	**$ 5,743,954**	**$ 2,248,531**

CITY OF JOSEPHINE, TEXAS
COMPARATIVE STATEMENTS OF FUND NET POSITION
PROPRIETARY FUND
September 30, 2022 and 2021

		2022		2021
		Enterprise Fund Water and Sewer Activities		Enterprise Fund Water and Sewer Activities
ASSETS				
Cash and cash equivalents	$	1,102,841	$	4,134,102
Accounts receivable, net		478,683		300,494
Prepaids		12,488		-
Restricted assets:				
Cash and cash equivalents		21,167,546		-
Total current assets		22,761,558		4,434,596
Capital Assets:				
Land		908,742		152,682
Buildings & other improvements		4,345,216		1,875,411
Water and sewer infrastructure		8,395,513		3,607,508
Equipment		1,210,066		547,393
Less accumulated depreciation		(2,326,067)		(1,872,806)
Capital Assets, net		12,533,470		4,310,188
Total assets		35,295,028		8,744,784
Deferred Outflows of Resources				
Deferred outflows from pensions		31,375		30,897
Deferred outflows from OPEB		4,213		-
Total deferred outflows of resources		35,589		30,897
LIABILITIES				
Accounts payable		31,631		178,342
Compensated absences		10,372		17,946
Due to general fund		3,010,206		-
Meter deposits payable		277,148		287,478
Notes payable		140,152		
Payable from restricted assets:				
Accrued interest payable		276,002		-
Total current liabilities		3,745,511		483,766
Pension liability		(18,946)		530
OPEB liability		8,523		4,516
Total non-current liabilities		(10,423)		5,046
Bonds payable - long-term		13,433,345		-
Total non-current liabilities		13,433,345		-
Total liabilities		17,168,433		488,812
Deferred Inflows of Resources				
Deferred inflows from pensions		28,109		22,418
Deferred inflows OPEB		686		(889)
Total deferred inflows of resources		28,795		21,529
NET POSITION				
Invested in capital assets, net of related debt		12,533,470		4,017,675
Restricted for debt service		21,167,413		(133)
Unrestricted		(15,567,494)		4,247,798
Total Net Position	$	18,133,389	$	8,265,340

CITY OF JOSEPHINE, TEXAS
Comparative Statements of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Years Ended September 30, 2022 and 2021

	2022 Enterprise Fund Water and Sewer	2021 Enterprise Fund Water and Sewer
OPERATING REVENUES:		
Water sales	$ 2,550,429	$ 1,584,840
Sewer sales	991,984	689,687
Grant income	-	1,390
Tap and reconnect fees	738,525	827,473
Total Operating Revenues	**4,280,938**	**3,103,390**
OPERATING EXPENSES:		
Salaries, taxes, and benefits	555,430	436,491
Contract labor	9,376	137,094
Professional fees	583,296	14,000
Water purchases	471,431	381,144
Repairs and facility maintenance	30,995	26,547
Vehicle expense	24,201	10,342
Utilities and telephone	129,641	65,717
Water/Sewer testing	5,434	1,082
Depreciation and amortization	453,261	241,930
Other expense	-	276,089
Total Operating Expenses	**2,535,119**	**1,590,436**
Operating Income	**1,745,819**	**1,512,954**
NONOPERATING REVENUES (EXPENSES):		
Interest income	81,258	3,646
Interest and fiscal charges	(538,483)	-
Miscellaneous income	704,016	6,083
Total Non-operating Revenues (Expenses)	**246,791**	**9,729**
Income before capital grants and transfers	**1,992,610**	**1,522,683**
Developer contributions	8,181,122	-
Transfers out	(305,683)	(229,000)
Change in net position	**9,868,049**	**1,293,683**
Net position, October 1	**8,265,340**	**6,971,657**
Net position, September 30	$ **18,133,389**	$ **8,265,340**

BASIC FINANCIAL STATEMENTS

CITY OF JOSEPHINE, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
ASSETS				
Cash and cash equivalents	$ 2,176,594	$ 1,102,841	$ 3,279,435	$ 235,522
Receivables				
Taxes, net of allowance	27,144	-	27,144	-
Accounts, net of allowance	200,689	478,683	679,372	-
Prepaids	32,478	12,488	44,966	-
Internal balances	3,010,206	(3,010,206)	-	-
Restricted assets:				
Cash and cash equivalents	742,484	21,167,546	21,910,030	-
Capital assets:				
Capital assets, not being depreciated	57,186	908,742	965,928	-
Capital assets, net of accumulated depreciation	2,588,488	11,624,728	14,213,216	-
Total Assets	**8,835,269**	**32,284,822**	**41,120,091**	**235,522**
DEFERRED OUTFLOWS OF RESOURCES				
Difference in expected and actual pension experience	1,341	758	2,099	-
Pension contributions after measurement date	47,970	27,134	75,104	-
Difference in projected and actual earnings on pension assets	4,349	2,460	6,809	-
Changes in actuarial assumptions used to determine pension assets	1,809	1,023	2,832	-
Changes in actuarial assumptions used to determine OPEB liability	8,134	4,213	12,347	-
Total deferred outflows of resources	63,602	35,589	99,191	-
LIABILITIES				
Accounts payable	417,398	31,631	449,029	-
Accrued interest payable		276,002	276,002	-
Meter deposits payable	-	277,148	277,148	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	37,098	10,372	47,470	-
Notes payable	141,098	140,152	281,250	-
Due in more than one year:				
Pension liability (asset)	(33,198)	(18,946)	(52,144)	-
OPEB liability	16,443	8,523	24,966	-
Notes payable	3,092,858	13,433,345	16,526,203	-
Total Liabilities	**3,671,697**	**14,158,227**	**17,829,924**	-
Deferred Inflows of Resources				
Difference in projected and actual earnings on pension assets	33,373	18,878	52,251	-
Changes in actuarial assumptions used to determine pension liabilities	257	145	402	-
Difference between actuarial assumptions and actual experience on pensions	16,061	9,085	25,146	-
Difference between actuarial assumptions and actual experience on OPEB	1,097	569	1,666	-
Changes in actuarial assumptions used to determine OPEB liabilities	223	116	339	-
Total deferred inflows of resources	**51,009**	**28,795**	**79,804**	-
NET POSITION				
Net investment in capital assets	2,645,674	12,533,470	15,179,144	-
Restricted for debt service	742,484	21,167,413	21,909,897	-
Unrestricted	1,788,007	(15,567,494)	(13,779,487)	235,522
Total Net position	**$ 5,176,165**	**$ 18,133,389**	**$ 23,309,554**	**$ 235,522**

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

CITY OF JOSEPHINE, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Totals	Component Unit
Governmental activities:								
Administration	$ 1,486,653	$ 499,554	$ 305,921	$ 51,442	$ (629,736)	$ -	$ (629,736)	$ -
Sanitation services	230,030	1,930,261	-	-	1,700,231	-	1,700,231	-
Public works	44,626	-	-	-	(44,626)	-	(44,626)	-
Park	69,287	-	-	-	(69,287)	-	(69,287)	-
Police department/municipal court	977,829	37,761	-	-	(940,068)	-	(940,068)	-
Street department	315,053	-	-	-	(315,053)	-	(315,053)	-
Total governmental activities	3,123,477	2,467,576	305,921	51,442	(298,538)	-	(298,538)	-
Business-type activities:								
Water services	1,345,062	2,969,054	-	8,181,122	-	9,805,114	9,805,114	-
Sewer services	1,728,540	1,311,884	-	-	-	(416,656)	(416,656)	
Total business-type activities	3,073,602	4,280,938	-	8,181,122	-	9,388,458	9,388,458	-
Total primary government	$ 6,197,079	$ 6,748,514	$ 305,921	$ 8,232,564	(298,538)	9,388,458	9,089,920	-
Component Unit:								
Economic Development Corporation	$ 149	$ -	$ -	$ -	-	-	-	(149)
Total component unit	$ 149	$ -	$ -	$ -	-	-	-	(149)
General revenues:								
Ad valorem taxes					824,119	-	824,119	-
Sales taxes					252,134	-	252,134	84,045
Franchise taxes					64,563	-	64,563	-
Miscellaneous					38,559	704,016	742,575	-
Unrestricted investment earnings					9,715	81,258	90,973	-
Transfers					305,683	(305,683)	-	-
Total general revenues and transfers					1,494,773	479,591	1,974,364	84,045
Change in net position					1,196,235	9,868,049	11,064,284	83,896
Net position - beginning of year					3,979,930	8,265,340	12,245,270	151,626
Net position - end of year					$ 5,176,165	$ 18,133,389	$ 23,309,554	$ 235,522

The accompanying notes are an integral part of these financial statements

CITY OF JOSEPHINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

		General		Debt Service		Total Governmental Funds
ASSETS						
Cash and cash equivalents	$	2,176,594	$	742,484	$	2,919,078
Receivables						
Ad valorem taxes, net		27,144		-		27,144
Sales and franchise taxes		-		-		-
Other		199,591		-		199,591
Due from proprietary fund		3,010,206		-		3,010,206
Prepaids		32,478		-		32,478
Total assets	$	**5,446,013**	$	**742,484**	$	**6,188,497**
LIABILITIES						
Accounts payable	$	417,398	$	-	$	417,398
Total liabilities		**417,398**		**-**		**417,398**
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue		27,144		-		27,144
Total deferred inflows of resources		**27,144**		**-**		**27,144**
FUND BALANCES						
Non spendable -Prepaids		32,478		-		32,478
Restricted for debt service		-		742,484		742,484
Unassigned		4,968,993		-		4,968,993
Total fund balances		**5,001,471**		**742,484**		**5,743,955**
Total liabilities deferred inflows of resources and fund balances	$	**5,446,013**	$	**742,484**	$	**6,188,497**

Governmental fund balance as presented above:	$	**5,743,955**
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.		2,645,674
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 $27,144 and fines receivable of $1,098.		28,242
Deferred inflow/outflow of resources for pensions are not reported in the fund financial statements		5,778
Deferred inflow/outflow of resources for OPEB are not reported in the fund financial statements		6,815
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements		33,198
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements		(16,443)
Long-term liabilities are reported in the statement of net position but they are not due and payable in the current period.		(3,271,054)
Net Assets of Governmental Activities	$	**5,176,165**

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, 2022

	General Fund	Debt Service	Total Governmental Funds
REVENUES:			
Ad valorem taxes	$ 735,378	$ 85,355	$ 820,733
Franchise taxes	64,563	-	64,563
Sales tax	252,134	-	252,134
Charges for services	1,930,261	-	1,930,261
Licenses and Permits	499,554	-	499,554
Fines	36,574	-	36,574
Intergovernmental	305,921	-	305,921
Capital Grants and contributions revenue	51,442	-	51,442
Other income	38,559	-	38,559
Interest income	9,715	-	9,715
Total Revenues	**3,924,101**	**85,355**	**4,009,456**
EXPENDITURES:			
Current:			
Administration	1,419,351	-	1,419,351
Sanitation services	365,836	-	365,836
Public works	44,626	-	44,626
Park	40,710	-	40,710
Street department	83,524	-	83,524
Police department/municipal court	824,740	-	824,740
Debt Service:			
Principal	75,419	80,000	155,419
Interest and other costs	56,797	5,535	62,332
Capital outlay	833,385	-	833,385
Total Expenditures	**3,744,387**	**85,535**	**3,829,922**
Excess of Revenues Over Expenditures	**179,714**	**(180)**	**179,534**
Other Revenues and Financing Sources (uses)			
Bond proceeds	2,970,000	-	2,970,000
Premium on bonds issued	40,206		40,206
Transfers in	-	305,683	305,683
Total Other Revenues and Financing Sources (uses)	**3,010,206**	**305,683**	**3,315,889**
Net change in fund balances	**3,189,920**	**305,503**	**3,495,423**
Fund balance, October 1	**1,811,551**	**436,981**	**2,248,532**
Fund balance, September 30	**$ 5,001,471**	**$ 742,484**	**$ 5,743,955**

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, 2022

Net change in fund balance - Governmental funds	**$**	**3,495,423**
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 $833,385 exceeded depreciation expense of $274,308.		559,077
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 ($3,010,431) and long-term debt repayments ($136,126).		(2,874,305)
Changes in the liability for compensated absences are reported as an increase or decrease to expense in the government-wide financial statements but are not reported in governmental funds if the amounts are not expected to be paid from current resources.		(8,954)
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.		20,421
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 $(3,386) and court fines of $(1,187).		4,573
Change in net assets of governmental activities	**$**	**1,196,235**

CITY OF JOSEPHINE, TEXAS
Statement of Fund Net Position
Proprietary Fund
September 30, 2022

	Enterprise Fund Water Fund	Enterprise Fund Sewer Fund	Total Enterprise Funds Water and Sewer Funds
ASSETS			
Cash and cash equivalents	$ 615,433	$ 487,408	$ 1,102,841
Accounts receivable, net	289,028	189,655	478,683
Prepaids	6,244	6,244	12,488
Restricted assets:			
Cash and cash equivalents	3,538,849	17,628,697	21,167,546
Total current assets	**4,449,554**	**18,312,004**	**22,761,558**
Capital Assets:			
Land	143,841	764,901	908,742
Buildings & other improvements	1,775,524	2,569,692	4,345,216
Water and sewer infrastructure	3,476,793	4,918,720	8,395,513
Equipment	429,036	781,030	1,210,066
Less accumulated depreciation	(1,530,588)	(795,479)	(2,326,067)
Capital Assets, net	**4,294,606**	**8,238,864**	**12,533,470**
Total assets	**8,744,160**	**26,550,868**	**35,295,028**
Deferred Outflows of Resources			
Deferred outflows from pensions	12,394	13,371	25,765
Total deferred outflows of resources	12,394	13,371	25,765
LIABILITIES			
Accounts payable	16,817	14,814	31,631
Accrued interest payable		276,002	276,002
Compensated absences	10,372	-	10,372
Due to general fund	-	3,010,206	3,010,206
Meter deposits payable	277,148	-	277,148
Pension liability (Asset)	(8,497)	(10,449)	(18,946)
OPEB Liability	4,479	4,044	8,523
Payable from restricted assets:			
Bonds payable - current	-	140,152	140,152
Total current liabilities	**300,319**	**3,434,769**	**3,735,088**
Bonds payable - long-term	-	13,433,345	13,433,345
Total non-current liabilities	-	**13,433,345**	**13,433,345**
Total liabilities	**300,319**	**16,868,114**	**17,168,433**
Deferred Inflows of Resources			
Deferred inflows from pensions	10,931	11,568	22,499
Deferred inflows OPEB	(1,854)	(1,674)	(3,528)
Total deferred inflows of resources	**9,077**	**9,894**	**18,971**
NET POSITION			
Invested in capital assets, net of related debt	4,294,606	8,238,864	12,533,470
Restricted for debt service	3,538,716	17,628,697	21,167,413
Unrestricted	613,836	(16,181,330)	(15,567,494)
Total Net Position	$ **8,447,158**	$ **9,686,231**	$ **18,133,389**

The accompanying notes are an integral part of these financial statements

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

	Enterprise Fund	Enterprise Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Water and Sewer Fund
OPERATING REVENUES:			
Water sales	$ 2,550,429	$ -	$ 2,550,429
Sewer sales	-	991,984	991,984
Tap and reconnect fees	418,625	319,900	738,525
Total Operating Revenues	2,969,054	1,311,884	**4,280,938**
OPERATING EXPENSES:			
Salaries, taxes, and benefits	254,257	301,173	555,430
Contract labor	-	9,376	9,376
Professional fees	215,881	367,415	583,296
Water purchases	471,431	-	471,431
Repairs and facility maintenance	17,547	13,448	30,995
Vehicle expense	12,101	12,100	24,201
Utilities and telephone	45,796	83,845	129,641
Water/Sewer testing	5,434	-	5,434
Depreciation and amortization	194,003	259,258	453,261
Grant expense	128,612	143,442	272,054
Total Operating Expenses	1,345,062	1,190,057	**2,535,119**
Operating Income	1,623,992	121,827	**1,745,819**
NONOPERATING REVENUES (EXPENSES):			
Interest income	22,533	58,725	81,258
Miscellaneous income	312,782	391,234	704,016
Interest and fiscal charges	-	(538,483)	(538,483)
Total Nonoperating Revenues (Expenses)	335,315	(88,524)	246,791
Income before contributions and transfers	1,959,307	33,303	1,992,610
Capital contributions	42,000.00	8,139,122	8,181,122
Transfers Out	(305,683)	-	(305,683)
Change in net position	1,695,624	8,172,425	9,868,049
Net position, October 1	**6,751,534**	**1,513,806**	**8,265,340**
Net position, September 30	**$ 8,447,158**	**$ 9,686,231**	**$ 18,133,389**

CITY OF JOSEPHINE, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2022

	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	$ 4,092,419
Cash paid to suppliers	(1,685,627)
Cash paid to employees	(575,899)
Net cash provided by operating activities	**1,830,893**
Cash flows from noncapital financing activities:	
Transfers	(305,683)
Net cash used by noncapital financing activities	**(305,683)**
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(495,421)
Proceeds of debt	16,583,703
Interest & fiscal charges	(262,481)
Net cash used by capital and related financing activities	**15,825,801**
Cash flows from investing activities:	
Proceeds from other income	704,016
Interest on deposits and investments	81,258
Net cash provided by investing activities	**785,274**
Net increase in cash and cash equivalents	**18,136,285**
Cash and cash equivalents, October 1	**4,134,102**
Cash and cash equivalents, September 30	**$ 22,270,387**

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

	Enterprise Fund Water and Sewer Fund
Operating income	**$ 1,745,819**
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	453,261
Change in accounts receivable (net)	(178,189)
Change in customer deposits	(10,330)
Change in prepaids	(12,488)
Change in accounts payable	(146,711)
Change in compensated absences	(7,574)
Change in pension liabilities	(16,902)
Change in OPEB liabilities	4,007
Total Adjustments	85,074
Net cash provided by operating activities	**$ 1,830,893**

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, 2022.

(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, 2022:

Discretely Presented Component Units

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

1. Introduction and Summary of Significant Accounting Policies - continued

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

Proprietary Funds

The City reports the following major proprietary funds:

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

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

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

Restricted cash and cash equivalents are restricted for debt service requirements ($22,910,030) or for capital projects ($133) at year-end.

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Inventories and Prepaids

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

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

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of $1,000 or more as purchase and construction outlays occur and $5,000 for road upgrades. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items of deferred outflows or resources related to the implementation of the GASB statements on pension accounting. They are for pension contributions after the measurement date, differences in expected and actual pension experience, changes in actuarial assumptions and pension investment experience (difference in projected and actual earnings on pension assets). The amount deferred for pension contributions is recognized in the following fiscal year. The other deferred outflows will be recognized over the estimated average remaining lives of all members determined as of the measurement date. The difference in projected and actual earnings will be amortized over a closed five-year period. These items appear on the Statement of Net Position in the government wide financial statements.

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

Deferred Inflows of Resources

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

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

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

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

Other Post-Employment Benefits (OPEB)

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

A "Total OPEB Liability" is calculated by TMRS' actuary and is put on the face of the City's Statement of Net Position in the government-wide financial statements.

OPEB expense is calculated by the actuary, and is no longer tied to the amount of contributions submitted to TMRS each year; rather, it is tied to the change in total OPEB liability from year to year. OPEB expense is put in the City's Statement of Activities in the government-wide financial statements.

Some of each year's OPEB costs may be deferred (deferred inflows and deferred outflows of resources, recorded in the Statement of Net Position) and amortized over a number of years.

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.*

Compensated Absences

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

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

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

Fund Equity

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

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

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

1. Introduction and Summary of Significant Accounting Policies - continued

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

Fund Equity - continued

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

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

Unassigned – all other spendable amounts in the general fund.

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

(F) Risk Management

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

1. Introduction and Summary of Significant Accounting Policies - continued

(G) Estimates

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

(H) Subsequent Events

Subsequent events have been evaluated through March 9, 2023, which is the date the financial statements were available to be issued.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

3. Deposits and Investments

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

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

Investments

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

Investment Policies

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Mayor, City Secretary and two members of City Council. Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2022, the City did not own any types of securities other than those permitted by statute.

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

3. Deposits and Investments - continued

Investment Policies - continued

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

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

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

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Enterprise Receivables and Uncollectible Accounts

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

Accounts receivable, gross	$ 486,337
Less: allowance for uncollectible accounts	(7,654)
Net accounts receivable	$ 478,683

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

Property Taxes Receivable and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1st for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2021, all real property was assessed at a net taxable value of $160,254,077.

The property tax rate for the year ended September 30, 2022 was .516697 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	.462439
Interest and Sinking – Debt Service Fund	.054258

The property tax levy for the year ending September 30, 2022 was $801,854. Collections of the current year property tax levy were $800,270 or 99.80% of the current year tax levied.

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

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

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

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

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

Allowance for Uncollectible Taxes

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

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

Accounts receivable, gross	$ 27,144
Less: allowance for uncollectible accounts	-
Net accounts receivable	$ 27,144

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, 2021	Increases	Decreases	Balance September 30, 2022
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 2,300	$ 54,886	$ -	$ 57,186
Total capital assets not being depreciated	2,300	54,886	-	57,186
Other capital assets being depreciated:				
Buildings and other improvements	907,587	326,620	-	1,234,207
Road infrastructure	1,288,003	-	-	1,288,003
Furniture and equipment	691,139	452,279	-	1,143,418
Total capital assets being depreciated	2,886,729	778,899	-	3,665,628
Total Capital Assets	2,889,029	833,785	-	3,722,814
Less accumulated depreciation:				
Buildings and other improvements	118,373	52,910	-	171,283
Road infrastructure	277,050	77,954	-	355,004
Furniture and equipment	407,409	143,444	-	550,853
Total accumulated depreciation	802,832	274,308	-	1,077,140
Governmental Activities Capital Assets, net	$ 2,086,197	$ 559,477	$ -	$ 2,645,674
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	$ 152,682	$ 756,060	$ -	$ 908,742
Total capital assets not being depreciated	152,682	756,060	-	908,742
Other capital assets being depreciated:				
Buildings and other improvements	206,298	2,469,805	-	2,676,103
Water and sewer infrastructure	5,276,621	4,696,303	-	9,972,924
Furniture and equipment	547,393	754,374	-	1,301,767
Total capital assets being depreciated	6,030,312	7,920,482	-	13,950,794
Total Capital Assets	6,182,994	8,676,542	-	14,859,536
Less accumulated depreciation	1,872,806	453,261	-	2,326,067
Business-type Activities Capital Assets, net	$ 4,310,188	$ 8,223,281	$ -	$ 12,533,469
Primary Government Capital Assets, net	$ 6,396,385	$ 8,782,758	$ -	$ 15,179,143

5. Capital Assets - continued

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

Administration	$	67,302
Parks		28,577
Police Department		86,725
Court		440
Street Department		91,264
Total	$	274,308

Depreciation expense recorded in business-type activities and the Proprietary Fund was $453,261.

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 $94,892. Amortization expense is included in depreciation expense.

6. Long-Term Debt

General Fund – Interlocal Agreement

On October 8, 2018 the City entered into an interlocal agreement with Collin County, Texas to reconstruct CR596 (Hubbard). The County agreed to arrange for the road improvements. The City agreed to reimburse their share of the costs over a five year period. Terms of the agreement include an annual interest rate of 2.80% and 60 monthly payments of $4,875, with the first payment due November 1, 2018. At September 30, 2022 the principal balance was $57,750.

6. Long-Term Debt - continued

General Fund – Capital Lease Agreements

On October 31, 2018 the City issued Tax Note Series 2018 for the construction and equipping of a new City Hall. The Tax Notes will mature on September 1, 2024. They carry an interest rate of 2.25% based on a 360-day year. Annual principal and interest payments will be due beginning September 1, 2018 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $75,000 and the final payment in 2024 of $84,000. At September 30, 2022 the principal balance was $166,000. Interest expense was $5,535 for the year.

On December 17, 2018 the City entered into an agreement with Government Capital Corporation to purchase a 2022 Ford Explorer Interceptor, with an interest rate of 4.61% and a maturity date of January 3, 2022. Terms of the agreement included annual payments of $20,960.37 with the initial payment due January 3, 2022. At September 30, 2022 the principal balance was $ -0- . Interest expense was $1,147 for the year.

General Fund – Certificates of Obligation

On July 11, 2022 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, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $50,000 due February 15, 2025 and the final payment in 2052 of $180,000. At September 30, 2022 the principal balance was $2,970,000. The City reserved the right , at its option to redeem Certificates having stated maturities on or after February 15, 2033 at par plus accrued interest to the date of redemption. Accrued interest expense was $52,734 for the year while the first interest payment is due February 15, 2023.

6. Long-Term Debt - continued

Proprietary Fund – Certificates of Obligation

On February 15, 2022 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, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $30,000 due February 15, 2023 and the final payment in 2047 of $295,000. At September 30, 2022 the principal balance was $5,065,000. 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 $138,345 for the year while the first interest payment is due February 15, 2023 .

On July 11, 2022 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 of ranging from 4.00% to 6.00% based on a 360-day year. Annual principal and interest payments will be due beginning February 15, 2023 and will continue to maturity. The amounts due graduate over the term of the notes, with the initial principal payment of $85,000 due February 15, 2023 and the final payment in 2052 of $720,000. At September 30, 2022 the principal balance was $7,875,000. 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 $137,657 for the year while the first interest payment is due February 15, 2023.

6. Long-Term Debt - continued

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	Balance October 1, 2021	Issued	Retired	Balance September 30, 2022	Due Within One Year
Description and purpose:					
GOVERNMENTAL ACTIVITIES					
Tax Note Series 2017	$ 246,000	$ -	$ 80,000	$ 166,000	$ 82,000
Interlocal Agreement 2.8%	113,651	-	55,901	57,750	57,750
Combination Tax & Revenue CO - Series 2022 A	-	2,970,000	-	2,970,000	-
Premiums	-	40,431	225	40,206	1,348
Total Notes Payable	113,651	3,010,431	136,126	3,233,956	141,098
Net Pension liability (Asset)	1,223	-	34,421	(33,198)	-
OPEB liability	8,712	7,731	-	16,443	-
Compensated Absences	28,144	8,954	-	37,098	37,098
Total Governmental Activities	151,730	5,997,116	170,547	3,254,299	178,196
BUSINESS-TYPE ACTIVITIES					
Combination Tax & Revenue CO - Series 2022	-	5,065,000	-	5,065,000	30,000
Combination Tax & Revenue CO - Series 2022 A	-	7,875,000		7,875,000	85,000
Premiums	-	646,680	13,183	633,497	25,152
Net Pension liability (Asset)	530	-	19,476	(18,946)	-
OPEB liability	4,516	4,007	-	8,523	-
Compensated Absences	17,946	-	7,574	10,372	10,372
Total Business-type Activities	22,992	8,525,687	40,233	8,508,446	120,524
Total Primary Government Long-Term Debt	$ 22,992	$ 8,525,687	$ 40,233	$ 8,508,446	$ 120,524

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,	Interlocal Agreements		Tax Note Series 2017		Series 2022 A		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Required
2023	$ 57,750	$ 1,012	$ 82,000	$ 3,735	$ -	$ 135,709	280,206
2024	-	-	84,000	1,890	-	133,850	219,740
2025	-	-	-	-	50,000	132,350	182,350
2026	-	-	-	-	50,000	129,350	179,350
2027	-	-	-	-	55,000	126,200	181,200
2028 - 2032	-	-	-	-	330,000	575,650	905,650
2033 - 2037	-	-	-	-	435,000	471,125	906,125
2038 - 2042	-	-	-	-	550,000	357,500	907,500
2043 - 2047	-	-	-	-	675,000	234,500	909,500
2048 - 2052	-	-	-	-	825,000	85,300	910,300
Totals	$ 57,750	$ 1,012	$ 166,000	$ 5,625	$ 2,970,000	$ 2,381,534	$ 5,581,921

Business-Type Activities

Fiscal Year Ending September 30,	Series 2022 Bonds Payable		Series 2022 A Bonds Payable		Total
	Principal	Interest	Principal	Interest	Required
2023	$ 30,000	$ 269,925	$ 85,000	$ 351,703	$ 736,628
2024	125,000	175,825	95,000	341,450	737,275
2025	130,000	169,450	100,000	335,600	735,050
2026	140,000	162,700	105,000	329,450	737,150
2027	145,000	155,575	115,000	322,850	738,425
2028 - 2032	850,000	658,425	675,000	1,501,150	3,684,575
2033 - 2037	1,040,000	471,675	885,000	1,288,125	3,684,800
2038 - 2042	1,205,000	302,625	1,120,000	1,055,825	3,683,450
2043 - 2047	1,400,000	107,400	1,360,000	807,200	3,674,600
2048 - 2052			3,335,000	344,100	3,679,100
Totals	$ 5,065,000	$ 2,473,600	$ 7,875,000	$ 6,677,453	$ 22,091,053

7. Commitments/Contingencies

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

The City has entered into a contract for garbage collection services with Republic Services. Contract period is from 12/1/17 to 11/30/24. The contract has up to five one-year renewals with a 180 day notice prior to the end of the initial term. During fiscal year 2022, the City spent $350,194 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, 2022 the outstanding balance between the General Fund and the Proprietary Fund is $3,010,206.

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. During the year ending September 30, 2022, there were transfers of $305,683 between funds.

9. Economic Dependence

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

The City is currently obligated under a 30-year water purchase contract with the North Texas Municipal Water District until December 31, 2025. Total water cost for the year ended September 30, 2022 was $471,431.

10. TMRS Pension Plan

Plan Description

The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided:

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

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

10. TMRS Pension Plan - continued

Plan Description - continued

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

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

Employees covered by benefit terms –

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	11
Active employees	16
	28

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Josephine were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Josephine were 9.72% and 8.63% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2022 was $103,590 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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2021 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 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public & Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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 12/31/2020	$ 717,078	$ 715,326	$ 1,752
Changes for the year:			
Service cost	125,222	-	125,222
Interest	52,406	-	52,406
Change in benefit terms	-	-	-
Difference between expected and actual experience	(1,750)	-	(1,750)
Changes in assumptions	-	-	-
Contribution - employer	-	84,246	(84,246)
Contribution - employee	-	52,321	(52,321)
Net investment income	-	93,636	(93,636)
Benefit payments, including refunds of employee contributions	(6,605)	(6,605)	-
Administrative expense	-	(431)	431
Other changes	-	3	(3)
Net changes	169,273	223,170	(53,897)
Balance at 12/31/2021	$ 886,351	$ 938,496	$ (52,144)

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	$ 88,735	$ (52,144)	$ (165,884)

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, 2022, the City recognized pension expense of $61,086. This amount is included as part of Personal Services expenses within the functional program activities.

At September 30, 2022, 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	$ 75,106	$ -
Difference in expected and actual experience	2,099	25,146
Differences in projected and actual earnings	6,809	52,251
Change in assumptions	2,832	402
Total	$ 86,846	$ 77,799

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 \$(66,059) will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the City's financial statements as of September 30, 2022). 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
2022	$	(12,535)
2023		(19,462)
2024		(13,841)
2025		(13,632)
2026		(3,670)
Thereafter		(2,919)
Total	$	(66,059)

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Membership *

Number of

- Inactive employees or beneficiaries currently receiving benefits	1
- Inactive employees entitled to but not yet receiving benefits	5
- Active employees	16
- Total	22

* 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 $24,966 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

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

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Mortality rates – service retirees

RP 2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality rates – disabled retirees

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

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

11. TMRS Supplemental Death Benefits Fund - continued

Changes in the Total OPEB Liability

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

** 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 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	$ 34,365	$ 24,966	$ 18,361

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, 2022 (i.e. recognized in the City's financial statements for the year ending September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Net deferred outflows (inflows) of resources
2022	$ 1,094
2023	1,094
2024	1,094
2025	1,094
2026	1,094
Thereafter	4,877
Total	$ 10,347

12. Litigation

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

13. Risks and Uncertainties

The COVID-19 pandemic developed rapidly in 2022, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The City has taken a number of measures to monitor and mitigate the effects of COVID-19, including safety and health measures such as social distancing, and securing the supply of materials that are essential to the production process.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Ad valorem taxes	$ 665,883	$ 665,883	$ 735,378	$ 69,495
Franchise taxes	50,000	50,000	64,563	14,563
Sales tax	175,000	175,000	252,134	77,134
Charges for services	967,000	967,000	1,930,261	963,261
Licenses and Permits	648,125	648,125	499,554	(148,571)
Fines	78,200	78,200	36,574	(41,626)
Intergovernmental	259,000	259,000	305,921	46,921
Capital Grants and contributions revenue	-	-	51,442	51,442
Other income	30,950	30,950	38,559	7,609
Interest income	1,000	1,000	9,715	8,715
Total Revenues	**2,875,158**	**2,875,158**	**3,924,101**	**1,048,943**
EXPENDITURES:				
Current:				
Administration	551,127	597,827	1,419,351	(821,524)
Sanitation services	186,930	234,930	365,836	(130,906)
Public works	29,550	29,550	44,626	(15,076)
Park	32,836	42,336	40,710	1,626
Street department	107,070	110,070	83,524	26,546
Police department/municipal court	838,401	876,126	824,740	51,386
Capital outlay	269,000	738,900	833,385	(94,485)
Debt Service:				
Principal	133,000	133,000	75,419	57,581
Interest and other costs	11,490	11,490	56,797	(45,307)
Total Expenditures	**2,159,404**	**2,774,229**	**3,744,387**	**(970,158)**
Excess (deficiency) of revenues over expenditures	**715,754**	**100,929**	**179,714**	**78,785**
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	-	-	2,970,000	2,970,000
Premium on bonds issued	-	-	40,206	40,206
Total Other Financing Sources (Uses)	-	-	**3,010,206**	**3,010,206**
Net Change in Fund Balances	715,754	100,929	3,189,920	3,088,991
Fund balance, October 1	**1,811,551**	**1,811,551**	**1,811,551**	-
Fund balance, September 30	**$ 2,527,305**	**$ 1,912,480**	**$ 5,001,471**	**$ 3,088,991**

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, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Ad valorem taxes	$ 77,180	$ 77,180	$ 85,355	$ 8,175
				-
Total Revenues	**77,180**	**77,180**	**85,355**	**8,175**
EXPENDITURES:				
Current:				
Debt Service:				
Principal	80,000	80,000	80,000	-
Interest and other costs	5,535	5,535	5,535	-
Total Expenditures	**85,535**	**85,535**	**85,535**	-
Excess (deficiency) of revenues over expenditures	**(8,355)**	**(8,355)**	**(180)**	**8,175**
OTHER FINANCING SOURCES (USES):				
Transfers in	366,820	366,820	305,683	(61,137)
Total Other Financing Sources (Uses)	**366,820**	**366,820**	**305,683**	**(61,137)**
Net Change in Fund Balances	358,465	358,465	305,503	(52,962)
Fund balance, October 1	**436,981**	**436,981**	**436,981**	-
Fund balance, September 30	**$ 795,446**	**$ 795,446**	**$ 742,484**	**$ (52,962)**

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, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Water sales	$ 1,250,000	$ 1,250,000	$ 2,550,429	$ 1,300,429
Grant income				-
Tap and reconnect fees	235,200	235,200	418,625	183,425
Other income	77,200	77,200	312,782	235,582
Interest income	2,600	2,600	22,533	19,933
Total Revenues	**1,565,000**	**1,565,000**	**3,304,369**	**1,739,369**
EXPENDITURES:				
Current:				
Salaries, taxes, and benefits	286,375	286,375	254,257	32,118
Contract labor	2,700	2,700	-	2,700
Professional fees	45,000	45,000	215,881	(170,881)
Water purchases	443,450	443,450	471,431	(27,981)
Repairs and facility maintenance	18,600	18,600	17,547	1,053
Vehicle expense	6,000	6,000	12,101	(6,101)
Utilities and telephone	35,050	35,050	45,796	(10,746)
Water/Sewer testing	3,000	3,000	5,434	(2,434)
Depreciation and amortization	-	-	194,003	(194,003)
Other expense	306,170	306,170	128,612	177,558
Interest and other costs				-
Total Expenditures	**1,146,345**	**1,146,345**	**1,345,062**	**(198,717)**
Excess (deficiency) of revenues over expenditures	**418,655**	**418,655**	**1,959,307**	**1,540,652**
OTHER FINANCING SOURCES (USES):				
Transfers out	(366,820)	(366,820)	(305,683)	61,137
Capital Contributions			42,000	
Total Other Financing Sources (Uses)	**(366,820)**	**(366,820)**	**(263,683)**	**61,137**
Net Change in Fund Balances	51,835	51,835	1,695,624	1,601,789
Net Position, October 1	**6,751,534**	**6,751,534**	**6,751,534**	**-**
Net Position, September 30	**$ 6,803,369**	**$ 6,803,369**	**$ 8,447,158**	**$ 1,601,789**

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

CITY OF JOSEPHINE, TEXAS
BUDGET TO ACTUAL COMPARISON SCHEDULE - SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sewer sales	$ 612,000	$ 612,000	$ 991,984	$ 379,984
Tap and reconnect fees	229,000	229,000	319,900	90,900
Engineer/Consultant Fees	155,000	155,000	230,268	75,268
Other income	-	-	160,966	160,966
Interest income	-	-	58,725	58,725
Total Revenues	**996,000**	**996,000**	**1,761,843**	**765,843**
EXPENDITURES:				
Current:				
Salaries, taxes, and benefits	317,145	317,145	301,173	15,972
Contract labor	25,000	25,000	9,376	15,624
Professional fees	167,000	167,000	367,415	(200,415)
Repairs and facility maintenance	13,450	13,450	13,448	2
Vehicle expense	6,000	6,000	12,100	(6,100)
Utilities and telephone	56,700	56,700	83,845	(27,145)
Depreciation and amortization	-	-	259,258	(259,258)
Other expense	253,675	253,675	681,925	(428,250)
				-
Total Expenditures	**838,970**	**838,970**	**1,728,540**	**(889,570)**
Excess (deficiency) of revenues over expenditures	**157,030**	**157,030**	**33,303**	**(123,727)**
OTHER FINANCING SOURCES (USES):				
Capital Contributions			8,139,122	
Total Other Financing Sources (Uses)	-	-	**8,139,122**	-
Net Change in Fund Balances	157,030	157,030	8,172,425	(123,727)
Net Position, October 1	**1,513,806**	**1,513,806**	**1,513,806**	-
Net Position, September 30	**$ 1,670,836**	**$ 1,670,836**	**$ 9,686,231**	**$ (123,727)**

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 EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

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

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 EIGHT FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)

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

Notes to Schedule of Contributions

Notes — Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information

Notes — There were no benefit changes during the year.

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

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

Measurement Year	2017	2018	2019	2020
Changes in the Total OPEB Liability				
Total OPEB Liability - beginning of year	$ 5,405	$ 6,900	$ 5,994	$ 7,996
Changes for the year				
Service Cost	524	875	1,025	1,721
Interest on Total OPEB Liability	214	243	241	244
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	(1,482)	(1,024)	923
Changes in assumptions or other inputs	757	(542)	1,760	2,344
Benefit payments **	-	-	-	-
Net Changes	1,495	(906)	2,002	5,232
Total OPEB Liability - end of year	$ 6,900	$ 5,994	$ 7,996	$ 13,228

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, 2022 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2021	2022	$ 160,254,077
2020	2021	$ 135,720,903
2019	2020	123,624,553
2018	2019	106,125,444
2017	2018	91,095,631
2016	2017	63,577,112
2015	2016	51,517,105
2014	2015	44,397,598
2013	2014	38,232,507
2012	2013	37,648,898

CITY OF JOSEPHINE, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2022 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2021	2022	0.516697
2020	2021	0.559079
2019	2020	0.575000
2018	2019	0.580000
2017	2018	0.540000
2016	2017	0.580000
2015	2016	0.600000
2014	2015	0.615000
2013	2014	0.590000
2012	2013	0.570000