



Filing Receipt

Filing Date - 2024-12-20 10:12:27 AM

Control Number - 55711

Item Number - 32

DOCKET NO. 55711

APPLICATION OF THE CITY OF	§	PUBLIC UTILITY COMMISSION
JOHNSON CITY TO AMEND ITS	§	
CERTIFICATE OF CONVENIENCE	§	OF TEXAS
AND NECESSITY IN BLANCO	§	
COUNTY	§	

COMMISSION STAFF'S FINAL RECOMMENDATION

On October 18, 2023, the City of Johnson City (Johnson City) filed an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10441 and sewer CCN No. 20159 in Blanco County.

On November 21, 2024, the administrative law judge filed Order No. 9, directing the Staff (Staff) of the Public Utility Commission of Texas (Commission) to file a final recommendation on the application by December 20, 2024. Therefore, this pleading is timely filed.

I. STAFF'S FINAL RECOMMENDATION

Staff has reviewed the application, as supplemented, and as detailed in the attached memoranda from Tsungirirai Gotora of the Infrastructure Division and from Fred Bednarski, III of the Rate Regulation Division, recommends that the application be approved. Staff's review indicates that Johnson City meets the applicable technical, managerial, and financial requirements of Chapter 13 of the Texas Water Code and Title 16, Chapter 24 of the Texas Administrative Code, and therefore, the approval of the application is necessary for continuous and adequate service.

II. CONCLUSION

For the reasons detailed above, Staff respectfully recommends that the application be approved.

Dated: December 20, 2024

Respectfully submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Marisa Lopez Wagley
Division Director

Ian Groetsch
Managing Attorney

/s/ Rowan Pruitt
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DOCKET NO. 55711

CERTIFICATE OF SERVICE

I certify that unless otherwise ordered by the presiding officer, notice of the filing of this document will be provided to all parties of record via electronic mail on December 20, 2024, in accordance with the Second Order Suspending Rules, filed in Project No. 50664.

/s/ Rowan Pruitt
Rowan Pruitt

Public Utility Commission of Texas

Memorandum

TO: Rowan Pruitt, Attorney
Legal Division

FROM: Tsungirirai Gotor, Sr. Infrastructure Analyst
Infrastructure Division

DATE: December 20, 2024

RE: Docket No. 55711 – *Application of the City of Johnson City to Amend Its Certificate of Convenience and Necessity in Blanco County*

1. Application

On October 18, 2023, the City of Johnson City (Johnson City) filed with the Public Utility Commission of Texas (Commission) an application to amend its water Certificate of Convenience and Necessity (CCN) No. 10441 and sewer CCN No. 20159 in Blanco County, Texas under Texas Water Code (TWC) §§ 13.242 through 13.250 and 16 Texas Administrative Code (TAC) §§ 24.225 through 24.237.

On February 22, 2024, Johnson City filed with the Commission a revised application to amend its water CCN No. 10441 and sewer CCN No. 20159 in Blanco County, Texas under TWC §§ 13.242 through 13.250 and 16 TAC §§ 24.225 through 24.237.

Based on the mapping review by Dave Babicki, Infrastructure Division, the revised digital mapping data filed with Item 10 on February 22, 2024, and the revised maps filed with Item 15 on May 6, 2024, are sufficient.

Requested Water Area 1:

The *requested water area 1* includes 1 customer connections and approximately 23.5 acres of uncertificated area to amend (add) to Johnson City (CCN No. 10441).

Requested Water Area 2:

The *requested water area 2* includes 74 customer connections and approximately 697.9 acres of uncertificated area to amend (add) to Johnson City (CCN No. 10441).

Total Requested Water Areas 1 and 2:

The *total requested water areas 1 and 2* includes 75 customer connections and approximately 721.4 acres of uncertificated area to amend (add) to Johnson City (CCN No. 10441). The application proposes the addition of approximately 721.4 acres to CCN No. 10441.

Requested Sewer Area 1:

The *requested sewer area 1* includes 1 customer connections and approximately 23.5 acres of uncertificated area to amend (add) to Johnson City (CCN No. 20159).

Requested Sewer Area 2:

The *requested water area 2* includes 75 customer connections and approximately 697.9 acres of uncertificated area to amend (add) to Johnson City (CCN No. 20159).

Total Requested Sewer Areas 1 and 2:

The *total requested sewer areas 1 and 2* includes 76 customer connections and approximately 721.4 acres of uncertificated area to amend (add) to Johnson City (CCN No. 20159). The application proposes the addition of approximately 721.4 acres to CCN No. 20159.

2. Notice

Affidavits were provided affirming that notices were submitted to customers, cities, districts, neighboring retail public utilities, the county judge, groundwater conservation districts, and that there are no landowners owning 25 acres or more in the requested area.

The deadline to intervene was August 2, 2024; there were no motions to intervene, protests, or opt-out requests received.

3. CCN Amendment Factors Considered

Under TWC §§ 13.241 and 13.246, and 16 TAC §§ 24.11(e) and 24.227, the Commission must consider certain factors when granting or amending a water or sewer CCN. Therefore, the following factors were considered.

3.1. *Consideration of the adequacy of service currently provided to the requested area and system compliance (TWC § 13.246(c)(1); 16 TAC § 24.227(a) and (e)(1)).*

Customers in the requested areas currently receive service from Johnson City's Texas Commission on Environmental Quality (TCEQ) approved public water system (PWS) registered as City of Johnson City, PWS ID No. TX0160001 and approved wastewater treatment plant (WWTP) registered as Johnson City Wastewater Discharge Permit No. WQ0010198001. Johnson City does not have any active violations listed in the TCEQ database.

No additional construction is necessary for Johnson City to serve the requested areas. The Commission's complaint records, which go back 5 years, show no complaints against Johnson City.

3.2. *Consideration of the need for additional service in the requested area (TWC § 13.246(c)(2); 16 TAC § 24.227(e)(2)).*

Johnson City's existing CCN boundary does not extend to Johnson City's city limits or to its current service area. Johnson City would like the CCN boundary to include all its existing customers and service area. There is a need for service as the requested areas are mostly areas where Johnson City already serves water and sewer customers. Additionally, Johnson City received requests for service for portions of the requested areas from developers.

3.3. *Consideration of the effect of granting an amendment on the recipient of the certificate or amendment, on the landowners in the area, and on any other retail public utility of the same kind already servicing the proximate area (TWC §§ 13.241(b) and 13.246(c)(3), 16 TAC § 24.227(e)(3)).*

Johnson City will be the certificated entity for the requested areas and will be required to provide continuous and adequate service to the requested areas.

The landowners in the areas will have a water and sewer provider available when they need to request water and sewer service.

There will be no effect on any retail public utility servicing the proximate area. All retail public utilities in the proximate area were provided notice of the CCN amendment requested in this application and did not request to intervene. The requested areas are entirely inside the city limits or extraterritorial jurisdiction boundaries (ETJ). No other provider may provide service inside the city limits without first getting consent from the city.

3.4. *Consideration of the managerial and technical ability of the applicant to provide adequate service (TWC § 13.246(c)(4); 16 TAC § 24.227(a) and (e)(4)).*

TCEQ rule, 30 TAC § 290.46, Minimum Acceptable Operating Practices for Public Drinking Water Systems, requires the operation of a public water system by trained and licensed personnel. The production, treatment, and distribution facilities at the public water system must be operated at all times under the direct supervision of a water works operator who holds an applicable, valid license issued by the TCEQ executive director. The licensed operator of a public water system may be an employee, contractor, or volunteer. Johnson City will have qualified TCEQ licensed operators licensed in water treatment to run the system.

TCEQ rule, 30 TAC § 30.331(b), Wastewater Operators and Operations Companies, requires the operators of a domestic wastewater treatment facility to have a valid license issued by the TCEQ executive director. Johnson City will have qualified TCEQ licensed operators licensed in wastewater treatment to run the system.

Johnson City will have licensed operators to run the system operations. Three Class C operators will be the responsible operators for the systems.

Johnson City has a TCEQ approved PWS registered as City of Johnson City, PWS ID No. TX0160001 approved WWTP registered as Johnson City Wastewater Discharge Permit No. WQ0010198001. Johnson City does not have any active violations listed in the TCEQ database. The Commission's complaint records, which go back 5 years, show no complaints against Johnson City.

- 3.5. ***The applicants' demonstration that regionalization or consolidation with another retail public utility is not economically feasible when construction of a physically separate water or sewer system is required to provide service to the requested area. (TWC § 13.241(d); 16 TAC § 24.227(b)).***

The entire requested service areas are in Johnson City's existing city limits or ETJ. Johnson City would like the CCN boundary to conform with its existing customers and service area. Therefore, concerns of regionalization or consolidation do not apply.

- 3.6. ***Consideration of the feasibility of obtaining service from an adjacent retail public utility (TWC § 13.246(c)(5); 16 TAC § 24.227(e)(5)).***

The entire requested service areas are in Johnson City's existing city limits or ETJ. Johnson City is currently serving customers in the requested areas, has facilities in the requested areas to serve any future customers, and has sufficient capacity. Therefore, it is not feasible to obtain service from an adjacent retail public utility.

Johnson City received requests for service for portions of the requested areas from developers.

- 3.7. ***An application for a certificate of public convenience and necessity or for an amendment to a certificate must contain: a capital improvements plan, including a budget and estimated timeline for construction of all facilities necessary to provide full service to the entire proposed service area (TWC § 13.244(d)(3)).***

Based on the capital improvement plan submitted by Johnson City in 2022, Johnson City did not have sufficient capacity to provide service to the entire requested area, however the application indicates that, at this time, additional construction is not necessary from Johnson City's perspective. Any improvements or extensions necessary to serve the requested areas will be required to be paid for and installed by the developers of the Homestead at Deer Creek Subdivision and Old River Crossing RV Park as per agreements with the developers.

- 3.8. ***Consideration of the financial ability of the applicant to pay for facilities necessary to provide continuous and adequate service (TWC § 13.246(c)(6); 16 TAC §§ 24.227(a) and (e)(6), 24.11(e)).***

The Rate Regulation Division will be addressing this criterion in a separate memo.

- 3.9 *Requirement of the applicant to provide a bond or other financial assurance in a form and amount specified by the Commission to ensure that continuous and adequate utility service is provided (TWC §§ 13.246(d); 16 TAC § 24.227(f)).*

The Rate Regulation Division will be addressing this criterion in a separate memo.

- 3.10. *Consideration of the environmental integrity and the effect on the land to be included in the certificated area (TWC § 13.246(c)(7) and (9); and 16 TAC § 24.227(e)(7) and (9)).*

The environmental integrity of the land will be minimally affected as facilities are constructed by the developers to extend service to the requested areas.

- 3.11. *Consideration of the probable improvement in service or lowering of cost to consumers (TWC § 13.246(c)(8); 16 TAC § 24.227(e)(8)).*

Johnson City will continue to provide service to the existing customers in the areas. There will be no change in the quality or cost of service to customers.

Future residents of the planned developments will have water and sewer service available.

4. Recommendation

Based on the mapping review by Dave Babicki, Infrastructure Division, and my technical and managerial review, I recommend that Johnson City meets all of the statutory requirements of Texas Water Code Chapter 13 and the Commission's Chapter 24 rules and regulations, is capable of providing continuous and adequate service. I further recommend that approving this application to amend its water CCN No. 10441 and sewer CCN No. 20159 is necessary for the service, accommodation, convenience and safety of the public.

Johnson City consented to the attached map and certificate on November 13, 2024.

Public Utility Commission of Texas

Memorandum

TO: Rowan Pruitt, Attorney
Legal Division

FROM: Fred Bednarski III, Financial Analyst
Rate Regulation Division

DATE: December 20, 2024

RE: Docket No. 55711 – *Application of City of Johnson City to Amend its Certificates of Convenience and Necessity in Blanco County*

On October 18, 2023, the City of Johnson City (Johnson City) filed an application amend its water certificate of convenience and necessity (CCN) number 10441 and sewer CCN number 20159, in Blanco County under Subchapter G of Texas Water Code Chapter 13.

An owner or operator of a retail public utility must have the financial resources to operate and manage the utility and to provide continuous and adequate service to the current and requested utility service areas, as established by 16 Texas Administrative Code (TAC) § 24.11. Johnson City must demonstrate that it meets one of the five leverage tests under 16 TAC § 24.11(e)(2) as well as the operations test under 16 TAC § 24.11(e)(3).

Leverage Test

My analysis is based on Johnson City's financial statements ending September 30, 2023. These financial statements contain an unqualified auditor's opinion from Atchley & Associates LLP stating that the financial statements present fairly, in all material respects, the financial position of Johnson City as of September 30, 2023, as shown on page 18 of attachment FB-1 and required by 16 TAC § 24.11(e)(4)(B)(i).

Based upon my review of Johnson City's financial statements, I calculate the debt-to-equity ratio equal to 0.52. The debt-to-equity ratio is based on long term debt of \$3,197,000, divided by net equity of \$6,104,599 as shown on page 26 of attachment FB-1. Because the ratio is less than 1.00, I recommend a finding that Johnson City meets the leverage test specified in 16 TAC § 24.11(e)(2)(A).

Operations Test

An owner or operator must demonstrate sufficient available cash to cover projected cash shortages for operations and maintenance expense during the first five years of operations, as required by 16 TAC § 24.11(e)(3).

Johnson City's financial statements include net income of \$397,230 and a \$885,433 cash and cash equivalents balance as shown on pages 27 and 32 in attachment FB-1 that indicates Johnson City will have sufficient cash to cover projected shortages should they occur. Therefore, I recommend a finding that Johnson City meets the operations test specified in 16 TAC § 24.11(e)(3).

Capital Improvements

An applicant proposing service to new CCN areas or subdivisions requiring capital improvements in excess of \$100,000 must provide loan approval documents or firm capital commitments affirming funds are available to install either the plant and equipment necessary to serve projected customers in the first two years of projections, or water systems necessary to provide continuous and adequate water service to a new area per 16 TAC § 24.11(e)(5)(B)(i) and (ii).

Pursuant to the memorandum provided by Tsungirirai Gotori, Infrastructure Analyst, capital improvements are not required by Johnson City to provide water and sewer service to the requested areas per Johnson City. The remaining capital improvements required to connect to Johnson City's water and sewer systems will be installed by the Developers or requester of service who are legally obligated to fund the improvements pursuant to the developer agreements and city ordinances.¹ Therefore, I recommend a finding that a good cause exception be granted since the developer is legally obligated to install the remaining capital improvements if necessary pursuant to 16 TAC § 24.11(e)(5)(B).

Recommendation

Because Johnson City meets the financial tests, I do not recommend that the Commission require additional financial assurance.

¹ Revised CCN amendment application, interchange item no. 10, at 2, 7, 8, 14, 18, 24 thru 52, and 77 thru 100 (Feb. 2, 2024).

Consequently, I recommend a finding that Johnson City demonstrates the financial and managerial capability needed to provide continuous and adequate service to the area subject to this application. My conclusions are based on information provided by Johnson City before the date of this memorandum and may not reflect any changes in Johnson City's status after this review.



Honorable Mayor and
Members of the City Council
City of Johnson City, Texas
303 E. Pecan Drive
Johnson City, Texas 78636

We are pleased to present this report related to our audit of the financial statements of City of Johnson City (the City) as of and for the year ended September 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibility With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 3, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated January 4, 2024, regarding the planned scope and timing of our audit and identified significant risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- As described in Note A, the City adopted Government Accounting Standards Board (GASB), Statement No. 91, *Conduit Debt Obligations*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 99, *Omnibus 2022* during the current year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- The allowance for uncollectible receivables is based on past experience with collections of taxes and other fees.
- Depreciation which is based on useful lives and depreciation methods approved by the City Council.
- Management's estimate of fair value of investments which are based on quoted prices for similar assets in active markets.
- Pension and OPEB obligations which are based on actuarial reports.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City are shown in the attached list of Recorded Audit Adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Shared Responsibilities: AICPA Independence

The AICPA regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) independence rules. For Atchley & Associates (the Firm) to fulfill its professional responsibility to maintain and monitor independence, management, the City Council, and the Firm each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. The Firm is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

Your Responsibilities

- Timely inform the Firm, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, officers, or persons in financial reporting oversight roles.
 - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with the Firm.
- Not entering into relationships resulting in close family members of the firm covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the City.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the City, including the representation letter provided to us by management, is included in an attached letter.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to City of Johnson City.

Atchley & Associates LLP

Austin, Texas
March 27, 2024

City of Johnson City, Texas
Year End: September 30, 2023
Recorded Audit Adjustments

Number	Name	Account No	Debit	Credit
1	Deferred Outflow - Pension (GA	03-1705 ENT01	\$ 69,075	
	Deferred Inflows - Pension (GAS	03-2705 ENT01	12,800	
	Net Pension Liability	03-2410 ENT01		\$ 81,192
	Pension Expense	03-5000 ENT01		683
	Deferred Outflow - Pension (GA	50-1705 G34G	242,804	
	Deferred Inflows - Pension (GAS	50-2705 G34G	44,994	
	Net Pension Liability	50-2410 G34G		285,400
	Pension Expense	50-5000 G34G		2,398
	GASB 68 Entry.			
2	Net OPEB Liability	03-2415 ENT01	2,363	
	Pension Expense	03-5000 ENT01	1,715	
	Deferred Inflows - OPEB (GASB	03-2710 ENT01		3,420
	Deferred Outflow - OPEB (GASB	03-1710 ENT01		658
	Net OPEB Liability	50-2415 G34G	8,307	
	Pension Expense	50-5000 G34G	6,025	
	Deferred Inflows - OPEB (GASB	50-2710 G34G		12,020
	Deferred Outflow - OPEB (GASB	50-1710 G34G		2,312
	GASB 75 Entry.			
3	Bond Issuance (CONTRA)	50-2403 G34G	1,736,336	
	2012 Bonds - Long Term	50-2405 G34G	95,000	
	2015 Bonds - Long Term	50-2406 G34G	50,000	
	Interest Expense	50-INTEREST EXP G34G	44,613	
	2021 Bonds - Long Term	50-2407 G34G	35,000	
	Note Payable No 9732	50-2451 G34G	34,391	
	Note Payable NO. 95140	50-2450 G34G	33,713	
	Note Payable - Tasers	50-2453 G34G	5,053	
	Premium on Refunding	50-2400 G34G	4,040	
	Interest Expense	50-INTEREST EXP G34G	3,647	
	Series 2023 Bond - Long Term	50-2408 G34G		1,500,000
	Bond Principal Payments	50-BOND PRINC G34G		180,000
	Notes Payable No. 40433	50-2454 G34G		172,192
	Notes Payable Principal	50-NOTE PRINC G34G		76,804
	Notes Payable No. 10434	50-2455 G34G		64,144
	Accrued Interest Payable	50-2420 G34G		47,327
	Deferred Outflow - Refunding	50-1700 G34G		1,326

City of Johnson City, Texas
Year End: September 30, 2023
Recorded Audit Adjustments

Number	Name	Account No	Debit	Credit
3 - Cont	BOND INTEREST	6500-6008 DSF01	\$ 44,613	
	Bond, Series 2012	04-176-6306 DSF01		\$ 44,613
	GASB 34 Debt Entry.			
4	Transfer to UF	50-TRANSFER G34G	492,768	
	Depreciation Expense	50-DEPRE G34G	219,134	
	Improvements	50-1415 G34G	162,261	
	Machinery & Equipment	50-1410 G34G	8,754	
	Construction in Progress	50-1420 G34G		390,056
	Capital Outlay	50-1506 G34G		273,727
	Accumulated Depreciation - Buil	50-1500 G34G		146,117
	Accumulated Depreciation - Mac	50-1505 G34G		73,017
	Machinery & Equipment	03-1410 ENT01	492,768	
	Transfers In	03-4809-000 ENT01		492,768
	Fixed Asset Entry for Government Wide - GASB 34.			
5	Debt issuance costs	06-5000 CPF01	33,290	
	2023 Street Improvements	06-4717 CPF01		33,290
	To breakout debt issuance cost from bond issuance.			
6	Lease-Purchase	05-4014 CPF02	297,794	
	VERP Lease - Purchase	05-201-6091 CPF02		297,794
	Remove purchase recorded in prior year.			
7	Refunds Payable	01-2036 GF01	175	
	SRO Program	01-4715 GF01		175
	Refunds Payable	03-2036 ENT01	673	
	Water	03-4801 ENT01		673
	To balance due to / due from.			



303 E. Pecan Dr. Johnson City, TX 78636 | P.O. Box 369 Johnson City, TX 78636
Phone: 830.868.7111 | Fax: 830.868.7718 | Web: www.JohnsonCityTX.org

March 27, 2024

Atchley & Associates, LLP
1005 La Posada Drive
Austin, TX 78752

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Johnson City, Texas (the City), as of and for the year ended September 30, 2023, the related notes to the financial statements and required supplementary information, for the purposes of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 3, 2021, including appendices and attachments thereto and subsequent modifications, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. The measurement and fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements, in conformity with U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

7. With respect to preparation of the financial statements and related GASB entries necessary for fair presentation, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
8. The City followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
9. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
10. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
13. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements
14. Provisions for uncollectible receivables have been properly identified and recorded.
15. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
16. The government properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
17. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
18. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
19. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
20. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
21. The City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
22. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.

23. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
24. In all material aspects, all funds and activities are properly classified.
25. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
26. In all material aspects, special items and extraordinary items have been properly and reported.
27. In all material aspects, deposit and investment risks have been properly and fully disclosed.
28. In all material aspects, all required supplementary information is measured and presented within the prescribed guidelines.
29. In all material aspects, nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed.
30. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
31. With regard to pensions and OPEB:
 - a. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We are unable to determine the possibility of a withdrawal liability from the TMRS Plan, of which we are a sponsor and are not currently contemplating withdrawing from the TMRS.
 - c. Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation, or disclosed as a subsequent event.
32. With regard to investments and other instruments reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
33. We have reviewed the GASB Statements effective for the fiscal year ending September 30, 2023, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:

- a. GASB Statement No. 91, *Conduit Debt Obligations*
- b. GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- c. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- d. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

34. We believe the implementation of the GASB Statements listed below is appropriate:

- a. GASB Statement No. 99, *Omnibus 2022*.

Information Provided

35. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence;
- d. Information on where to view minutes of the meetings of the City Council, or provided summaries of actions of recent meetings for which minutes have not yet been prepared;

36. To the best of our knowledge, we are not aware of any transactions that have not been recorded in the accounting records, nor are we aware of any transactions that have been recorded in the accounting records that are not reflected in the financial statements.

37. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

38. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

39. We have no knowledge of allegations of fraud or suspected fraud affecting the City's financial statements involving:

- a. Management
- b. Employees who have significant roles in internal controls: or
- c. Others where the fraud could have a material effect on the financial statements

40. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others;

41. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of the financial statement amounts or other financial data significant to the audit objectives;
42. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to financial statements or other financial data significant to the audit objectives;
43. If necessary, we have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us;
44. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements in accordance with U.S. GAAP;
45. We have disclosed to you the identity of the City's related parties and all related party relationships and transactions of which we are aware;
46. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices;
47. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities;
48. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable;
49. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee;
50. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated Plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.
51. If applicable, for nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range;
52. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year;
53. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds;
54. There are no:

- a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
55. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you;
56. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
57. We are responsible for determining that significant events or transactions that have occurred since the date of the financial statements and through the date of this letter have been recognized or disclosed in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with U.S. GAAP and U.S. GASB, and all approvals necessary for issuance of the financial statements had been obtained.
58. To the best of our knowledge, tax-exempt bonds have retained their tax-exempt status.

Supplementary Information in relation to the Financial Statements as a Whole

With respect to supplementary information presented in relation to the financial statements as a whole:

59. We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
60. We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
61. The methods of measurement or presentation have not changed from those used in the prior period.
62. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information as they become available, but no later than the date of issuance by the City of the supplementary information and the auditors' report thereon.

Required Supplementary Information

With respect to the required supplementary information accompanying the basic financial statements:

63. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP and GASB.
64. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP and GASB.

65. The methods of measurement or presentation have not changed from those used in the prior period.
66. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information as they become available, but no later than the date of issuance by the City of the supplementary information and the auditors' report thereon.

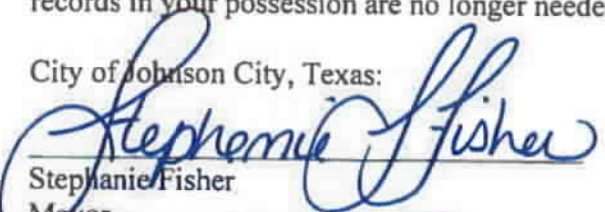
Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:


67. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
68. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
69. Has identified and disclosed to the auditor all instances, if any, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
70. Has identified and disclosed to the auditor all instances, if any, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
71. Has identified and disclosed to the auditor all instances, if any, that have occurred or are likely to have occurred of abuse, financial or otherwise, that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
72. If necessary, has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.
73. Has a process to track the status of audit findings and recommendations.
74. If any, have provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

City of Johnson City, Texas:


Stephanie Fisher
Mayor

3/28/2024
Date


Rick Schroder
City Administrative Officer

3/27/24
Date

CITY OF JOHNSON CITY, TEXAS

ANNUAL FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2023

CITY OF JOHNSON CITY, TEXAS

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CITY OF JOHNSON CITY, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-10, budgetary comparison information on page 53, schedule of changes in the City's net pension asset/liability and related ratios - last ten years on pages 56-58, Texas Municipal Retirement System schedule of funding progress on page 58, and schedule of changes in the city's total OPEB asset/liability and related ratios on pages 60-61 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Austin, Texas
March 27, 2024

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

This section of the City of Johnson City's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2023. This discussion and analysis should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- The financial statements also include notes to the financial statements explaining some of the information in the financial statements and provide more detailed data.
- The report also contains required supplementary information in addition to the basic financial statements themselves. This contains additional information about the City's General Fund budget and information about the City's pension plan.

FIGURE A-1
REQUIRED COMPONENTS OF THE
CITY'S ANNUAL FINANCIAL REPORT

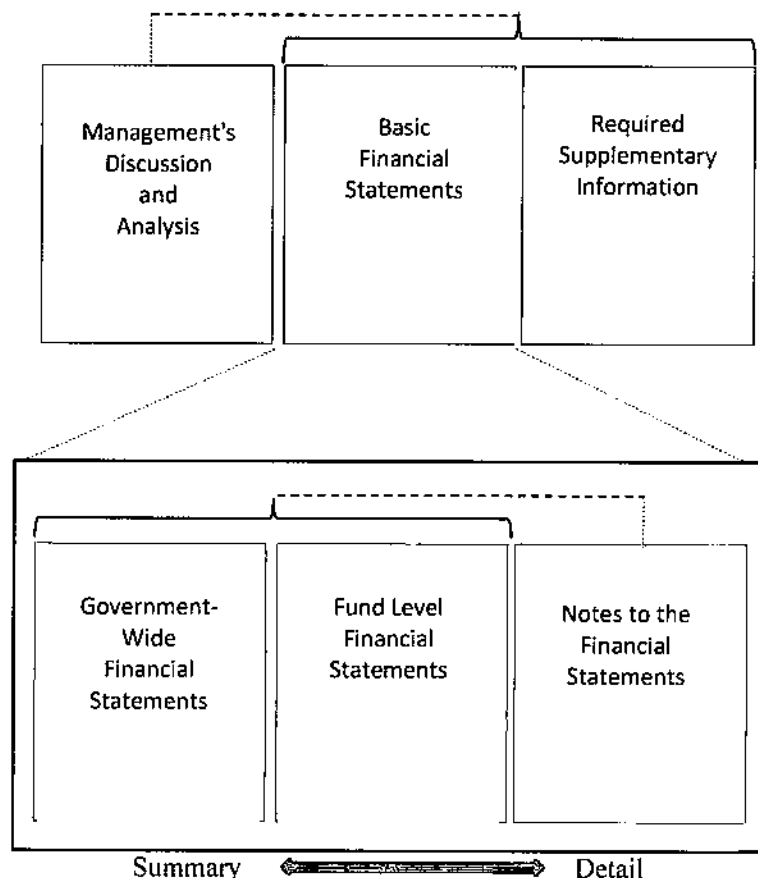


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

The remainder of this overview explains the structure and contents of each of the statements.

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net position includes all of the government's assets and liabilities. In the statement of activities, all of the current year's revenues and expenses are accounted for regardless of when cash is received or paid, and all of the City's governmental activities and city services are combined and show how they are financed.

Both government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets plus deferred outflows and liabilities plus deferred inflows, is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Fund Financial Statements

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

All cities have at least one major fund:

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

Other common major funds:

- Some common funds are required by State law, such as the debt service fund, special revenues fund, and capital projects fund.
- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as special revenue, capital project, and grant funds.

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

**CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023**

Figure A-2 - Major Features of the City's Government-Wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private business: utilities
<i>Required financial statements</i>	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures & Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses & Changes in Net Position Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL HIGHLIGHTS

- The City's total combined net position was \$6,104,599 at September 30, 2023 (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$397,230 (See Figure A-4).

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

Figure A-3
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:						
Current and other assets	\$ 3,981,508	\$ 1,811,553	\$ 428,918	\$ 294,334	\$ 4,410,426	\$ 2,105,887
Noncurrent assets	3,030,377	3,468,552	3,853,778	3,655,301	6,884,155	7,123,853
Total assets	<u>7,011,885</u>	<u>5,280,105</u>	<u>4,282,696</u>	<u>3,949,635</u>	<u>11,294,581</u>	<u>9,229,740</u>
Deferred outflows	<u>286,416</u>	<u>47,250</u>	<u>110,079</u>	<u>41,662</u>	<u>396,495</u>	<u>88,912</u>
Liabilities:						
Current liabilities	1,522,054	879,438	696,906	636,221	2,218,960	1,515,659
Long-term liabilities	2,891,360	1,658,381	305,642	224,374	3,197,002	1,882,755
Total liabilities	<u>4,413,414</u>	<u>2,537,819</u>	<u>1,002,548</u>	<u>860,595</u>	<u>5,415,962</u>	<u>3,398,414</u>
Deferred inflows	<u>124,575</u>	<u>157,549</u>	<u>45,940</u>	<u>55,320</u>	<u>170,515</u>	<u>212,869</u>
Net position:						
Investment in capital assets	(872,445)	1,044,869	3,853,578	3,655,101	2,981,133	4,699,970
Restricted	179,677	124,715	141,476	139,037	321,153	263,752
Unrestricted	3,453,080	1,462,403	(650,767)	(718,756)	2,802,313	743,647
Total net position	<u>\$ 2,760,312</u>	<u>\$ 2,631,987</u>	<u>\$3,344,287</u>	<u>\$3,075,382</u>	<u>\$ 6,104,599</u>	<u>\$ 5,707,369</u>

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

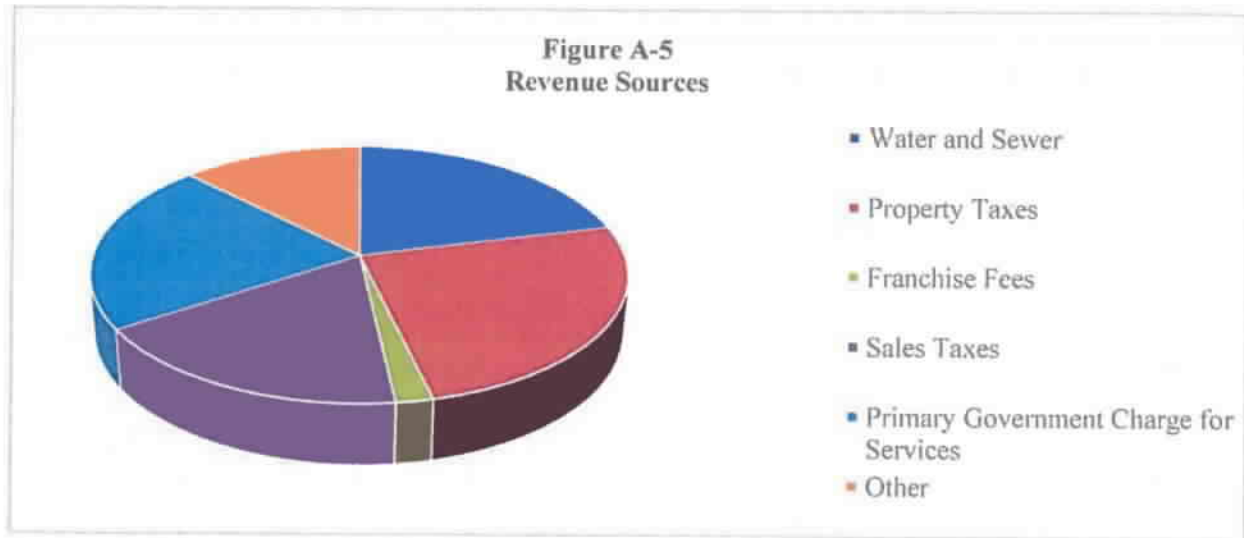
Figure A-4
Changes in City Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 903,485	\$ 771,898	\$ 880,412	\$ 897,616	\$ 1,783,897	\$ 1,669,514
Grant income	50,000	265,059	-	-	50,000	265,059
General revenues:						
Taxes	1,865,982	1,691,581	-	-	1,865,982	1,691,581
Gain/(loss) on sale of assets	-	163,557	-	-	-	163,557
Interest income	79,643	-	10,699	-	90,342	-
Other	439,647	100,416	1,931	14,349	441,578	114,765
Total revenues	<u>3,338,757</u>	<u>2,992,511</u>	<u>893,042</u>	<u>911,965</u>	<u>4,231,799</u>	<u>3,904,476</u>
Expenses:						
General government	587,019	492,151	-	-	587,019	492,151
Public safety	709,617	649,973	-	-	709,617	649,973
Streets	34,684	118,420	-	-	34,684	118,420
Building & technology	236,895	209,597	-	-	236,895	209,597
Municipal court	116,529	104,634	-	-	116,529	104,634
Parks	303,249	206,127	-	-	303,249	206,127
Sanitation	475,595	406,369	-	-	475,595	406,369
Development services	133,207	100,340	-	-	133,207	100,340
Hotel	131,415	110,015	-	-	131,415	110,015
Interest on debt	92,873	45,614	-	-	92,873	45,614
Other	71,059	27,814	-	-	71,059	27,814
Water and sewer	-	-	942,427	902,791	942,427	902,791
Total expenses	<u>2,892,142</u>	<u>2,471,054</u>	<u>942,427</u>	<u>902,791</u>	<u>3,834,569</u>	<u>3,373,845</u>
Revenues over (under) expenses	446,615	521,457	(49,385)	9,174	397,230	530,631
Transfers	<u>(318,290)</u>	<u>223,776</u>	<u>318,290</u>	<u>(223,776)</u>	<u>-</u>	<u>-</u>
Change in net position	128,325	745,233	268,905	(214,602)	397,230	530,631
Beginning net position	2,631,987	1,886,754	3,075,382	3,289,984	5,707,369	5,176,738
Ending net position	<u>\$ 2,760,312</u>	<u>\$ 2,631,987</u>	<u>\$3,344,287</u>	<u>\$3,075,382</u>	<u>\$ 6,104,599</u>	<u>\$ 5,707,369</u>

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

CITY REVENUES

The majority of the City's revenue is generated from charges for water and sewer services (21%), property taxes (25%), sales taxes (17%), and primary government charges for services (21%). The remaining is obtained from the grants, contributions, franchise fees, court fees, and other sources (See Figure A-5).



GROWTH TRENDS

Governmental Activities

The City's property tax rate for maintenance and operations (M&O) decreased from \$0.2803 to \$0.2492 in the current fiscal year generating \$743,797 in M&O taxes, an increase of \$89,767 over the previous fiscal year. While the City's franchise fees increased \$5,974, or 8%, sales taxes increased by \$53,537, or 8%. The new M&O tax rate for the year beginning October 1, 2023 is \$0.2085

Business-Type Activities

Water and sewer sales decreased by \$17,204, or 2%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General Fund expenditures were less than revenues and transfers by \$363,911, which produced a favorable variance of \$401,986, more than budgeted. See details of budget and actual revenues on page 53.

Capital Assets

During the year ended September 30, 2023, the City invested \$273,727 in a broad range of capital assets, including infrastructure, equipment and buildings (See Figure A-6). These additions were funded from grants, notes payables, and other City funds.

CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2023

Figure A-6
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 484,501	\$ 484,501	\$ 41,402	\$ 41,402	\$ 525,903	\$ 525,903
Construction in progress	-	390,056	32,246	32,246	32,246	422,302
Buildings	748,671	748,671	100,163	100,163	848,834	848,834
Machinery & equipment	706,505	697,751	872,001	379,233	1,578,506	1,076,984
Improvements	3,180,386	3,018,125	8,497,463	8,497,463	11,677,849	11,515,588
Total at historical cost	5,120,063	5,339,104	9,543,275	9,050,507	14,663,338	14,389,611
Accumulated depreciation	(2,089,686)	(1,870,552)	(5,689,697)	(5,395,406)	(7,779,383)	(7,265,958)
Net capital assets	\$ 3,030,377	\$ 3,468,552	\$ 3,853,578	\$ 3,655,101	\$ 6,883,955	\$ 7,123,653

Debt Administration

The City's property tax rate for debt services decreased from \$0.1187 to \$0.1077 in the current fiscal year generating \$320,116 in debt service taxes, an increase of \$43,481 from the previous fiscal year. More detailed information about the City's debt is presented in the Notes to the Financial Statements. The new debt service tax rate for the year beginning October 1, 2023, is \$0.1484.

Figure A-7
City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Bonds payable	\$ 3,131,526	\$ 1,815,566	\$ -	\$ -	\$ 3,131,526	\$ 1,815,566
Financed purchases	771,296	608,117	-	-	771,296	608,117
Total	\$ 3,902,822	\$ 2,423,683	\$ -	\$ -	\$ 3,902,822	\$ 2,423,683

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's proposed General Fund budget is projected to remain consistent with this year's actual revenues with revenues and expenses of \$2,525,739.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to the City of Johnson City, Attn: Chief Administrative Officer, 303 E. Pecan Drive, Johnson City, TX 78636.

BASIC FINANCIAL STATEMENTS

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 734,942	\$ 150,491	\$ 885,433
Investments	2,451,221	209,886	2,661,107
Receivables, net	115,139	68,327	183,466
Due from (to) other funds	680,206	(680,206)	-
Non-current assets:			
Other assets	-	200	200
Capital assets:			
Non-depreciable	484,501	73,648	558,149
Depreciable, net	2,545,876	3,779,930	6,325,806
Total assets	7,011,885	3,602,276	10,614,161
DEFERRED OUTFLOWS			
Deferred outflows related to refunding	9,074	-	9,074
Deferred outflows related to OPEB	6,638	2,449	9,087
Deferred outflows related to pensions	270,704	107,630	378,334
Total deferred outflows	286,416	110,079	396,495
LIABILITIES			
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable	174,785	9,414	184,199
Accrued salary and benefits	17,940	7,072	25,012
Payable from restricted assets:			
Interest payable	53,774	-	53,774
Financed purchases, due within one year	167,966	-	167,966
Bonds payable, due within one year	258,714	-	258,714
Non-current liabilities:			
Payable from restricted assets:			
Customer deposits	-	141,476	141,476
Financed purchases, due more than one year	603,330	-	603,330
Bonds payable, due more than one year	2,872,812	-	2,872,812
Net OPEB liability	18,548	11,789	30,337
Net pension liability	245,545	152,377	397,922
Total liabilities	4,413,414	322,128	4,735,542
DEFERRED INFLOWS			
Deferred inflows related to OPEB	18,278	5,759	24,037
Deferred inflows related to pensions	106,297	40,181	146,478
Total deferred inflows	124,575	45,940	170,515

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION - CONTINUED
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ (872,445)	\$ 3,853,578	\$ 2,981,133
Restricted	179,677	141,476	321,153
Unrestricted	3,453,080	(650,767)	2,802,313
Total net position	\$ 2,760,312	\$ 3,344,287	\$ 6,104,599

The accompanying notes are an integral part of this financial statement.

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**CITY OF JOHNSON CITY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023**

Function/program activities	Expenses	Program Revenues	
		Charges for Services	Operating Grants & Contributions
Primary government:			
Government activities:			
General government	\$ 587,019	\$ 124,951	\$ -
Public safety	709,617	-	-
Streets	34,684	-	-
Building & technology	236,895	-	-
Municipal court	116,529	53,117	-
Parks	303,249	6,600	-
Sanitation	475,595	509,358	-
Development services	133,207	209,459	-
Hotel	131,415	-	-
Interest on debt	92,873	-	-
Other	71,059	-	-
	<u>2,892,142</u>	<u>903,485</u>	<u>-</u>
Business-type activities:			
Water & sewer	942,427	880,412	-
Total business-type activities	<u>942,427</u>	<u>880,412</u>	<u>-</u>
Total primary government	<u>3,834,569</u>	<u>1,783,897</u>	<u>-</u>

General revenues:

Taxes:

Property

Sales

Franchise

Other

Interest income

Gain / (loss) on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net position - beginning of year

Net position - end of year

The accompanying notes are an integral part of this financial statement.

Capital Grants & Contributions	Net (Expenses) Revenues and Changes in Net Assets		
	Primary Government		Total
	Governmental Activities	Business-Type Activities	
\$ 50,000	\$ (412,068)	\$ -	\$ (412,068)
-	(709,617)	-	(709,617)
-	(34,684)	-	(34,684)
-	(236,895)	-	(236,895)
-	(63,412)	-	(63,412)
-	(296,649)	-	(296,649)
-	33,763	-	33,763
-	76,252	-	76,252
-	(131,415)	-	(131,415)
-	(92,873)	-	(92,873)
-	(71,059)	-	(71,059)
50,000	(1,938,657)	-	(1,938,657)
-	-	(62,015)	(62,015)
-	-	(62,015)	(62,015)
50,000	(1,938,657)	(62,015)	(2,000,672)
	1,049,297	-	1,049,297
	735,216	-	735,216
	81,469	-	81,469
	-	-	-
	79,643	10,699	90,342
	-	-	-
	439,647	1,931	441,578
	(318,290)	318,290	-
	2,066,982	330,920	2,397,902
	128,325	268,905	397,230
	2,631,987	3,075,382	5,707,369
	\$ 2,760,312	\$ 3,344,287	\$ 6,104,599

The accompanying notes are an integral part of this financial statement.

**CITY OF JOHNSON CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	<u>General Fund</u>	<u>Hotel / Motel Fund</u>
ASSETS		
Unrestricted		
Cash and cash equivalents	\$ 47,108	\$ 96,722
Investments	349,360	51,438
Receivables, net	111,754	-
Due from other funds	680,404	-
Restricted assets:		
Cash and cash equivalents	-	-
Total assets	<u>1,188,626</u>	<u>148,160</u>
 LIABILITIES AND FUND BALANCES		
 LIABILITIES		
Accounts payable	155,838	8,178
Accrued salary and benefits	17,940	-
Due to other funds	214	-
Total liabilities	<u>173,992</u>	<u>8,178</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	10,235	-
Total liabilities	<u>10,235</u>	<u>-</u>
 FUND BALANCES		
Restricted	-	139,982
Committed	-	-
Unassigned	1,004,399	-
Total fund balances	<u>1,004,399</u>	<u>139,982</u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 1,188,626</u></u>	<u><u>\$ 148,160</u></u>

The accompanying notes are an integral part of this financial statement.

Debt Service Fund	Capital Replacement Fund	Vehicle & Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 31,331	\$ 314,301	\$ 186,478	\$ 59,002	\$ 734,942
-	2,051,609	(1,186)	-	2,451,221
3,385	-	-	-	115,139
-	300	16	-	680,720
-	-	-	-	-
<u>34,716</u>	<u>2,366,210</u>	<u>185,308</u>	<u>59,002</u>	<u>3,982,022</u>
-	6,330	2,601	1,838	174,785
-	-	-	-	17,940
300	-	-	-	514
<u>300</u>	<u>6,330</u>	<u>2,601</u>	<u>1,838</u>	<u>193,239</u>
3,385	-	-	-	13,620
<u>3,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,620</u>
31,031	-	-	8,664	179,677
-	2,359,880	182,707	48,500	2,591,087
-	-	-	-	1,004,399
<u>31,031</u>	<u>2,359,880</u>	<u>182,707</u>	<u>57,164</u>	<u>3,775,163</u>
<u>\$ 34,716</u>	<u>\$ 2,366,210</u>	<u>\$ 185,308</u>	<u>\$ 59,002</u>	<u>\$ 3,982,022</u>

The accompanying notes are an integral part of this financial statement.

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**CITY OF JOHNSON CITY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 3,775,163
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.	3,030,377
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Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes.	13,620
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Deferred outflows and inflows represent the consumption of net position that is applicable to a future reporting period and are not reported in the funds.	161,841
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Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable.	(53,774)
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Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,166,915)</u>
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NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 2,760,312</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2023

	<u>General Fund</u>	<u>Hotel / Motel Fund</u>
REVENUES		
Property taxes	\$ 743,797	\$ -
Sales tax	735,216	-
Franchise taxes	81,469	-
Other taxes	-	-
Licenses and permits	54,182	155,277
Charge for services	518,336	-
Grants	-	-
Fines	53,117	-
Rents and royalties	62,116	-
Interest income	24,491	2,187
Other	382,342	-
Total revenues	<u>2,655,066</u>	<u>157,464</u>
EXPENDITURES		
Current:		
General government	528,793	-
Public safety	646,976	-
Streets	27,250	-
Building & technology	232,980	-
Municipal court	97,644	-
Parks	287,792	-
Sanitation	417,917	-
Development services	133,207	-
Emergency services	-	-
Hotel	-	121,890
Capital outlay	93,074	-
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	<u>2,465,633</u>	<u>121,890</u>
Excess (deficiency) of revenues over expenditures	<u>189,433</u>	<u>35,574</u>
OTHER FINANCING SOURCES (USES)		
Other	-	-
Proceeds from bond issuances and financed purchases	-	-
Bond issuance costs	-	-
Gain / (loss) on sale of assets	-	-
Transfers in	174,478	-
Transfers out	-	-
Total other financing sources (uses)	<u>174,478</u>	<u>-</u>
Net change in fund balances	363,911	35,574
Fund balances - beginning of year, as restated	<u>640,488</u>	<u>104,408</u>
Fund balances - end of year	<u>\$ 1,004,399</u>	<u>\$ 139,982</u>

The accompanying notes are an integral part of this financial statement.

Debt Services Fund	Capital Replacement Fund	Vehicle & Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 320,116	\$ -	\$ -	\$ -	\$ 1,063,913
-	-	-	-	735,216
-	-	-	-	81,469
-	-	-	-	-
-	-	-	-	209,459
-	-	67,753	48,220	634,309
-	50,000	-	-	50,000
-	-	-	-	53,117
-	-	-	-	62,116
-	44,376	8,264	325	79,643
(2,196)	-	-	3,985	384,131
<u>317,920</u>	<u>94,376</u>	<u>76,017</u>	<u>52,530</u>	<u>3,353,373</u>
-	11,000	-	-	539,793
-	-	-	-	646,976
-	-	-	-	27,250
-	-	-	-	232,980
-	-	-	-	97,644
-	-	-	-	287,792
-	-	-	-	417,917
-	-	-	-	133,207
-	-	-	-	-
-	-	-	-	121,890
-	170,203	10,450	-	273,727
256,804	-	-	-	256,804
44,613	-	-	-	44,613
<u>301,417</u>	<u>181,203</u>	<u>10,450</u>	<u>-</u>	<u>3,080,593</u>
<u>16,503</u>	<u>(86,827)</u>	<u>65,567</u>	<u>52,530</u>	<u>272,780</u>
(1,100)	(10)	(36,614)	(45)	(37,769)
-	1,672,192	64,144	-	1,736,336
-	(33,290)	-	-	(33,290)
-	-	-	-	-
-	-	-	-	174,478
-	-	-	-	-
<u>(1,100)</u>	<u>1,638,892</u>	<u>27,530</u>	<u>(45)</u>	<u>1,839,755</u>
15,403	1,552,065	93,097	52,485	2,112,535
<u>15,628</u>	<u>807,815</u>	<u>89,610</u>	<u>4,679</u>	<u>1,662,628</u>
<u>\$ 31,031</u>	<u>\$ 2,359,880</u>	<u>\$ 182,707</u>	<u>\$ 57,164</u>	<u>\$ 3,775,163</u>

The accompanying notes are an integral part of this financial statement.

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**CITY OF JOHNSON CITY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,112,535
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay expenses in the current period.		(438,175)
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the long-term liabilities in the statement of net assets. This is the amount by which debt proceeds exceeded payments and changes in accrued interest and amortization of deferred outflows from refunding.		(1,527,792)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These expenditures include changes in accrued compensation and changes in pension and OPEB benefits and related inflows and outflows.		(18,243)
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	128,325
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The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 150,491
Investments	209,886
Accounts receivable, net	68,327
Due from other funds	214
Total current assets	<u>428,918</u>
Non-current assets:	
Non-depreciable assets, net	73,648
Depreciable assets, net	3,779,930
Other assets	200
Total non-current assets	<u>3,853,778</u>
Total assets	<u>4,282,696</u>
 DEFERRED OUTFLOWS	
Deferred outflow related to pension	107,630
Deferred outflow related to OPEB	2,449
Total deferred outflows	<u>110,079</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	9,414
Accrued salary and benefits	7,072
Due to other funds	680,420
Total current liabilities	<u>696,906</u>
Non-current liabilities:	
Meter deposits	141,476
Net pension liability	152,377
Net OPEB liability	11,789
Total non-current liabilities	<u>305,642</u>
Total liabilities	1,002,548
 DEFERRED INFLOWS	
Deferred inflow related to pensions	40,181
Deferred inflow related to OPEB	5,759
Total deferred inflows	<u>45,940</u>

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023

	<u>Enterprise Fund</u>
NET POSITION	
Investment in capital assets	3,853,578
Restricted	141,476
Unrestricted	<u>(650,767)</u>
Total net position	<u><u>\$ 3,344,287</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2023**

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 880,412
Other revenue	<u>1,931</u>
Total operating revenues	<u>882,343</u>
OPERATING EXPENSES	
Personnel services - salaries and wages	203,122
Personnel services - employee benefits and taxes	48,478
Purchased property services	20,695
Other operating costs	375,841
Depreciation	<u>294,291</u>
Total operating expenses	<u>942,427</u>
OPERATING INCOME	<u>(60,084)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>10,699</u>
Total non-operating revenues (expenses)	<u>10,699</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	<u>(49,385)</u>
CONTRIBUTIONS AND TRANSFERS	
Transfers from (to) primary government	<u>318,290</u>
CHANGE IN NET POSITION	268,905
NET POSITION - BEGINNING OF YEAR	<u>3,075,382</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,344,287</u></u>

The accompanying notes are an integral part of this financial statement.

**CITY OF JOHNSON CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 855,894
Receipts from others	1,931
Payments to employees, contractors, and other	(251,959)
Payments to suppliers	(332,021)
Net cash flows from operating activities	<u>273,845</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Operating transfers	318,290
Net cash flows from non-capital financing activities	<u>318,290</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Transfer of capital assets	(492,768)
Net cash flows from capital and related financing activities	<u>(492,768)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(198,330)
Net cash flows from investing activities	<u>(198,330)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(98,963)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

249,454

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 150,491

RECONCILIATION OF OPERATING INCOME TO NET

CASH FROM OPERATING ACTIVITIES

Operating income	\$ (60,084)
Adjustments not affecting cash:	
Depreciation	294,291
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts receivable	(24,518)
Due from (to) other funds	89,727
Accounts payable	(16,753)
Accrued salary and benefits	(12,289)
Meter deposits	2,439
Deferred outflows	(68,417)
Deferred inflows	(9,380)
Net OPEB liability	(2,363)
Net pension liability	81,192
Net cash flows from operating activities	<u>\$ 273,845</u>

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting and reporting policies and practices used by the City are described below.

Reporting Entity

The City's basic financial statements include all activities, organizations, and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

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

The above criteria were applied to potential organizations to determine if the entity should be reported as part of the City. It was determined that the City has no component units or related organizations that should be reported within the City's basic financial statements.

Implementation of New Standards

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the City in fiscal year 2023. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The new standard clarifies the definition of a conduit debt obligation, that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures. The City does not have conduit debt.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96) requires recognition of certain right-to-use subscription assets and corresponding liabilities for subscription-based information technology arrangements (SBITA) that were previously classified as operating subscriptions and recognized as outflows of resources based on the payment provisions of the contract. The City did not have any SBITAs that qualified for GASB 96 implementation.

GASB Statement No. 99, Omnibus 2022, includes certain provisions that were effective for the City in fiscal year 2022 and other provisions that are effective in fiscal year 2023 and 2024. The Statement addresses a variety of topics which include provisions regarding practice issues that have been identified during implementation and application of certain GASB Statements as well as accounting and financial reporting for financial guarantees. The following provisions were effective and implemented in fiscal year 2023: Clarification of GASB Statement No. 87, Leases, as amended and clarification of provisions in GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

Government-Wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

The government-wide Statement of Activities reports net revenue (expense) in a format that focuses on the cost of each of the City's governmental activities and for each of the City's business-type activities. The expense of individual functions is compared to revenues generated directly by the function (for instance, through user charges or intergovernmental grants). General revenues (including all taxes), investment earnings, special and extraordinary items, and transfers between governmental and business-type activities are reported separately after the total net expenses of the government's functions, ultimately arriving at the change in net position of the period. Program revenues are segregated into three categories: 1) charges for services; 2) program-specific operating grants and contributions; and 3) program-specific capital grants and contributions. Indirect costs are allocated amount functions based on use.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Level Financial Statements

In addition to the government-wide financial statements, the City prepares fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The focus on the fund financial statements is on the major individual funds of the governmental and business-type activities, as well as any fiduciary funds (by category) and any component units. Fund financial accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City reports the following major governmental funds:

General Fund

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

Hotel / Motel Fund

Established to account for revenues assessed and collected for specific purposes.

Debt Service Fund

Established to account for the accumulation of financial resources for the payment of principal and interest of the City's general obligation debt. The City annually levies *ad valorem* taxes restricted for the retirement of general obligation bonds and interest. This fund reports *ad valorem* taxes collected for debt purposes only.

Capital Replacement Fund and Vehicle & Equipment Replacement Fund

Bond Management - Established to account for the capital expenditures of general obligation bond proceeds.

Grants Management - Established to account for the City's capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

The City reports the following major enterprise funds:

Water and Sewer Fund

Accounts for the operating activities of the City's water and sewer services.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting

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

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

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

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and included administrative expenses and depreciation of capital assets.

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. See Note E for information describing the City's restricted assets.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

The City's capital assets and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchases and outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. For information describing capital assets, see Note F.

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

Machinery and equipment	5-10
Buildings and improvements	10-20
Infrastructure	20-50

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows, found on the government-wide Statement of Net Position, consist of deferred losses on refundings and deferred outflows related to pensions. A deferred loss on refunding occurs when there is a difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows related to pensions consist of amounts paid into the retirement system after the prescribed measurement date plus the net difference between projected and actual earnings.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows, found on the government-wide Statement of Net Position, consist of deferred inflows related to pensions and deferred professional prosecutor revenue. On the governmental funds balance sheet, deferred inflows consist of deferred property tax revenue, deferred special assessment revenue, and deferred professional prosecutor revenue. All amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Long-Term Debt

In the government-wide and proprietary fund level financial statements, outstanding debt is reported as liabilities. Outstanding debt is reported within governmental activities and business-type activities based on use of proceeds. Bond issue costs are expensed when incurred.

Fund Balance/Net Position

Fund balances/net position are divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, the assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a city official delegated that authority by City Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenues and Expenditures/Expenses

Inter-Fund Activity

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

Compensated Absences

Compensated absences are reported as accrued in the government-wide financial statements. In the fund level financial statements, only matured compensated absences payable to currently terminating employees are reported.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Final amounts could differ from those estimates.

Subsequent Events

Management of the City has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the consolidated financial statements were available to be issued.

B. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At September 30, 2023, carrying amounts of the City's cash deposits were \$885,443 and bank balances were \$919,252. The City's cash deposits at September 30, 2023, were not in excess of FDIC insurance and bank pledged securities.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

B. DEPOSITS AND INVESTMENTS - CONTINUED

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (Act), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Fair Value Hierarchy

The three levels of the fair value hierarchy under GASB 72 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant and use the best information available under the circumstances.

The City's fair value determination of money market and fixed income are based on unadjusted quoted prices for identical assets in active markets. TexPool investments are not classified in a level hierarchy as they are recorded at net asset value.

The City's investments at September 30, 2023, are shown below.

<u>Investment or Investment Type</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool Investment	N/A	N/A	<u>\$ 2,661,107</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

B. DEPOSITS AND INVESTMENTS - CONTINUED

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes how certain state and local government external investment pools may measure and report their investments. An external investment pool may elect to measure, for reporting purposes, all of its investments at amortized cost if it meets certain criteria. In addition, this statement also establishes additional note disclosures for external investment pools and their participants.

TexPool operates in a manner consistent with the criteria set forth in GASB 79 and therefore uses amortized cost to report net assets to compute share prices. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool does not have any restrictions or limitations on withdrawals.

TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's for review. TexPool is also required to send portfolio information to the office of the State Comptroller of Public Accounts.

Analysis of Specific Deposit and Investment Risks

Professional standards require a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to a significant amount of credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. At September 30, 2022, the City's investment deposits were entirely covered by depository insurance or collateralized with securities held by the pledging financial institution in the City's name.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

B. DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

C. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Sales Tax Receivable

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

Property Taxes Receivable and Deferred Revenue

Property taxes are assessed and remitted to the City by the Blanco County Appraisal District. Taxes, levied annually on October 1, are due by January 31. The majority of tax payments are received December through March. Lien dates for real property are July.

Allowances for uncollectible tax receivables reported in the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off when deemed uncollectible; however, state statutes prohibit writing off real property taxes without specific authority from the Texas Legislation.

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund when assessed (October 1). At fiscal year end, property taxes receivables represent delinquent taxes. If delinquent taxes are not paid within sixty days of fiscal year end, they are recorded as deferred revenue.

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

At September 30, 2023, receivables for governmental activities are summarized in the government-wide financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Sales tax receivable	\$ 56,891	\$ -	\$ 56,891
Property tax receivable	14,298	(678)	13,620
Garbage receivable	44,628	-	44,628
Total receivables	<u>\$ 115,817</u>	<u>\$ (678)</u>	<u>\$ 115,139</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

C. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE - CONTINUED

Business-Type Activities Receivables

Business-type activities receivables represent amounts due from customers for water, wastewater, and sanitation services. These receivables are due within one month. Receivables are reported net of an allowance for uncollectible accounts and revenues net of what is estimated to be uncollectible. The allowance is estimated using accounts receivable past due more than ninety days.

At September 30, 2023, Business-type activities receivables are summarized in the financial statements as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
Customer receivables	\$ 69,433	\$ (1,106)	\$ 68,327

D. RESTRICTED CASH AND INVESTMENTS

At September 30, 2023, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents:			
Customer deposits	\$ -	\$ 141,476	\$ 141,476

	Governmental Activities	Business-Type Activities	Total
Investments:			
General	\$ 2,451,221	\$ -	\$ 2,451,221
Utility fund	-	209,886	209,886
Total investments	\$ 2,451,221	\$ 209,886	\$ 2,661,107

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletion	Reclass	Ending Balance
Non-depreciable assets:					
Land	\$ 484,501	\$ -	\$ -	\$ -	\$ 484,501
Construction in progress	390,056	102,712	-	(492,768)	-
Total non-depreciable assets	<u>\$ 874,557</u>	<u>\$ 102,712</u>	<u>\$ -</u>	<u>\$ (492,768)</u>	<u>\$ 484,501</u>
Depreciable assets:					
Buildings	\$ 748,671	\$ -	\$ -	\$ -	\$ 748,671
Machinery & equipment	697,751	8,754	-	-	706,505
Improvements	3,018,125	162,261	-	-	3,180,386
Total depreciable assets	4,464,547	171,015	-	-	4,635,562
Accumulated depreciation	(1,870,552)	(219,134)	-	-	(2,089,686)
Depreciable assets, net	<u>\$ 2,593,995</u>	<u>\$ (48,119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,545,876</u>
Business-Type Activities:	Beginning Balance	Additions	Deletions/ Reclass	Deletions/ Reclass	Ending Balance
Non-depreciable assets:					
Land	\$ 41,402	\$ -	\$ -	\$ -	\$ 41,402
Construction in progress	32,246	-	-	-	32,246
Total non-depreciable assets	<u>\$ 73,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,648</u>
Depreciable assets:					
Buildings	\$ 100,163	\$ -	\$ -	\$ -	\$ 100,163
Machinery and equipment	379,233	-	-	492,768	872,001
Improvements	8,497,463	-	-	-	8,497,463
Total depreciable assets	8,976,859	-	-	492,768	9,469,627
Accumulated depreciation	(5,395,406)	(294,291)	-	-	(5,689,697)
Depreciable assets, net	<u>\$ 3,581,453</u>	<u>\$ (294,291)</u>	<u>\$ -</u>	<u>\$ 492,768</u>	<u>\$ 3,779,930</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

E. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the functions as follows:

Function:	Governmental Activities	Business-Type Activities	Total
General government	\$ 43,599	\$ -	\$ 43,599
Public safety	62,641	-	62,641
Streets	7,434	-	7,434
Building and technology	3,915	-	3,915
Municipal court	18,885	-	18,885
Parks	15,457	-	15,457
Sanitation	57,678	-	57,678
Hotel	9,525	-	9,525
Buildings	-	1,520	1,520
Machinery and equipment	-	14,280	14,280
Improvements	-	278,491	278,491
Total depreciation expense	<u>\$ 219,134</u>	<u>\$ 294,291</u>	<u>\$ 513,425</u>

F. INTER-FUND BALANCES AND ACTIVITY

Transfers (To) From Other Funds

Purpose	General Fund	Government Wide Fund	Proprietary Fund	Capital Projects Funds
Other transfers	\$ 174,478	\$ -	\$ (174,478)	-
Transfer of capital assets	-	(492,768)	492,768	-

G. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2023, are as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Bonds payable	\$ 1,784,000	\$ 1,500,000	\$ (180,000)	\$ 3,104,000	\$ 256,000
Premium on refunding	31,566	-	(4,040)	27,526	2,714
Financed purchases	608,117	236,336	(73,157)	771,296	167,966
Total governmental activities	<u>\$ 2,423,683</u>	<u>\$ 1,736,336</u>	<u>\$ (257,197)</u>	<u>\$ 3,902,822</u>	<u>\$ 426,680</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

G. LONG-TERM DEBT - CONTINUED

Debt Service Requirements

General Obligation Refunding Bonds, Series 2012

On December 1, 2012, the City issued \$1,675,000 in general obligation bonds, proceeds to be used to refund Series 2003 and 2005 certificates of obligations. Bond interest rate from 2.00% - 3.00% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2030 or prior redemption.

Certificate of Obligation, Series 2015

On July 16, 2015, the City issued \$895,000 in certificate of obligation bonds. The bond interest rates between 0.00% to 2.41% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2035 or prior redemption.

General Obligation Refunding Bonds, Series 2021

On September 13, 2021, the City issued \$402,000 in general of obligation bonds. The bond interest rate of 2.200% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2031 or prior redemption.

Certificate of Obligation, Series 2023

On June 29, 2023, the City issued \$1,500,000 in certificate of obligation bonds. The bond interest rate of 4.250% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2036 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2023, were as follows:

		Series 2012 - \$1,675,000		
		Principal	Interest	Total
For the years ending September 30,	2024	\$ 100,000	\$ 19,000	\$ 119,000
	2025	85,000	16,500	101,500
	2026	90,000	13,950	103,950
	2027	95,000	11,250	106,250
	2028	90,000	11,250	101,250
	2029 - 2030	190,000	8,550	198,550
	Total	\$ 650,000	\$ 80,500	\$ 730,500

		Series 2015 - \$895,000		
		Principal	Interest	Total
For the years ending September 30,	2024	\$ 50,000	\$ 13,374	\$ 63,374
	2025	50,000	12,628	62,628
	2026	50,000	11,819	61,819
	2027	50,000	10,934	60,934
	2028	50,000	9,984	59,984
	2029 - 2033	220,000	28,836	248,836
	2034 - 2036	175,000	8,464	183,464
	Total	\$ 645,000	\$ 96,039	\$ 741,039

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

G. LONG-TERM DEBT - CONTINUED

		Series 2021 - \$402,000		
For the years ending September 30,		Principal	Interest	Total
	2024	\$ 36,000	\$ 6,798	\$ 42,798
	2025	36,000	6,006	42,006
	2026	37,000	5,214	42,214
	2027	38,000	4,400	42,400
	2028	39,000	3,564	42,564
	2029 - 2031	123,000	5,456	128,456
	Total	\$ 309,000	\$ 31,438	\$ 340,438

		Series 2023 - \$1,500,000		
For the years ending September 30,		Principal	Interest	Total
	2024	\$ 70,000	\$ 69,417	\$ 139,417
	2025	95,000	60,775	155,775
	2026	95,000	56,738	151,738
	2027	100,000	52,700	152,700
	2028	110,000	48,450	158,450
	2029 - 2033	470,000	169,788	639,788
	2034 - 2036	560,000	37,548	597,548
	Total	\$ 1,500,000	\$ 495,416	\$ 1,995,416

Deferred Outflow on Refunding

The City has deferred outflow of \$23,308 related to the Series 2012 refunding. This outflow represents the amount of the new bond principal, less issuance costs, that was greater than the current principal balance of the bonds refunded and will be amortized, straight-line, over the life of the Series 2015 Bond. The deferred outflow remaining balance at September 30, 2023, was \$9,074.

Financed Purchases

On April 30, 2021, the City entered into financing agreements for vehicles totaling \$172,897 at 3.39% fixed interest rate with yearly payments of \$37,263 due in September. The City's balance remaining on the note payable at September 30, 2023, is \$70,896.

On November 11, 2021, the City entered into financing agreements for tasers totaling \$22,460 at 0.00% fixed interest rate with yearly payments of \$5,053 due in October. The City's balance remaining on the note payable at September 30, 2022, is \$15,161.

On November 19, 2021, the City entered into financing agreements for funding towards the SCADA project totaling \$185,500 at 3.53% fixed interest rate with yearly payments of \$41,173 due in December. The City's balance remaining on the note payable at September 30, 2023, is \$151,109.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

G. LONG-TERM DEBT - CONTINUED

On September 6, 2022, the City entered into financing agreements for equipment totaling \$297,794 at 4.75% fixed interest rate with yearly payments of \$68,308 due in October. The City's balance remaining on the note payable at September 30, 2023, is \$297,794.

On September 25, 2023, the City entered into financing agreements for equipment totaling \$172,192 at 6.115% fixed interest rate with yearly payments of \$41,006 due in September. The City's balance remaining on the note payable at September 30, 2023, is \$172,192.

On September 25, 2023, the City entered into financing agreements for equipment totaling \$64,144 at 6.249% fixed interest rate with yearly payments of \$11,592 due in September. The City's balance remaining on the note payable at September 30, 2023, is \$64,144.

Debt service requirements on long-term financed purchases at September 30, 2023, were as follows:

For the years ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 167,966	\$ 36,429	\$ 204,395
2025	175,325	29,070	204,395
2026	145,773	21,360	167,133
2027	147,533	14,546	162,079
2028	113,518	7,388	120,906
2029	21,181	2,005	23,186
	<u>\$ 771,296</u>	<u>\$ 110,798</u>	<u>\$ 882,094</u>

Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Disclosure Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operation of the City.

H. RESTRICTED NET ASSETS

At September 30, 2023, net assets restricted by enabling legislation consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Debt service	\$ 31,031	\$ -	\$ 31,031
Special revenue funds	148,646	-	148,646
Customer deposits	-	141,476	141,476
Total restricted net assets	<u>\$ 179,677</u>	<u>\$ 141,476</u>	<u>\$ 321,153</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

I. RISK MANAGEMENT

The City is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God, and personnel risks which relate to workers compensation. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts.

J. PENSION PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. This report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153, or by calling 800-924-8677; in addition, the report is available on TMRS's website at www.TMRS.com.

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

	<u>Plan Year 2021</u>	<u>Plan Year 2022</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating, Transfers	100%, Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>13</u>
	<u>35</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

J. PENSION PLAN - CONTINUED

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The actuarially determined required employer contribution rate for calendar years 2022, 2021, and 2020 were 8.82%, 9.82%, and 9.96%, respectively. The required contribution rate payable by the employee members for calendar years 2022, 2021, and 2020 the rate was 6%.

Net Pension Asset

The City's net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	18 years
Asset valuation method	10 Year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

J. PENSION PLAN - CONTINUED

Actuarial Assumptions - Continued

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

1) There were no benefit changes during the year.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension asset was 6.75%. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment expenses.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

J. PENSION PLAN - CONTINUED

<u>Change in Net Pension Liability</u>			
	Increase (Decrease)		
	Total Pension Liability / (Asset)	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a-b)
Balances as of December 31, 2021	\$ 2,586,747	\$ 2,555,417	\$ 31,330
Changes for the year:			
Service cost	110,930	-	110,930
Interest on total pension liability	174,781	-	174,781
Change in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	28,047	-	28,047
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(114,082)	-	(114,082)
Contributions - employer	-	78,129	(78,129)
Contributions - employee	-	54,069	(54,069)
Net investment income	-	(186,184)	186,184
Benefit payments	-	(114,082)	114,082
Administrative expenses	-	(1,614)	1,614
Other	-	1,926	(1,926)
Net changes	199,676	(167,756)	367,432
Balances as of December 31, 2022	\$ 2,786,423	\$ 2,387,661	\$ 398,762

Sensitivity of the Net Pension Liability (Asset) 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 asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ 776,820	\$ 397,922	\$ 84,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS's comprehensive annual financial report.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

J. PENSION PLAN - CONTINUED

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized pension expense of \$71,794. At September 30, 2023, deferred outflows and inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual earnings	\$ 25,639	\$ 21,385
Differences between projected and actual earnings	120,839	286,940
Contributions made subsequent to measurement date	-	70,009
	<u>\$ 146,478</u>	<u>\$ 378,334</u>

The \$70,009 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Years Ending September 30,	
2023	\$ (6,030)
2024	44,345
2025	50,398
2026	73,134
2027	-
Thereafter	-
	<u>\$ 161,847</u>

Funded Status and Funding Process

The fund status as of December 31, 2022, is presented as follows:

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as of % of Covered Payroll (d)/(e)
12/31/2020	\$ 2,237,188	\$ 2,438,179	91.76%	\$ 200,991	\$ 750,508	26.78%
12/31/2021	2,586,747	2,555,417	101.23%	(31,330)	766,535	-4.09%
12/31/2022	2,786,423	2,387,661	116.70%	(398,762)	901,145	-44.25%

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

J. PENSION PLAN - CONTINUED

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

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

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF)

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term insurance plan operated by the Texas Municipal Retirement System (TMRS) known as Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	13
	<hr/>
	20

Contributions

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. During the year ended September 30, 2023, the City has not made any contributions to the SDBF.

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

Actuarial Assumptions

The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	December 31, 2022
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Other Information:	
Notes	No benefit changes during the year.

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

Note: The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

	<u>Change in Net OPEB Liability</u>		
	Increase (Decrease)		
	Total OPEB Liability / (Asset) (a)	Fiduciary Net OPEB (b)	Net OPEB Liability / (Asset) (a-b)
Balances as of December 31, 2021	\$ 41,007	\$ -	\$ 41,007
Changes for the year:			
Service cost	2,613	-	2,613
Interest on total pension liability	774	-	774
Difference between expected and actual experience	2,718	-	2,718
Effect of assumptions changes or inputs	(16,234)	-	(16,234)
Benefit payments	(541)	-	(541)
Net changes	(10,670)	-	(10,670)
Balances as of December 31, 2022	\$ 30,337	\$ -	\$ 30,337

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 4.05%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (3.05%) or one percentage point higher (5.05%) than the current rate.

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
Net OPEB liability / (asset)	\$ 36,528	\$ 30,337	\$ 25,422

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TMRS's comprehensive annual financial report.

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$7,740. At September 30, 2023, deferred outflows and inflows of resources related to OPEB were reported from the following sources:

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SUPPLEMENTAL DEATH BENEFITS FUND (SDBF) - CONTINUED

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 9,459	\$ 2,357
Changes in assumptions and other inputs	14,578	6,730
Contributions made subsequent to measurement date	-	-
	<u>\$ 24,037</u>	<u>\$ 9,087</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Years Ending September 30,	
2023	\$ (2,457)
2024	(2,063)
2025	(2,702)
2026	(2,863)
2027	(2,119)
Thereafter	(2,746)
	<u>\$ (14,950)</u>

L. HEALTH CARE COVERAGE

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$86,808 to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 730,855	\$ 730,855	\$ 743,797	\$ 12,942
Sales tax	746,963	746,963	735,216	(11,747)
Franchise taxes	78,777	78,778	81,469	2,691
Penalties and interest	-	-	-	-
Other taxes	92	92	-	(92)
Licenses and permits	72,001	72,001	54,182	(17,819)
Charge for services	396,940	467,262	518,336	51,074
Grants	-	-	-	-
Fines	56,632	56,632	53,117	(3,515)
Rents and royalties	60,119	60,119	62,116	1,997
Interest	-	-	24,491	24,491
Other	17,588	75,218	382,342	307,124
Total revenues	<u>2,159,967</u>	<u>2,287,920</u>	<u>2,655,066</u>	<u>367,146</u>
EXPENDITURES				
General government	558,130	514,384	528,793	(14,409)
Public safety	771,919	736,705	646,976	89,729
Streets	-	27,250	27,250	-
Building & technology	242,873	231,454	232,980	(1,526)
Municipal court	94,244	95,246	97,644	(2,398)
Parks	321,390	275,774	287,792	(12,018)
Sanitation	321,172	429,951	417,917	12,034
Development services	78,917	96,635	133,207	(36,572)
Capital outlay	-	93,074	93,074	-
Total expenditures	<u>2,388,645</u>	<u>2,500,473</u>	<u>2,465,633</u>	<u>34,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(228,678)</u>	<u>(212,553)</u>	<u>189,433</u>	<u>401,986</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond and note payable issuances	-	-	-	-
Bond issuance costs	-	-	-	-
Transfers (to) from other funds:	174,478	174,478	174,478	-
Total other financing sources (uses)	<u>174,478</u>	<u>174,478</u>	<u>174,478</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(54,200)</u>	<u>(38,075)</u>	<u>363,911</u>	<u>401,986</u>
FUND BALANCE - BEGINNING OF YEAR	<u>640,488</u>	<u>640,488</u>	<u>640,488</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 586,288</u>	<u>\$ 602,413</u>	<u>\$ 1,004,399</u>	<u>\$ 401,986</u>

CITY OF JOHNSON CITY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2023

A. GENERAL FUND BUDGETARY ANALYSIS

Budgetary Information

The City Council adopts an annual budget prepared on a non-GAAP cash basis. City management may transfer part or all of any unencumbered appropriation balance within specific categories (i.e., personnel, operations, supplies, or capital outlay) within programs; however, any revisions that alter the total expenditures of the categories must be approved by the City Council. The City, for management purposes, adopts budgets for all funds. Legal budgets are also adopted for all funds, and the legal level of control is the fund level.

Capital projects are funded through capital grants or general obligation debt authorized for specific purposes.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for capital expenditures shall continue in force until the purpose for which it was made is accomplished or abandoned. No supplemental budgetary appropriations occurred in the debt service fund or in the general fund. Revised budgets, if any, are used for budget versus actual comparisons.

B. BUDGET VERSUS ACTUAL RESULTS

Operating revenues in the general fund were more than budgeted by \$367,146, and operating expenditures were less than budgeted by \$34,840 resulting in an overall operating variance favorable of \$401,986. There was an overall increase in fund balance of \$363,911 for the City's general fund.

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CITY OF JOHNSON CITY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION ASSET/LIABILITY
AND RELATED RATIOS
LAST TEN YEARS*
(Unaudited)

	2023	2022	2021
Total Pension Liability (Asset)			
Service cost	\$ 110,390	\$ 91,524	\$ 92,838
Interest on total pension liability	174,481	164,573	158,753
Change in benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	28,047	(15,882)	(81,923)
Effect of assumptions changes or inputs	-	-	-
Benefit payments, including refunds of employee contributions	(114,082)	(91,647)	(73,923)
Net change in total pension liability (asset)	198,836	148,568	95,745
Total pension liability (asset), beginning	2,586,747	2,438,179	2,342,434
Total pension liability (asset), ending (a)	<u>\$ 2,785,583</u>	<u>\$ 2,586,747</u>	<u>\$ 2,438,179</u>
Fiduciary Net Position			
Employer contributions	\$ 78,129	\$ 74,220	\$ 73,218
Employee contributions	54,069	45,992	45,030
Net investment income (loss)	(186,184)	291,005	154,675
Benefit payments, including refunds of employee contributions	(114,082)	(91,647)	(73,923)
Administrative expenses	(1,614)	(1,349)	(1,002)
Other	1,926	8	(39)
Net change in fiduciary net position	(167,756)	318,229	197,959
Fiduciary net position, beginning	2,555,417	2,237,188	2,039,229
Fiduciary net position, ending (b)	<u>\$ 2,387,661</u>	<u>\$ 2,555,417</u>	<u>\$ 2,237,188</u>
Net pension liability (asset), ending = (a) - (b)	<u>\$ 397,922</u>	<u>\$ 31,330</u>	<u>\$ 200,991</u>
Fiduciary net position as a % of total pension liability (asset)	85.71%	98.79%	91.76%
Covered employee payroll	\$ 901,145	\$ 766,535	\$ 750,508
Net pension liability (asset) as a % of covered employee payroll	44.16%	4.09%	26.78%

* Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

2020	2019	2018	2017	2016	2015
\$ 100,186	\$ 101,940	\$ 96,237	\$ 88,894	\$ 83,797	\$ 68,572
148,640	140,230	128,604	119,718	107,368	105,293
-	-	-	29,035	-	-
(25,016)	(37,077)	21,460	(12,737)	58,568	(96,759)
3,066	-	-	-	17,464	-
(72,846)	(86,412)	(67,412)	(68,375)	(49,667)	(60,478)
154,030	118,681	178,889	156,535	217,530	16,628
2,188,404	2,069,723	1,890,834	1,734,299	1,516,769	1,500,141
<u>\$ 2,342,434</u>	<u>\$ 2,188,404</u>	<u>\$ 2,069,723</u>	<u>\$ 1,890,834</u>	<u>\$ 1,734,299</u>	<u>\$ 1,516,769</u>
\$ 78,683	\$ 80,865	\$ 79,033	\$ 67,389	\$ 62,066	\$ 54,156
47,746	48,856	45,900	43,328	40,255	34,921
266,314	(51,870)	203,822	90,465	1,897	68,051
(72,846)	(86,412)	(67,412)	(68,375)	(49,667)	(60,478)
(1,503)	(1,002)	(1,056)	(1,022)	(1,155)	(710)
(46)	(56)	(54)	(55)	(57)	(58)
318,348	(9,619)	260,233	131,730	53,339	95,882
1,720,881	1,730,500	1,470,267	1,338,537	1,285,198	1,189,316
<u>\$ 2,039,229</u>	<u>\$ 1,720,881</u>	<u>\$ 1,730,500</u>	<u>\$ 1,470,267</u>	<u>\$ 1,338,537</u>	<u>\$ 1,285,198</u>
<u>\$ 303,205</u>	<u>\$ 467,523</u>	<u>\$ 339,223</u>	<u>\$ 420,567</u>	<u>\$ 395,762</u>	<u>\$ 231,571</u>
87.06%	78.64%	83.61%	77.76%	77.18%	84.73%
\$ 795,762	\$ 814,214	\$ 765,003	\$ 722,131	\$ 670,916	\$ 582,010
38.10%	57.42%	44.34%	58.24%	58.99%	39.79%

CITY OF JOHNSON CITY, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a)/(b)	Unfunded AAL (UAAL) (b) - (a)	Covered Payroll	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/2020	\$ 2,237,188	\$ 2,438,179	91.76%	\$ 200,991	\$ 750,508	26.8%
12/31/2021	2,586,747	2,555,417	101.23%	(31,330)	766,535	-4.1%
12/31/2022	2,786,423	2,387,661	116.70%	(398,762)	901,145	-44.3%

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CITY OF JOHNSON CITY, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB ASSET/LIABILITY
AND RELATED RATIOS
LAST TEN YEARS*
(Unaudited)

	2023	2022	2021
Total OPEB Liability (Asset)			
Service cost	\$ 2,613	\$ 2,376	\$ 2,101
Interest on total OPEB liability	774	918	1,170
Effect of plan changes	-	-	-
Difference between expected and actual experience	2,718	(8,031)	(5,771)
Effect of assumptions changes or inputs	(16,234)	1,209	5,996
Benefit payments	(541)	(383)	(150)
Net change in total OPEB liability (asset)	(10,670)	(3,911)	3,346
 Total OPEB liability (asset), beginning	 41,007	 44,918	 41,572
Total OPEB liability (asset), ending (a)	<u>\$ 30,337</u>	<u>\$ 41,007</u>	<u>\$ 44,918</u>
 Covered payroll	 \$ 901,145	 \$ 766,535	 \$ 750,508
Net OPEB liability (asset) as a % of covered payroll	3.37%	5.35%	5.99%

* Fiscal year 2018 was the first year of implementation, therefore only six years are shown.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 2,228	\$ 2,605	\$ 2,142
1,264	1,115	1,036
-	-	-
(2,351)	(306)	-
7,508	(2,750)	2,936
(80)	(81)	(77)
<u>8,569</u>	<u>583</u>	<u>6,037</u>
 33,003	 32,420	 26,383
<u>\$ 41,572</u>	<u>\$ 33,003</u>	<u>\$ 32,420</u>
 \$ 795,762	 \$ 814,214	 \$ 765,003
 5.22%	 4.05%	 4.24%

CITY OF JOHNSON CITY, TEXAS
COMBINING BALANCE SHEET - NON-MAJOR
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Special Revenue Funds		
	Court Technology Fund	Court Security Fund	Parks & Recreation Fund
ASSETS			
Unrestricted			
Cash and cash equivalents	\$ 2,368	\$ 2,614	\$ 2,439
Investments	-	-	-
Receivables, net	-	-	-
Due from other funds	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Total assets	<u>2,368</u>	<u>2,614</u>	<u>2,439</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	1,838
Accrued salary and benefits	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,838</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	2,368	2,614	601
Committed	-	-	-
Unassigned	-	-	-
Total fund balances	<u>2,368</u>	<u>2,614</u>	<u>601</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,368</u>	<u>\$ 2,614</u>	<u>\$ 2,439</u>

The accompanying notes are an integral part of this financial statement.

Local Truancy & Prevention Fund	Special Revenue Funds		Capital Project Funds		Total Non-Major Governmental Funds
	Court Jury Fund	Texas Opioid Abatement	Impact Fees		
\$ 1,916	\$ 41	\$ 1,124	\$ 48,500	\$	59,002
-	-	-	-		-
-	-	-	-		-
-	-	-	-		-
-	-	-	-		-
<u>1,916</u>	<u>41</u>	<u>1,124</u>	<u>48,500</u>		<u>59,002</u>
-	-	-	-		-
-	-	-	-		-
-	-	-	-		-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,838</u>
-	-	-	-		-
-	-	-	-		-
-	-	-	-		-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
1,916	41	1,124	-		8,664
-	-	-	48,500		48,500
-	-	-	-		-
<u>1,916</u>	<u>41</u>	<u>1,124</u>	<u>48,500</u>		<u>57,164</u>
<u>\$ 1,916</u>	<u>\$ 41</u>	<u>\$ 1,124</u>	<u>\$ 48,500</u>	<u>\$</u>	<u>59,002</u>

The accompanying notes are an integral part of this financial statement.

CITY OF JOHNSON CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds		
	Court Technology Fund	Court Security Fund	Parks & Recreation Fund
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Sales tax	-	-	-
Franchise taxes	-	-	-
Other taxes	-	-	-
Licenses and permits	-	-	-
Charge for services	-	-	-
Grants	-	-	-
Fines	-	-	-
Rents and royalties	-	-	-
Interest income	-	-	-
Other	847	982	100
Total revenues	<u>847</u>	<u>982</u>	<u>100</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Streets	-	-	-
Building and technology	-	-	-
Municipal court	-	-	-
Parks	-	-	-
Sanitation	-	-	-
Development services	-	-	-
Emergency services	-	-	-
Hotel	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>847</u>	<u>982</u>	<u>100</u>
OTHER FINANCING SOURCES (USES)			
Other	-	-	-
Proceeds from bond issuances and financed purchases	-	-	-
Bond issuance costs	-	-	-
Gain / (loss) on sale of assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	847	982	100
Fund balances - beginning of year	<u>1,521</u>	<u>1,632</u>	<u>501</u>
Fund balances - end of year	<u>\$ 2,368</u>	<u>\$ 2,614</u>	<u>\$ 601</u>

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds			Capital Project Funds	Total Non-Major Governmental Funds
Local Truancy & Prevention Fund	Court Jury Fund	Texas Opioid Abatement	Impact Fees	
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	48,220	48,220
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	325	325
913	19	1,124	-	3,985
913	19	1,124	48,545	52,530
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
913	19	1,124	48,545	52,530
-	-	-	-	-
-	-	-	(45)	(45)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(45)	-
913	19	1,124	48,500	52,485
1,003	22	-	-	4,679
\$ 1,916	\$ 41	\$ 1,124	\$ 48,500	\$ 57,164

The accompanying notes are an integral part of this financial statement.

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