



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, 2022. 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 03, 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 17, 2023, 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. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 97, *Certain Component Unit Criteria, and Account and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, 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.
- 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.

Departure From the Auditor's Standard Report

Emphasis-of-Matter Paragraph

The 2021 financial statements have been restated to correct an error. In light of this matter, we will include an emphasis-of-matter paragraph in the auditor's report. Below is a draft of the paragraph to be included in the auditor's report:

Emphasis of Matter

As discussed in Note N to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

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
April 11, 2023

City of Johnson City, Texas
Year End: September 30, 2022
Recorded Audit Adjustments

| Number | Name | Account No | Debit | Credit | |
|--|-----------------------------------|---|--------------|---------|-------|
| 1 | Miscellaneous | 01-040-6321 GF01 | \$ 445 | | |
| | Fund Balance | 01-3500 GF01 | | \$ 445 | |
| | Fund Balance | 04-3500 DSF01 | 35,682 | | |
| | Notes Payable Principal | 04-1720 DSF01 | | 35,682 | |
| | Capital Outlay | 50-CO-CRP G34G | 271,572 | | |
| | Fund Balance | 50-3500 G34G | 132,484 | | |
| | Bond Principal Payments | 50-BOND PRINC G34G | 130,000 | | |
| | Notes Payable Principal | 50-NOTE PRINC G34G | 35,682 | | |
| | Interest Expense | 50-INTEREST EXP G34G | 5,159 | | |
| | Bond Issuance (CONTRA) | 50-BOND ISSUANCE G34G | | 574,897 | |
| | To roll net position. | | | | |
| | 2 | Solid Waste Collection | 01-4104 GF01 | 4,728 | |
| | | A/R - Control: Garbage Receivable | 01-1110 GF01 | | 4,462 |
| | | A/R - Control: Garbage Sales Tax Receivable | 01-1111 GF01 | | 266 |
| Sewer | | 03-4802 ENT01 | 21,530 | | |
| A/R - Control: Auditor Adjustments | | 03-1121 ENT01 | 20,521 | | |
| Late Fees | | 03-4805 ENT01 | 1,164 | | |
| A/R - Control: Sewer Billed | | 03-1112 ENT01 | | 21,530 | |
| Water | | 03-4801 ENT01 | | 18,316 | |
| A/R - Control: Water Billed | | 03-1113 ENT01 | | 2,205 | |
| A/R - Control: Late Charges Billed | | 03-1107 ENT01 | | 1,164 | |
| To adjust accounts receivable based on billing report. | | | | | |
| 3 | Accounts Receivable | 01-1102 GF01 | 14,666 | | |
| | Mixed Beverage S&U Tax | 01-4102 GF01 | 1,998 | | |
| | Sales & Use Tax | 01-4101 GF01 | | 16,664 | |
| To adjust for funds recieved from the state. | | | | | |
| 4 | Property Taxes | 01-4001 GF01 | 3,957 | | |
| | A/R Property Taxes | 01-1038 GF01 | 1,931 | | |
| | Fine Revenue | 01-4301 GF01 | | 3,957 | |
| | Deferred Inflows - Property Taxes | 01-2500 GF01 | | 1,838 | |
| | Allowance For Uncollectible Taxes | 01-1106 GF01 | | 93 | |

City of Johnson City, Texas
Year End: September 30, 2022
Recorded Audit Adjustments

| Number | Name | Account No | Debit | Credit |
|----------|--|-------------------|----------|----------|
| 4 - Cont | Miscellaneous | 04-176-6321 DSF01 | \$ 4,635 | |
| | Property Tax Receivable | 04-1116 DSF01 | 555 | |
| | Property Taxes | 04-4001 DSF01 | | \$ 3,359 |
| | Deferred Inflows - Property Taxes | 04-2500 DSF01 | | 1,816 |
| | Allowance For Doubtful Accounts | 04-1106 DSF01 | | 15 |
| | Deferred Inflows - Property Taxes | 50-2500 G34G | 3,654 | |
| | Property Tax Revenue | 50-PROP REV G34G | | 3,654 |
| | Property Tax Entry | | | |
| <hr/> | | | | |
| 5 | Net Pension Liability | 03-2410 ENT01 | 38,994 | |
| | Deferred Outflow - Pension (GASB 68) | 03-1705 ENT01 | 1,806 | |
| | Pension Expense | 03-5000 ENT01 | | 25,445 |
| | Deferred Inflows - Pension (GASB 68) | 03-2705 ENT01 | | 15,355 |
| | Net Pension Liability | 50-2410 G34G | 130,667 | |
| | Deferred Outflow - Pension (GASB 68) | 50-1705 G34G | 6,050 | |
| | Pension Expense | 50-5000 G34G | | 85,263 |
| | Deferred Inflows - Pension (GASB 68) | 50-2705 G34G | | 51,454 |
| | GASB 68 Entry | | | |
| <hr/> | | | | |
| 6 | Net OPEB Liability | 03-2415 ENT01 | 900 | |
| | Deferred Outflow - OPEB (GASB 75) | 03-1710 ENT01 | 530 | |
| | Pension Expense | 03-5000 ENT01 | | 976 |
| | Deferred Inflows - OPEB (GASB 75) | 03-2710 ENT01 | | 454 |
| | Net OPEB Liability | 50-2415 G34G | 3,011 | |
| | Deferred Outflow - OPEB (GASB 75) | 50-1710 G34G | 1,772 | |
| | Pension Expense | 50-5000 G34G | | 3,264 |
| | Deferred Inflows - OPEB (GASB 75) | 50-2710 G34G | | 1,519 |
| | GASB 75 Entry | | | |
| <hr/> | | | | |
| 7 | Accumulated Depreciation - Machinery & Equipment | 50-1505 G34G | 81,787 | |
| | Accumulated Depreciation - Building & Improvements | 50-1500 G34G | 14,709 | |
| | Loss or Gain on Sale | 50-4800 G34G | 12,766 | |
| | Machinery & Equipment | 50-1410 G34G | | 81,787 |
| | Improvements | 50-1415 G34G | | 27,475 |
| | Entry for Disposal of Fixed assets | | | |

City of Johnson City, Texas
Year End: September 30, 2022
Recorded Audit Adjustments

| Number | Name | Account No | Debit | Credit |
|--------|---|-----------------------|------------|-----------|
| 8 | Due From Utility Fund | 01-1200 GF01 | \$ 108,207 | |
| | Salaries | 01-040-6021 GF01 | 14,482 | |
| | TMRS | 01-020-6080 GF01 | 1,260 | |
| | FICA / Medicare | 01-040-6070 GF01 | 1,047 | |
| | Due From Utility Fund | 01-1200 GF01 | 525 | |
| | Insurance Premiums | 01-2011 GF01 | | \$ 52,276 |
| | Payroll Liabilities | 01-2010 GF01 | | 46,805 |
| | Retirement | 01-2013 GF01 | | 25,915 |
| | Miscellaneous | 01-040-6321 GF01 | | 525 |
| | Payroll Liabilities | 03-2010 ENT01 | 49,509 | |
| | Insurance Premiums | 03-2011 ENT01 | 29,670 | |
| | Retirement | 03-2013 ENT01 | 25,088 | |
| | Salaries | 03-600-6021 ENT01 | 3,843 | |
| | TMRS | 03-600-6080 ENT01 | 339 | |
| | FICA / Medicare | 03-600-6070 ENT01 | 283 | |
| | Due to General Fund | 03-2300 ENT01 | | 108,732 |
| | Entry to accrue for payroll | | | |
| 9 | Accounts Payable | 01-2020 GF01 | 76,079 | |
| | Cash - General Fund | 01-1001 GF01 | 30,324 | |
| | Fund Balance | 01-3500 GF01 | | 106,403 |
| | Fund Balance | 03-3500 ENT01 | 55,206 | |
| | Cash - Water & Wastewater Utility Fund | 03-1001 ENT01 | | 55,206 |
| | To adjust prior period balance AP that should no longer be on the financials and updates to cash balances for changes in accounting system - p/d/w client | | | |
| 10 | Operational Expenses | 03-600-6210 ENT01 | 71,200 | |
| | Impact Fees | 03-4803 ENT01 | | 71,200 |
| | To expense items recorded to impact fee revenues. | | | |
| 11 | Construction in Progress | 50-1420 G34G | 297,794 | |
| | Bond Issuance (CONTRA) | 50-BOND ISSUANCE G34G | 185,500 | |
| | 2012 Bonds - Long Term | 50-2405 G34G | 95,000 | |
| | 2021 Bonds - Long Term | 50-2407 G34G | 58,000 | |
| | 2015 Bonds - Long Term | 50-2406 G34G | 50,000 | |
| | Note Payable NO. 95140 | 50-2450 G34G | 32,606 | |
| | Machinery & Equipment | 50-1410 G34G | 22,460 | |
| | Premium on Refunding | 50-2400 G34G | 4,040 | |
| | Accrued Interest Payable | 50-2420 G34G | 583 | |

City of Johnson City, Texas
Year End: September 30, 2022
Recorded Audit Adjustments

| Number | Name | Account No | Debit | Credit |
|----------|---|----------------------|------------|------------|
| 11- Cont | Note Payable No 10078 | 50-2452 G34G | | \$ 297,794 |
| | Bond Principal Payments | 50-BOND PRINC G34G | | 203,000 |
| | Note Payable No 9732 | 50-2451 G34G | | 185,500 |
| | Notes Payable Principal | 50-NOTE PRINC G34G | | 34,852 |
| | Note Payable - Tasers | 50-2453 G34G | | 20,214 |
| | Interest Expense | 50-INTEREST EXP G34G | | 3,297 |
| | Deferred Outflow - Refunding | 50-1700 G34G | | 1,326 |
| | GASB 34 Debt Entry | | | |
| 12 | Depreciation Expense | 03-600-6000 ENT01 | \$ 284,029 | |
| | System Improvements | 03-1415 ENT01 | 39,028 | |
| | Acc Depr Sys Imp | 03-1504 ENT01 | | 141,299 |
| | Acc Depr - Water Tower | 03-1515 ENT01 | | 137,059 |
| | Meter Replacement Prog | 03-600-6215 ENT01 | | 20,000 |
| | Operational Expenses | 03-600-6210 ENT01 | | 19,028 |
| | Acc Depr M & E | 03-1505 ENT01 | | 3,822 |
| | Acc Dep Bldgs | 03-1500 ENT01 | | 1,520 |
| | Acc. Dep Off Eq | 03-1501 ENT01 | | 329 |
| | GASB 34 Fixed Asset Entry | | | |
| 13 | Machinery & Equipment | 50-1410 G34G | 259,381 | |
| | Depreciation Expense | 50-DEPRE G34G | 192,633 | |
| | Construction in Progress | 50-1420 G34G | 92,262 | |
| | Improvements | 50-1415 G34G | 41,399 | |
| | Capital Outlay | 50-CO-CRP G34G | | 240,159 |
| | Construction in Progress | 50-1420 G34G | | 152,883 |
| | Accumulated Depreciation - Building & Imp | 50-1500 G34G | | 140,398 |
| | Accumulated Depreciation - Machinery & Eq | 50-1505 G34G | | 52,235 |
| | GASB 34 Fixed Asset Entry | | | |



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April 11, 2023

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, 2022, 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.
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, 2022, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:

- a. GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- b. GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- c. GASB Statement No. 97, *Certain Component Unit Criteria, and Account and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

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

- a. GASB Statement No. 87, *Leases* – requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions on the contract.
- b. GASB Statement No. 92, *Omnibus 2020* – applicable portions of this statement were implemented, updates to GASB 67, 68, 73, 74, 84, and 87
- c. GASB Statement No. 99, *Omnibus 2022* – applicable portions of this statement were implemented, updates to GASB 34, 53, 63, 87, 94, 96, updates to the distribution of benefits related to Supplemental Nutritional Assistance Program (SNAP), and Disclosures related to nonmonetary transactions. These updates impact the 2022 year currently and the 2023 and 2024 future years.

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. 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

39. 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;
40. 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;
41. 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;
42. 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;
43. 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;
44. 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;
45. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices;
46. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities;
47. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable;
48. 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;
49. 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;
50. 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;
51. 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;
52. 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).
53. 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;
54. 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.
55. 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.
56. 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:

57. We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
58. We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
59. The methods of measurement or presentation have not changed from those used in the prior period.
60. 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:

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

63. The methods of measurement or presentation have not changed from those used in the prior period.
64. 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.

Restatement

We agree with the restatement of the previously issued financial statements discussed in Note N. In that regard:

65. The restatement corrects an error in those financial statements.
66. We were not aware of the error when those financial statements were issued.
67. We are not aware of any other errors in those financial statements.
68. We do not believe it is necessary to recall those financial statements and all users of those financial statement will receive a copy of the current year's financial statements and independent auditors' report.


Compliance Considerations

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

69. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
70. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
71. 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.
72. 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.
73. 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.
74. 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.
75. Has a process to track the status of audit findings and recommendations.
76. 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:



Rhonda Stell
Mayor

4/11/23

Date



Rick Schroder
City Administrative Officer

4/11/23

Date



CITY OF JOHNSON CITY, TEXAS

ANNUAL FINANCIAL REPORT
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 55, schedule of changes in the City's net pension asset/liability and related ratios - last ten years on pages 58-59, Texas Municipal Retirement System schedule of funding progress on page 60, and schedule of changes in the city's total OPEB asset/liability and related ratios on pages 62-63 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.

Emphasis of Matter

As discussed in Note N to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2023, 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.

Atchley & Associates LLP

Austin, Texas
April 11, 2023

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

**CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022**

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, 2022. 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**

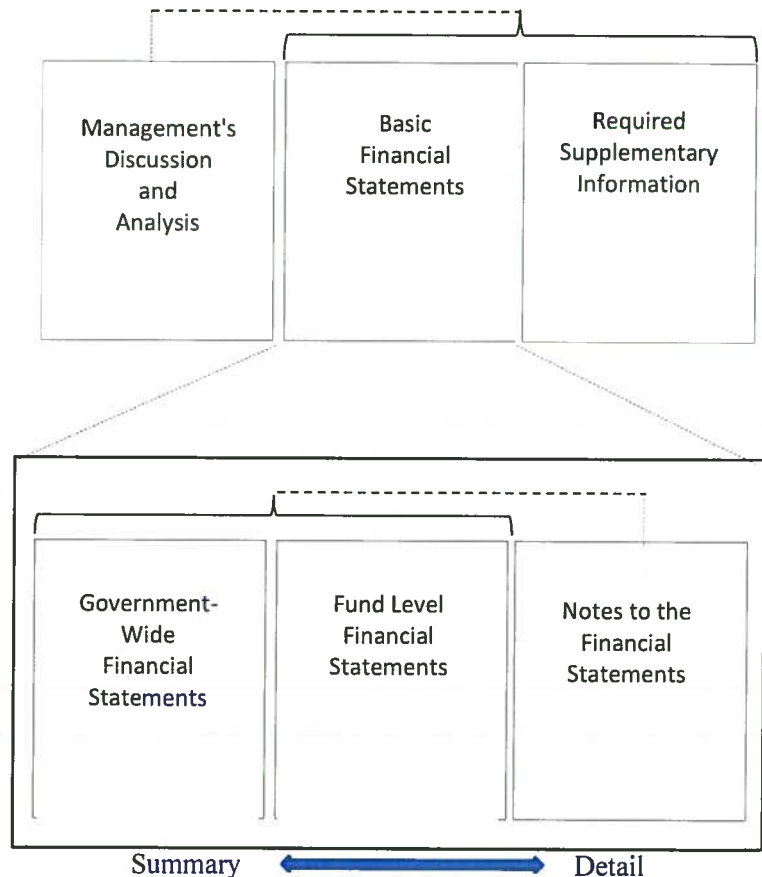


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

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, 2022

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, 2022**

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 \$5,707,369 at September 30, 2022 (See Figure A-3).
- Current year activity resulted in an increase in the City's net position by \$530,631 (See Figure A-4).

**CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022**

**Figure A-3
City's Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
| | As Restated | | | | As Restated | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 1,811,553 | \$ 1,271,880 | \$ 294,334 | \$ 274,306 | \$ 2,105,887 | \$ 1,546,186 |
| Noncurrent assets | 3,468,552 | 3,113,538 | 3,655,301 | 3,900,302 | 7,123,853 | 7,013,840 |
| Total assets | 5,280,105 | 4,385,418 | 3,949,635 | 4,174,608 | 9,229,740 | 8,560,026 |
| | | | | | | |
| Deferred outflows | 47,250 | 40,754 | 41,662 | 39,326 | 88,912 | 80,080 |
| | | | | | | |
| Liabilities: | | | | | | |
| Current liabilities | 879,438 | 498,598 | 636,221 | 629,324 | 1,515,659 | 1,127,922 |
| Long-term liabilities | 1,658,381 | 1,936,244 | 224,374 | 255,115 | 1,882,755 | 2,191,359 |
| Total liabilities | 2,537,819 | 2,434,842 | 860,595 | 884,439 | 3,398,414 | 3,319,281 |
| | | | | | | |
| Deferred inflows | 157,549 | 104,576 | 55,320 | 39,511 | 212,869 | 144,087 |
| | | | | | | |
| Net position: | | | | | | |
| Investment in capital assets | 1,044,869 | 953,717 | 3,655,101 | 3,900,102 | 4,699,970 | 4,853,819 |
| Restricted | 124,715 | 51,809 | 139,037 | 129,884 | 263,752 | 181,693 |
| Unrestricted | 1,462,403 | 881,228 | (718,756) | (740,002) | 743,647 | 141,226 |
| Total net position | \$ 2,631,987 | \$ 1,886,754 | \$3,075,382 | \$3,289,984 | \$ 5,707,369 | \$ 5,176,738 |

**CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022**

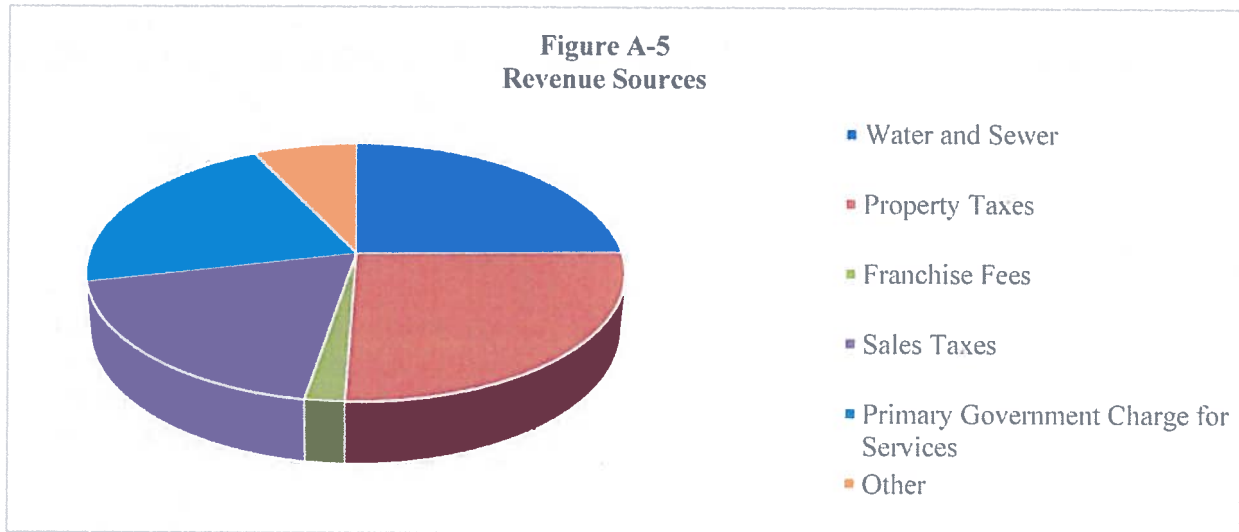
**Figure A-4
Changes in City Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
| | 2022 | As Restated 2021 | 2022 | 2021 | 2022 | As Restated 2021 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 771,898 | \$ 616,404 | \$ 897,616 | \$ 700,475 | \$ 1,669,514 | \$ 1,316,879 |
| Grant income | 265,059 | 348,169 | - | - | 265,059 | 348,169 |
| General revenues: | | | | | | |
| Taxes | 1,691,581 | 1,459,540 | - | - | 1,691,581 | 1,459,540 |
| Gain/(loss) on sale of assets | 163,557 | - | - | - | 163,557 | - |
| Interest income | - | 98 | - | - | - | 98 |
| Other | 100,416 | 116,154 | 14,349 | 3,278 | 114,765 | 119,432 |
| Total revenues | 2,992,511 | 2,540,365 | 911,965 | 703,753 | 3,904,476 | 3,244,118 |
| Expenses: | | | | | | |
| General government | 492,151 | 595,179 | - | - | 492,151 | 595,179 |
| Public safety | 649,973 | 486,159 | - | - | 649,973 | 486,159 |
| Streets | 118,420 | 32,799 | - | - | 118,420 | 32,799 |
| Building & technology | 209,597 | 208,416 | - | - | 209,597 | 208,416 |
| Municipal court | 104,634 | 103,500 | - | - | 104,634 | 103,500 |
| Parks | 206,127 | 185,649 | - | - | 206,127 | 185,649 |
| Sanitation | 406,369 | 325,065 | - | - | 406,369 | 325,065 |
| Development services | 100,340 | 25,857 | - | - | 100,340 | 25,857 |
| Emergency services | - | 76,395 | - | - | - | 76,395 |
| Hotel | 110,015 | 61,851 | - | - | 110,015 | 61,851 |
| Interest on debt | 45,614 | 36,848 | - | - | 45,614 | 36,848 |
| Other | 27,814 | 55,498 | - | - | 27,814 | 55,498 |
| Water and sewer | - | - | 902,791 | 642,184 | 902,791 | 642,184 |
| Total expenses | 2,471,054 | 2,193,216 | 902,791 | 642,184 | 3,373,845 | 2,835,400 |
| Revenues over (under) expenses | 521,457 | 347,149 | 9,174 | 61,569 | 530,631 | 408,718 |
| Transfers | 223,776 | (75,490) | (223,776) | 75,490 | - | - |
| Change in net position | 745,233 | 271,659 | (214,602) | 137,059 | 530,631 | 408,718 |
| Beginning net position | 1,886,754 | 1,615,095 | 3,289,984 | 3,152,925 | 5,176,738 | 4,768,020 |
| Ending net position | \$ 2,631,987 | \$ 1,886,754 | \$3,075,382 | \$3,289,984 | \$ 5,707,369 | \$ 5,176,738 |

**CITY OF JOHNSON CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2022**

CITY REVENUES

The majority of the City's revenue is generated from charges for water and sewer services (23%), property taxes (24%), sales taxes (17%) and primary government charges for services (20%). 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 \$0.3109 to \$0.2803 in the current fiscal year generating \$654,030 in M&O taxes, an increase of \$29,672 over the previous fiscal year. While the City's franchise fees increased \$1,555, or 2%, sales taxes increased by \$101,434, or 17%. The new M&O tax rate for the year beginning October 1, 2022 is \$0.2492.

Business-Type Activities

Water and sewer sales increased by \$197,141, or 28%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

General Fund expenditures exceeded revenues and transfers by \$1,455 which was \$20,221 more than budgeted. See details of budget and actual revenues on page 53.

Capital Assets

During the year ended September 30, 2022, the City invested \$599,441 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, 2022**

**Figure A-6
City's Capital Assets**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 484,501 | \$ 484,501 | \$ 41,402 | \$ 41,402 | \$ 525,903 | \$ 525,903 |
| Construction in progress | 390,056 | - | 32,246 | 32,246 | 422,302 | 32,246 |
| Buildings | 748,671 | 748,671 | 100,163 | 100,163 | 848,834 | 848,834 |
| Machinery & equipment | 697,751 | 497,697 | 379,233 | 379,233 | 1,076,984 | 876,930 |
| Improvements | 3,018,125 | 3,004,201 | 8,497,463 | 8,458,435 | 11,515,588 | 11,462,636 |
| Total at historical cost | 5,339,104 | 4,735,070 | 9,050,507 | 9,011,479 | 14,389,611 | 13,746,549 |
| Accumulated depreciation | (1,870,552) | (1,774,415) | (5,395,406) | (5,111,377) | (7,265,958) | (6,885,792) |
| Net capital assets | \$ 3,468,552 | \$ 2,960,655 | \$ 3,655,101 | \$ 3,900,102 | \$ 7,123,653 | \$ 6,860,757 |

Debt Administration

The City's property tax rate for debt services decreased from \$0.0881 to \$0.1187 in the current fiscal year generating \$276,635 in debt service taxes, a increase of \$97,413 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, 2022 is \$0.1077.

**Figure A-7
City's Long-Term Debt**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------|----------------------------|---------------------|-----------------------------|-------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Bonds payable | \$ 1,815,566 | \$ 2,022,606 | \$ - | \$ - | \$ 1,815,566 | \$ 2,022,606 |
| Financed purchases | 608,117 | 137,215 | - | - | 608,117 | 137,215 |
| Total | \$ 2,423,683 | \$ 2,159,821 | \$ - | \$ - | \$ 2,423,683 | \$ 2,159,821 |

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 \$2,392,074.

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, 2022

| | Primary Government | | |
|--|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,123,728 | \$ 249,454 | \$ 1,373,182 |
| Investments | 76 | 857 | 933 |
| Receivables, net | 97,270 | 43,809 | 141,079 |
| Due from (to) other funds | 590,479 | (590,479) | - |
| Non-current assets: | | | |
| Other assets | - | 200 | 200 |
| Capital assets: | | | |
| Non-depreciable | 874,557 | 73,648 | 948,205 |
| Depreciable, net | 2,593,995 | 3,581,453 | 6,175,448 |
| Total assets | 5,280,105 | 3,358,942 | 8,639,047 |
| DEFERRED OUTFLOWS | | | |
| Deferred outflows related to refunding | 10,400 | - | 10,400 |
| Deferred outflows related to OPEB | 8,950 | 3,107 | 12,057 |
| Deferred outflows related to pensions | 27,900 | 38,555 | 66,455 |
| Total deferred outflows | 47,250 | 41,662 | 88,912 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Payable from unrestricted assets: | | | |
| Accounts payable | 61,042 | 26,167 | 87,209 |
| Accrued salary and benefits | 59,647 | 19,361 | 79,008 |
| Payable from restricted assets: | | | |
| Interest payable | 6,447 | - | 6,447 |
| Financed purchases, due within one year | 127,320 | - | 127,320 |
| Bonds payable, due within one year | 184,040 | - | 184,040 |
| Non-current liabilities: | | | |
| Payable from restricted assets: | | | |
| Customer deposits | - | 139,037 | 139,037 |
| Financed purchases, due more than one year | 480,797 | - | 480,797 |
| Bonds payable, due more than one year | 1,631,526 | - | 1,631,526 |
| Net OPEB liability | 26,855 | 14,152 | 41,007 |
| Net pension liability | (39,855) | 71,185 | 31,330 |
| Total liabilities | 2,537,819 | 269,902 | 2,807,721 |
| DEFERRED INFLOWS | | | |
| Deferred inflows related to OPEB | 6,258 | 2,339 | 8,597 |
| Deferred inflows related to pensions | 151,291 | 52,981 | 204,272 |
| Total deferred inflows | 157,549 | 55,320 | 212,869 |

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

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION - CONTINUED
SEPTEMBER 30, 2022

| | Primary Government | | |
|----------------------------------|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| NET POSITION | | | |
| Net investment in capital assets | \$ 1,044,869 | \$ 3,655,101 | \$ 4,699,970 |
| Restricted | 124,715 | 139,037 | 263,752 |
| Unrestricted | 1,462,403 | (718,756) | 743,647 |
| Total net position | \$ 2,631,987 | \$ 3,075,382 | \$ 5,707,369 |

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, 2022**

| Function/program activities | Expenses | Charges for Services |
|------------------------------------|------------------|---------------------------------|
| Primary government: | | |
| Government activities: | | |
| General government | \$ 492,151 | \$ 74,506 |
| Public safety | 649,973 | - |
| Streets | 118,420 | - |
| Building & technology | 209,597 | - |
| Municipal court | 104,634 | 60,942 |
| Parks | 206,127 | 6,650 |
| Sanitation | 406,369 | 391,515 |
| Development services | 100,340 | 238,285 |
| Emergency services | - | - |
| Hotel | 110,015 | - |
| Interest on debt | 45,614 | - |
| Other | 27,814 | - |
| | <u>2,471,054</u> | <u>771,898</u> |
| Business-type activities: | | |
| Water & sewer | 902,791 | 897,616 |
| Total business-type activities | <u>902,791</u> | <u>897,616</u> |
| Total primary government | 3,373,845 | 1,669,514 |

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, as restated

Net position - end of year after restatement

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

| Program Revenues | | Net (Expenses) Revenues and Changes in Net Assets | | |
|--|--------------------------------------|---|-----------------------------|--------------|
| Operating Grants & Contributions | Capital Grants & Contributions | Primary Government | | |
| | | Governmental Activities | Business-Type Activities | Total |
| \$ - | \$ 265,059 | \$ (152,586) | \$ - | \$ (152,586) |
| - | - | (649,973) | - | (649,973) |
| - | - | (118,420) | - | (118,420) |
| - | - | (209,597) | - | (209,597) |
| - | - | (43,692) | - | (43,692) |
| - | - | (199,477) | - | (199,477) |
| - | - | (14,854) | - | (14,854) |
| - | - | 137,945 | - | 137,945 |
| - | - | - | - | - |
| - | - | (110,015) | - | (110,015) |
| - | - | (45,614) | - | (45,614) |
| - | - | (27,814) | - | (27,814) |
| - | 265,059 | (1,434,097) | - | (1,434,097) |
| - | - | - | (5,175) | (5,175) |
| - | - | - | (5,175) | (5,175) |
| - | 265,059 | (1,434,097) | (5,175) | (1,439,272) |
| | | 934,319 | - | 934,319 |
| | | 681,679 | - | 681,679 |
| | | 75,495 | - | 75,495 |
| | | 88 | - | 88 |
| | | - | - | - |
| | | 163,557 | - | 163,557 |
| | | 100,416 | 14,349 | 114,765 |
| | | 223,776 | (223,776) | - |
| | | 2,179,330 | (209,427) | 1,969,903 |
| | | 745,233 | (214,602) | 530,631 |
| | | 1,886,754 | 3,289,984 | 5,176,738 |
| | | \$ 2,631,987 | \$ 3,075,382 | \$ 5,707,369 |

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

**CITY OF JOHNSON CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

| | General Fund | Hotel / Motel Fund |
|---|---------------------|-------------------------------|
| ASSETS | | |
| Unrestricted | | |
| Cash and cash equivalents | \$ 98,908 | \$ 105,267 |
| Investments | 76 | - |
| Receivables, net | 90,861 | - |
| Due from other funds | 590,677 | - |
| Restricted assets: | | |
| Cash and cash equivalents | - | - |
| Total assets | 780,522 | 105,267 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | 58,346 | 859 |
| Accrued salary and benefits | 59,647 | - |
| Due to other funds | 214 | - |
| Total liabilities | 118,207 | 859 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | 21,827 | - |
| Total liabilities | 21,827 | - |
| FUND BALANCES | | |
| Restricted | - | 104,408 |
| Committed | - | - |
| Unassigned | 640,488 | - |
| Total fund balances | 640,488 | 104,408 |
| Total liabilities, deferred inflows, and fund balances | \$ 780,522 | \$ 105,267 |

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

| <u>Debt Service Fund</u> | <u>Capital Replacement Fund</u> | <u>Vehicle & Equipment Replacement Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------|---|---|---|---|
| \$ 16,228 | \$ 807,515 | \$ 89,738 | \$ 6,072 | \$ 1,123,728 |
| - | - | - | - | 76 |
| 6,409 | - | - | - | 97,270 |
| - | 300 | 16 | - | 590,993 |
| - | - | - | - | - |
| <u>22,637</u> | <u>807,815</u> | <u>89,754</u> | <u>6,072</u> | <u>1,812,067</u> |
| 300 | - | 144 | 1,393 | 61,042 |
| - | - | - | - | 59,647 |
| 300 | - | - | - | 514 |
| <u>600</u> | <u>-</u> | <u>144</u> | <u>1,393</u> | <u>121,203</u> |
| 6,409 | - | - | - | 28,236 |
| <u>6,409</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,236</u> |
| 15,628 | - | - | 4,679 | 124,715 |
| - | 807,815 | 89,610 | - | 897,425 |
| - | - | - | - | 640,488 |
| <u>15,628</u> | <u>807,815</u> | <u>89,610</u> | <u>4,679</u> | <u>1,662,628</u> |
| <u>\$ 22,637</u> | <u>\$ 807,815</u> | <u>\$ 89,754</u> | <u>\$ 6,072</u> | <u>\$ 1,812,067</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, 2022**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,662,628

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. 3,468,552

Certain receivables are not available to pay current-period expenditures and, therefore, are deferred in the funds. This amount includes deferred property taxes. 28,236

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. (110,299)

Certain liabilities related to long-term debt are not reported in the funds, such as accrued interest payable. (6,447)

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (2,410,683)

NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,631,987

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, 2022

| | <u>General Fund</u> | <u>Hotel / Motel Fund</u> |
|--|---------------------|-------------------------------|
| REVENUES | | |
| Property taxes | \$ 654,030 | \$ - |
| Sales tax | 681,679 | - |
| Franchise taxes | 75,495 | - |
| Other taxes | 88 | - |
| Licenses and permits | 66,660 | 171,625 |
| Charge for services | 402,262 | - |
| Grants | - | - |
| Fines | 60,942 | - |
| Rents and royalties | 60,223 | - |
| Interest income | - | - |
| Other | 42,523 | - |
| Total revenues | <u>2,043,902</u> | <u>171,625</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 533,952 | - |
| Public safety | 594,907 | - |
| Streets | 111,885 | - |
| Building & technology | 206,155 | - |
| Municipal court | 88,033 | - |
| Parks | 192,539 | - |
| Sanitation | 355,667 | - |
| Development services | 100,340 | - |
| Emergency services | - | - |
| Hotel | - | 101,642 |
| Capital outlay | 61,049 | - |
| Debt service: | | |
| Principal | - | - |
| Interest | - | - |
| Total expenditures | <u>2,244,527</u> | <u>101,642</u> |
| Excess (deficiency) of revenues over expenditures | <u>(200,625)</u> | <u>69,983</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Other | - | - |
| Proceeds from bond issuances and financed purchases | - | - |
| Bond issuance costs | - | - |
| Gain / (loss) on sale of assets | - | - |
| Transfers in | 199,170 | - |
| Transfers out | - | - |
| Total other financing sources (uses) | <u>199,170</u> | <u>-</u> |
| Net change in fund balances | (1,455) | 69,983 |
| Fund balances - beginning of year, as restated | <u>641,943</u> | <u>34,425</u> |
| Fund balances - end of year | <u>\$ 640,488</u> | <u>\$ 104,408</u> |

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

| <u>Debt Services Fund</u> | <u>Capital Replacement Fund</u> | <u>Vehicle & Equipment Replacement Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------|---|---|---|---|
| \$ 276,635 | \$ - | \$ - | \$ - | \$ 930,665 |
| - | - | - | - | 681,679 |
| - | - | - | - | 75,495 |
| - | - | - | - | 88 |
| - | - | - | - | 238,285 |
| - | - | 63,759 | - | 466,021 |
| - | 265,059 | - | - | 265,059 |
| - | - | - | - | 60,942 |
| - | - | - | - | 60,223 |
| - | - | - | - | - |
| - | 2,000 | - | 2,320 | 46,843 |
| <u>276,635</u> | <u>267,059</u> | <u>63,759</u> | <u>2,320</u> | <u>2,825,300</u> |
| - | 8,400 | - | - | 542,352 |
| - | - | - | - | 594,907 |
| - | - | - | - | 111,885 |
| - | - | - | - | 206,155 |
| - | - | - | - | 88,033 |
| - | - | - | - | 192,539 |
| - | - | - | - | 355,667 |
| - | - | - | - | 100,340 |
| - | - | - | - | - |
| - | - | - | - | 101,642 |
| - | 169,666 | 25,435 | - | 256,150 |
| 237,852 | - | - | - | 237,852 |
| 48,911 | - | - | - | 48,911 |
| <u>286,763</u> | <u>178,066</u> | <u>25,435</u> | <u>-</u> | <u>2,836,433</u> |
| <u>(10,128)</u> | <u>88,993</u> | <u>38,324</u> | <u>2,320</u> | <u>(11,133)</u> |
| (4,581) | (20) | (7,122) | (100) | (11,823) |
| - | 185,500 | - | - | 185,500 |
| - | - | - | - | - |
| - | 176,323 | - | - | 176,323 |
| 15,412 | 9,194 | - | - | 223,776 |
| - | - | - | - | - |
| <u>10,831</u> | <u>370,997</u> | <u>(7,122)</u> | <u>(100)</u> | <u>573,776</u> |
| 703 | 459,990 | 31,202 | 2,220 | 562,643 |
| 14,925 | 347,825 | 58,408 | 2,459 | 1,099,985 |
| <u>\$ 15,628</u> | <u>\$ 807,815</u> | <u>\$ 89,610</u> | <u>\$ 4,679</u> | <u>\$ 1,662,628</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, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 562,643

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. 355,014

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 payments exceeded proceeds and changes in accrued interest and amortization of deferred outflows from refunding. (264,605)

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. 92,181

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 745,233

CITY OF JOHNSON CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

| | Enterprise Fund |
|--------------------------------------|------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 249,454 |
| Investments | 857 |
| Accounts receivable, net | 43,809 |
| Due from other funds | 214 |
| Total current assets | 294,334 |
| Non-current assets: | |
| Non-depreciable assets, net | 73,648 |
| Depreciable assets, net | 3,581,453 |
| Other assets | 200 |
| Total non-current assets | 3,655,301 |
| Total assets | 3,949,635 |
| DEFERRED OUTFLOWS | |
| Deferred outflow related to pension | 38,555 |
| Deferred outflow related to OPEB | 3,107 |
| Total deferred outflows | 41,662 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 26,167 |
| Accrued salary and benefits | 19,361 |
| Due to other funds | 590,693 |
| Total current liabilities | 636,221 |
| Non-current liabilities: | |
| Meter deposits | 139,037 |
| Net OPEB liability | 14,152 |
| Net pension liability | 71,185 |
| Total non-current liabilities | 224,374 |
| Total liabilities | 860,595 |
| DEFERRED INFLOWS | |
| Deferred inflow related to pensions | 52,981 |
| Deferred inflow related to OPEB | 2,339 |
| Total deferred inflows | 55,320 |
| NET POSITION | |
| Investment in capital assets | 3,655,101 |
| Restricted | 139,037 |
| Unrestricted | (718,756) |
| Total net position | \$ 3,075,382 |

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, 2022**

| | Enterprise Fund |
|---|------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 897,616 |
| Other revenue | 14,349 |
| Total operating revenues | 911,965 |
| OPERATING EXPENSES | |
| Personnel services - salaries and wages | 188,339 |
| Personnel services - employee benefits and taxes | 67,533 |
| Purchased property services | 21,091 |
| Other operating costs | 341,799 |
| Depreciation | 284,029 |
| Total operating expenses | 902,791 |
| OPERATING INCOME | 9,174 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Total non-operating revenues (expenses) | - |
| INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | 9,174 |
| CONTRIBUTIONS AND TRANSFERS | |
| Transfers from (to) primary government | (223,776) |
| CHANGE IN NET POSITION | (214,602) |
| NET POSITION - BEGINNING OF YEAR, as restated | 3,289,984 |
| NET POSITION - END OF YEAR | \$ 3,075,382 |

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, 2022**

| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 901,994 |
| Receipts from others | 14,135 |
| Payments to employees, contractors, and other | (239,866) |
| Payments to suppliers | (389,267) |
| Net cash flows from operating activities | <u>286,996</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Operating transfers | <u>(223,776)</u> |
| Net cash flows from non-capital financing activities | <u>(223,776)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Additions to capital assets | <u>(39,028)</u> |
| Net cash flows from capital and related financing activities | <u>(39,028)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from the sale of investments | <u>726</u> |
| Net cash flows from investing activities | <u>726</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 24,918 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>224,536</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 249,454</u> |
| <hr/> | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES | |
| Operating income | \$ 9,174 |
| Adjustments not affecting cash: | |
| Depreciation | 284,029 |
| (Increase) decrease in assets and increase (decrease) in liabilities: | |
| Accounts receivable | 4,378 |
| Due from (to) other funds | (3,421) |
| Accounts payable | 4,364 |
| Accrued salary and benefits | 5,740 |
| Meter deposits | 9,153 |
| Deferred outflows | (2,336) |
| Deferred inflows | 15,809 |
| Net OPEB liability | (900) |
| Net pension liability | (38,994) |
| Net cash flows from operating activities | <u>\$ 286,996</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, 2022

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. 87, *Leases*, (GASB 87) requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. There is no restatement nor cumulative effect as prior periods are not presented as part of the audited financial statements.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For those leases where the underlying lease asset transferred ownership, the City followed the provisions applicable to capital assets and to long-term debt or payables, depending on the financing as directed by GASB 87. Additional information on financed purchases can be found in Note H.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period and enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. This statement has no impact on the City.

GASB Statement 92, *Omnibus 2020*, addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases; For interim financial reports, reporting of intraentity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The applicable portions of this statement were implemented by the City in fiscal year 2022.

GASB Statement 93, *Replacement of Interbank Offered Rates*, certain provisions are effective in fiscal year 2022 and other provisions in fiscal year 2023. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The City does not participate in hedge accounting nor derivatives; therefore, this statement has no impact on the City.

GASB Statement No. 99, *Omnibus 2022*, includes certain provisions effective for the City in fiscal year 2022 and other provisions 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 in fiscal year 2022: extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification to GASB Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and terminology updates related to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments and GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, addresses a variety of topics and includes specific provisions about the following: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Travis City's Section 457 Deferred Compensation plan does not meet the definition of a pension plan because only employees make contributions to the plan and no benefit is provided; therefore, this statement has no impact on the City.

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.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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:

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Water and Sewer Fund

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

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, 2022

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 | 5-7 |
| 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, 2022

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, 2022**

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, 2022, carrying amounts of the City's cash deposits were \$1,373,182 and bank balances were \$1,447,949. The City's cash deposits at September 30, 2022, were in not excess of FDIC insurance and bank pledged securities.

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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, 2022, are shown below.

| Investment or Investment Type | Level | Maturity | Fair Value |
|-------------------------------|-------|----------|------------|
| TexPool Investment | N/A | N/A | \$ 933 |

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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, 2022**

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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position:

The governmental fund balance sheet includes a reconciliation between the governmental fund balance on the fund financial statements and total net position of governmental activities on the government-wide financial statements.

| | | |
|---|--------------------|---------------------------------------|
| Governmental fund balance | | \$ 1,662,628 |
| <u>Difference due to capital assets</u> | | |
| Capital assets | 5,339,104 | |
| Accumulated depreciation | <u>(1,870,552)</u> | 3,468,552 |
| <u>Difference due to deferred outflows</u> | | |
| Deferred outflows related to pensions | 27,900 | |
| Deferred outflows related to OPEB | 8,950 | |
| Deferred loss on refunding | <u>10,400</u> | 47,250 |
| <u>Difference due to current liabilities</u> | | |
| Interest payable | | (6,447) |
| <u>Difference due to non-current liabilities</u> | | |
| Net pension asset | 39,855 | |
| Net OPEB liability | (26,855) | |
| Bonds and notes payable | <u>(2,423,683)</u> | <u>(2,410,683)</u> |
| <u>Difference due to deferred inflows</u> | | |
| Deferred inflows related to property taxes | 28,236 | |
| Deferred inflows related to pensions | (151,291) | |
| Deferred inflows related to OPEB | <u>(6,258)</u> | <u>(129,313)</u> |
| Government-wide net position | | <u><u>\$ 2,631,987</u></u> |

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

Explanation of differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between the change in governmental fund balance on the fund financial statements and change in total net position of governmental activities on the government-wide financial statements.

| | | |
|--|-----------------|-------------------------------------|
| Change in governmental fund balance | | \$ 562,643 |
| <u>Amount by which depreciation exceeds capital outlay expense and other capital related transactions</u> | | |
| Capital assets | \$ 560,413 | |
| Depreciation expense | (192,633) | |
| Gain/(loss) on sale | <u>(12,766)</u> | 355,014 |
| <u>Long-term debt and related items</u> | | |
| Debt payments | 237,852 | |
| Proceeds from debt issuances | (505,754) | |
| Accrued interest adjustment | 583 | |
| Amortization of premium on refunding | 4,040 | |
| Amortization of loss on refunding | <u>(1,326)</u> | (264,605) |
| <u>Expenses that do not require the use of current financial resources or have not matured</u> | | |
| Property taxes recorded as deferred inflows | 3,654 | |
| Changes in pension expense and deferred outflows and inflows | 85,263 | |
| Changes in OPEB expense and deferred outflows and inflows | <u>3,264</u> | <u>92,181</u> |
| Change in government-wide net position | | <u><u>\$ 745,233</u></u> |

D. 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.

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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

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

In the governmental fund level financial statements, property taxes receivable are recorded in the General Fund when assessed (October 1). At fiscal year end, property 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, 2022, receivables for governmental activities are summarized in the government-wide financial statements as follows:

| | Receivables | Allowance for Uncollectible Accounts | Net Receivables |
|-------------------------|------------------|--|------------------|
| Sales tax receivable | \$ 60,255 | \$ - | \$ 60,255 |
| Property tax receivable | 29,519 | (1,283) | 28,236 |
| Garbage receivable | 8,779 | - | 8,779 |
| Total receivables | <u>\$ 98,553</u> | <u>\$ (1,283)</u> | <u>\$ 97,270</u> |

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, 2022, Business-type activities receivables are summarized in the financial statements as follows:

| | Receivables | Allowance for Uncollectible Accounts | Net Receivables |
|----------------------|------------------|--|------------------|
| Customer receivables | <u>\$ 44,915</u> | <u>\$ (1,106)</u> | <u>\$ 43,809</u> |

E. RESTRICTED CASH AND INVESTMENTS

At September 30, 2022, restricted assets consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|-------------------|
| Cash and cash equivalents: | | | |
| Customer deposits | <u>\$ -</u> | <u>\$ 139,037</u> | <u>\$ 139,037</u> |

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

E. RESTRICTED CASH AND INVESTMENTS - CONTINUED

| Investments: | Governmental Activities | Business-Type Activities | Total |
|---------------------|----------------------------|-----------------------------|---------------|
| General | \$ 76 | \$ - | \$ 76 |
| Utility fund | - | 857 | 857 |
| Total investments | <u>\$ 76</u> | <u>\$ 857</u> | <u>\$ 933</u> |

F. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

| Governmental Activities: | Beginning Balance | Additions | Deletions/ Reclass | Ending Balance |
|----------------------------------|----------------------|---------------------|-----------------------|---------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 484,501 | \$ - | \$ - | \$ 484,501 |
| Construction in progress | 152,883 | 390,056 | (152,883) | 390,056 |
| Total non-depreciable assets | <u>\$ 637,384</u> | <u>\$ 390,056</u> | <u>\$ (152,883)</u> | <u>\$ 874,557</u> |
| Depreciable assets: | | | | |
| Buildings | \$ 748,671 | \$ - | \$ - | \$ 748,671 |
| Machinery & equipment | 497,697 | 128,958 | 71,096 | 697,751 |
| Improvements | 3,004,201 | 41,399 | (27,475) | 3,018,125 |
| Total depreciable assets | 4,250,569 | 170,357 | 43,621 | 4,464,547 |
| Accumulated depreciation | (1,774,415) | (192,633) | 96,496 | (1,870,552) |
| Depreciable assets, net | <u>\$ 2,476,154</u> | <u>\$ (22,276)</u> | <u>\$ 140,117</u> | <u>\$ 2,593,995</u> |
| Business-Type Activities: | | | | |
| 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>\$ 73,648</u> |
| Depreciable assets: | | | | |
| Buildings | \$ 100,163 | \$ - | \$ - | \$ 100,163 |
| Machinery and equipment | 379,233 | - | - | 379,233 |
| Improvements | 8,458,435 | 39,028 | - | 8,497,463 |
| Total depreciable assets | 8,937,831 | 39,028 | - | 8,976,859 |
| Accumulated depreciation | (5,111,377) | (284,029) | - | (5,395,406) |
| Depreciable assets, net | <u>\$ 3,826,454</u> | <u>\$ (245,001)</u> | <u>\$ -</u> | <u>\$ 3,581,453</u> |

CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

F. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the functions as follows:

| Function: | Governmental Activities | Business-Type Activities | Total |
|----------------------------|----------------------------|-----------------------------|-------------------|
| General government | \$ 38,326 | \$ - | \$ 38,326 |
| Public safety | 55,066 | - | 55,066 |
| Streets | 6,535 | - | 6,535 |
| Building and technology | 3,442 | - | 3,442 |
| Municipal court | 16,601 | - | 16,601 |
| Parks | 13,588 | - | 13,588 |
| Sanitation | 50,702 | - | 50,702 |
| Hotel | 8,373 | - | 8,373 |
| Buildings | - | 1,520 | 1,520 |
| Machinery and equipment | - | 4,151 | 4,151 |
| Improvements | - | 278,358 | 278,358 |
| Total depreciation expense | <u>\$ 192,633</u> | <u>\$ 284,029</u> | <u>\$ 476,662</u> |

G. INTER-FUND BALANCES AND ACTIVITY

Transfers (To) From Other Funds

| Purpose | General Fund | Debt Service Fund | Proprietary Fund | Capital Projects Funds |
|----------------------------|--------------|----------------------|---------------------|---------------------------|
| Transfers to pay down debt | \$ 199,170 | \$ 64,604 | \$ (263,774) | \$ - |
| Other transfers | - | (49,192) | 39,998 | 9,194 |

H. LONG-TERM DEBT

Long-Term Debt Activity

Changes in long-term debt obligations for the year ended September 30, 2022, are as follows:

| Governmental Activities: | Beginning Balances | Increases | Decreases | Ending Balances | Amounts Due Within One Year |
|-------------------------------|-----------------------|-------------------|---------------------|---------------------|--------------------------------|
| Bonds payable | \$ 1,987,000 | \$ - | \$ (203,000) | \$ 1,784,000 | \$ 180,000 |
| Premium on refunding | 35,606 | - | (4,040) | 31,566 | 4,040 |
| Financed purchases | 137,215 | 505,754 | (34,852) | 608,117 | 127,320 |
| Total governmental activities | <u>\$ 2,159,821</u> | <u>\$ 505,754</u> | <u>\$ (241,892)</u> | <u>\$ 2,423,683</u> | <u>\$ 311,360</u> |

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

H. 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 rates of 2.200% with semi-annual payments due on February 1 and August 1 of each year until maturity in 2031 or prior redemption.

Debt service requirements on long-term bond debt at September 30, 2022, were as follows:

| | | Series 2012 - \$1,675,000 | | |
|------------------------------------|-------------|---------------------------|-------------------|-------------------|
| | | Principal | Interest | Total |
| For the years ending September 30, | | | | |
| | 2023 | \$ 95,000 | \$ 21,375 | \$ 116,375 |
| | 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 - 2030 | 280,000 | 16,950 | 296,950 |
| | Total | <u>\$ 745,000</u> | <u>\$ 99,025</u> | <u>\$ 844,025</u> |
| | | Series 2015 - \$895,000 | | |
| | | Principal | Interest | Total |
| For the years ending September 30, | | | | |
| | 2023 | \$ 50,000 | \$ 14,039 | \$ 64,039 |
| | 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 - 2032 | 270,000 | 38,819 | 308,819 |
| | 2033 - 2035 | 175,000 | 8,464 | 183,464 |
| | Total | <u>\$ 695,000</u> | <u>\$ 110,077</u> | <u>\$ 805,077</u> |

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

H. LONG-TERM DEBT - CONTINUED

| For the years ending September 30, | Series 2021 - \$402,000 | | |
|------------------------------------|-------------------------|-----------|------------|
| | Principal | Interest | Total |
| 2023 | \$ 35,000 | \$ 7,568 | \$ 42,568 |
| 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 - 2031 | 162,000 | 9,020 | 171,020 |
| Total | \$ 344,000 | \$ 39,006 | \$ 383,006 |

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, 2022, was \$10,400.

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, 2022, is \$104,609.

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 \$20,214.

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, 2022, is \$185,500.

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, 2022, is \$297,794.

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

H. LONG-TERM DEBT - CONTINUED

Debt service requirements on long-term financed purchases at September 30, 2022, were as follows:

| For the years ending September 30, | Governmental Activities | | |
|------------------------------------|-------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2023 | \$ 127,320 | \$ 24,477 | \$ 151,797 |
| 2024 | 132,479 | 19,319 | 151,798 |
| 2025 | 137,622 | 14,174 | 151,796 |
| 2026 | 105,717 | 8,817 | 114,534 |
| 2027 | 104,978 | 4,503 | 109,481 |
| | <u>\$ 608,116</u> | <u>\$ 71,290</u> | <u>\$ 679,406</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.

I. RESTRICTED NET ASSETS

At September 30, 2022, net assets restricted by enabling legislation consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------|----------------------------|-----------------------------|-------------------|
| Debt service | \$ 15,628 | \$ - | \$ 15,628 |
| Special revenue funds | 109,087 | - | 109,087 |
| Customer deposits | - | 139,037 | 139,037 |
| Total restricted net assets | <u>\$ 124,715</u> | <u>\$ 139,037</u> | <u>\$ 263,752</u> |

J. 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.

K. 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.

**CITY OF JOHNSON CITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2022**

K. PENSION PLAN - CONTINUED

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 2020</u> | <u>Plan Year 2021</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, 2021, the following employees were covered by the benefit term

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 7 |
| Inactive employees entitled to but not yet receiving benefits | 13 |
| Active employees | 14 |
| | <u>34</u> |

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 2021, 2020, and 2019 were 9.82%, 9.68%, and 10.09%, respectively. The required contribution rate payable by the employee members for calendar years 2021, 2020, and 2019 the rate was 6%.

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

K. PENSION PLAN - CONTINUED

Net Pension Asset

The City's net pension asset was measured as of December 31, 2021, 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, 2021, actuarial valuation was determined using the following actuarial assumptions:

| | |
|-------------------------------|---|
| Actuarial valuation date | December 31, 2021 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Payroll, Closed |
| Remaining amortization period | 19 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 |
| 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, 2022**

K. PENSION PLAN - CONTINUED

| | <u>Change in Net Pension Liability</u> | | |
|--|---|----------------------------------|---|
| | Increase (Decrease) | | |
| | Total Pension Liability / (Asset) (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a-b) |
| Balances as of December 31, 2020 | \$ 2,438,179 | \$ 2,237,188 | \$ 200,991 |
| Changes for the year: | | | |
| Service cost | 91,524 | - | 91,524 |
| Interest on total pension liability | 164,573 | - | 164,573 |
| Change in benefit terms including substantively automatic status | - | - | - |
| Difference between expected and actual experience | (15,882) | - | (15,882) |
| Effect of assumptions changes or inputs | - | - | - |
| Benefit payments | (91,647) | - | (91,647) |
| Contributions - employer | - | 74,220 | (74,220) |
| Contributions - employee | - | 45,992 | (45,992) |
| Net investment income | - | 291,005 | (291,005) |
| Benefit payments | - | (91,647) | 91,647 |
| Administrative expenses | - | (1,349) | 1,349 |
| Other | - | 8 | (8) |
| Net changes | 148,568 | 318,229 | (169,661) |
| Balances as of December 31, 2021 | \$ 2,586,747 | \$ 2,555,417 | \$ 31,330 |

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) | \$ 383,878 | \$ 31,330 | \$ (261,116) |

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, 2022

K. PENSION PLAN - CONTINUED

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

For the year ended September 30, 2022, the City recognized pension income of \$26,198. At September 30, 2022, 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 | \$ 55,733 | \$ - |
| Changes in assumptions | - | 561 |
| Differences between projected and actual earnings | 148,539 | - |
| Contributions made subsequent to measurement date | - | 65,894 |
| | \$ 204,272 | \$ 66,455 |

The \$17,017 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, 2022. 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 | \$ 8,661 |
| 2024 | (84,427) |
| 2025 | (34,052) |
| 2026 | (27,999) |
| 2027 | - |
| Thereafter | - |
| | \$ (137,817) |

Funded Status and Funding Process

The fund status as of December 31, 2021, is presented as follows:

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (c) Funded Ratio (a)/(b) | (d) Unfunded AAL (UAAL) (b) - (a) | (e) Covered Payroll | (f) UAAL as of % of Covered Payroll (d)/(e) |
|--------------------------------|-------------------------------------|---|--------------------------------|--|---------------------------|--|
| 12/31/2019 | \$ 2,039,229 | \$ 2,342,434 | 87.06% | \$ 303,205 | \$ 795,762 | 38.10% |
| 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% |

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

K. 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.

L. 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, 2021, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 4 |
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | 14 |
| | 19 |

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, 2022, the City has not made any contributions to the SDBF.

**CITY OF JOHNSON CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|--|
| Actuarial valuation date | December 31, 2021 |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate* | 1.84% |
| 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, 2021.

Note: The actuarial assumptions used in the December 31, 2021, 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, 2022

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

Change in Net OPEB Liability

| | Increase (Decrease) | | |
|---|-----------------------------------|-----------------------|---------------------------------|
| | Total OPEB Liability / (Asset) | Fiduciary Net OPEB | Net OPEB Liability / (Asset) |
| | (a) | (b) | (a-b) |
| Balances as of December 31, 2020 | \$ 44,918 | \$ - | \$ 44,918 |
| Changes for the year: | | | |
| Service cost | 2,376 | - | 2,376 |
| Interest on total pension liability | 918 | - | 918 |
| Difference between expected and actual experience | (8,031) | - | (8,031) |
| Effect of assumptions changes or inputs | 1,209 | - | 1,209 |
| Benefit payments | (383) | - | (383) |
| Net changes | (3,911) | - | (3,911) |
| Balances as of December 31, 2021 | \$ 41,007 | \$ - | \$ 41,007 |

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 1.84%, 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 (0.84%) or one percentage point higher (2.84%) than the current rate.

| | 1% Decrease 0.84% | Current Discount Rate 1.84% | 1% Increase 2.84% |
|------------------------------|-------------------------|-----------------------------------|-------------------------|
| Net OPEB liability / (asset) | \$ 50,141 | \$ 41,007 | \$ 33,874 |

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, 2022, the City recognized OPEB income of \$4,240. At September 30, 2022, 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, 2022**

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

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$ 12,057 | \$ - |
| Changes in assumptions and other inputs | - | 8,597 |
| Contributions made subsequent to measurement date | - | - |
| | \$ 12,057 | \$ 8,597 |

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 | \$ (231) |
| 2024 | (662) |
| 2025 | (268) |
| 2026 | (907) |
| 2027 | (1,068) |
| Thereafter | (324) |
| | \$ (3,460) |

M. HEALTH CARE COVERAGE

During the year ended September 30, 2022, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$114,546 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.

N. RESTATEMENT

An investment account was not included in the prior period balances for the General Fund, we have restated fund balance of that fund to reflect the investment account.

| | As Previously Stated | Restatement | As Restated |
|-------------------------------------|-------------------------|-------------|--------------|
| General fund | | | |
| Fund balance, beginning of the year | \$ 535,540 | \$ 106,403 | \$ 641,943 |
| <u>Enterprise Fund</u> | | | |
| Fund balance, beginning of the year | \$ 3,345,190 | \$ (55,206) | \$ 3,289,984 |

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, 2022

| | Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------------|-------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 630,890 | \$ 657,987 | \$ 654,030 | \$ (3,957) |
| Sales tax | 586,623 | 676,920 | 681,679 | 4,759 |
| Franchise taxes | 81,545 | 81,545 | 75,495 | (6,050) |
| Penalties and interest | - | - | - | - |
| Other taxes | 637 | 637 | 88 | (549) |
| Licenses and permits | 66,730 | 74,618 | 66,660 | (7,958) |
| Charge for services | 327,309 | 397,939 | 402,262 | 4,323 |
| Grants | - | - | - | - |
| Fines | 82,063 | 82,063 | 60,942 | (21,121) |
| Rents and royalties | 57,386 | 57,386 | 60,223 | 2,837 |
| Other | 3,356 | 3,356 | 42,523 | 39,167 |
| Total revenues | <u>1,836,539</u> | <u>2,032,451</u> | <u>2,043,902</u> | <u>11,451</u> |
| EXPENDITURES | | | | |
| General government | 502,599 | 541,690 | 533,952 | 7,738 |
| Public safety | 571,693 | 597,265 | 594,907 | 2,358 |
| Streets | 123,945 | 111,823 | 111,885 | (62) |
| Building & technology | 166,257 | 213,704 | 206,155 | 7,549 |
| Municipal court | 112,261 | 120,856 | 88,033 | 32,823 |
| Parks | 145,651 | 145,651 | 192,539 | (46,888) |
| Sanitation | 265,050 | 354,285 | 355,667 | (1,382) |
| Development services | 33,206 | 105,249 | 100,340 | 4,909 |
| Capital outlay | 65,855 | 65,855 | 61,049 | (4,806) |
| Total expenditures | <u>1,986,517</u> | <u>2,256,378</u> | <u>2,244,527</u> | <u>2,239</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | <u>(149,978)</u> | <u>(223,927)</u> | <u>(200,625)</u> | <u>13,690</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from bond and note payable issuances | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Transfers (to) from other funds: | 149,978 | 192,639 | 199,170 | 6,531 |
| Total other financing sources (uses) | <u>149,978</u> | <u>192,639</u> | <u>199,170</u> | <u>6,531</u> |
| NET CHANGE IN FUND BALANCE | | | | |
| | - | (31,288) | (1,455) | 20,221 |
| FUND BALANCE - BEGINNING OF YEAR | | | | |
| | 641,943 | 641,943 | 641,943 | - |
| FUND BALANCE - END OF YEAR | | | | |
| | <u>\$ 641,943</u> | <u>\$ 610,655</u> | <u>\$ 640,488</u> | <u>\$ 29,833</u> |

CITY OF JOHNSON CITY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2022

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 \$11,451, and operating expenditures were less than budgeted by \$2,239 resulting in an overall operating variance favorable of \$13,690. There was an overall decrease in fund balance of \$1,455 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)

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

* Fiscal year 2015 was the first year of implementation, therefore only eight 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) |
| <u>154,030</u> | <u>118,681</u> | <u>178,889</u> | <u>156,535</u> | <u>217,530</u> | <u>16,628</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> | <u>1,500,141</u> |
| <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) |
| <u>318,348</u> | <u>(9,619)</u> | <u>260,233</u> | <u>131,730</u> | <u>53,339</u> | <u>95,882</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>1,189,316</u> |
| <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) |
| 12/31/2019 | \$ 2,039,229 | \$ 2,342,434 | 87.1% | \$ 303,205 | \$ 795,762 | 38.1% |
| 12/31/2020 | 2,237,188 | 2,438,179 | 91.8% | 200,991 | 750,508 | 26.8% |
| 12/31/2021 | 2,586,747 | 2,555,417 | 101.2% | (31,330) | 766,535 | -4.1% |

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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)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------------------|-------------------------|-------------------------|
| Total OPEB Liability (Asset) | | | |
| Service cost | \$ 2,376 | \$ 2,101 | \$ 2,228 |
| Interest on total OPEB liability | 918 | 1,170 | 1,264 |
| Effect of plan changes | - | - | - |
| Difference between expected and actual experience | (8,031) | (5,771) | (2,351) |
| Effect of assumptions changes or inputs | 1,209 | 5,996 | 7,508 |
| Benefit payments | <u>(383)</u> | <u>(150)</u> | <u>(80)</u> |
| Net change in total OPEB liability (asset) | (3,911) | 3,346 | 8,569 |
| | | | |
| Total OPEB liability (asset), beginning | <u>44,918</u> | <u>41,572</u> | <u>33,003</u> |
| Total OPEB liability (asset), ending (a) | <u><u>\$ 41,007</u></u> | <u><u>\$ 44,918</u></u> | <u><u>\$ 41,572</u></u> |
| | | | |
| Covered payroll | \$ 766,535 | \$ 750,508 | \$ 795,762 |
| | | | |
| Net OPEB liability (asset) as a % of covered payroll | 5.35% | 5.99% | 5.22% |

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

| <u>2019</u> | <u>2018</u> |
|-------------|-------------|
| \$ 2,605 | \$ 2,142 |
| 1,115 | 1,036 |
| - | - |
| (306) | - |
| (2,750) | 2,936 |
| (81) | (77) |
| 583 | 6,037 |
| 32,420 | 26,383 |
| \$ 33,003 | \$ 32,420 |
| | |
| \$ 814,214 | \$ 765,003 |
| 4.05% | 4.24% |

**CITY OF JOHNSON CITY, TEXAS
 COMBINING BALANCE SHEET - NON-MAJOR
 GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022**

| | Special Revenue Funds | |
|---|-----------------------------|------------------------|
| | Court Technology Fund | Court Security Fund |
| ASSETS | | |
| Unrestricted | | |
| Cash and cash equivalents | \$ 1,521 | \$ 1,632 |
| Investments | - | - |
| Receivables, net | - | - |
| Due from other funds | - | - |
| Restricted assets: | | |
| Cash and cash equivalents | - | - |
| Total assets | <u>1,521</u> | <u>1,632</u> |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable | - | - |
| Accrued salary and benefits | - | - |
| Due to other funds | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |
| FUND BALANCES | | |
| Restricted | 1,521 | 1,632 |
| Committed | - | - |
| Unassigned | - | - |
| Total fund balances | <u>1,521</u> | <u>1,632</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 1,521</u> | <u>\$ 1,632</u> |

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

| Special Revenue Funds | | | |
|-------------------------------|---------------------------------------|-----------------|--|
| Parks & Recreation Fund | Local Truancy & Prevention Fund | Court Jury Fund | Total Non-Major Governmental Funds |
| \$ 1,894 | \$ 1,003 | \$ 22 | \$ 6,072 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>1,894</u> | <u>1,003</u> | <u>22</u> | <u>6,072</u> |
| 1,393 | - | - | 1,393 |
| - | - | - | - |
| - | - | - | - |
| <u>1,393</u> | <u>-</u> | <u>-</u> | <u>1,393</u> |
| - | - | - | - |
| - | - | - | - |
| 501 | 1,003 | 22 | 4,679 |
| - | - | - | - |
| - | - | - | - |
| <u>501</u> | <u>1,003</u> | <u>22</u> | <u>4,679</u> |
| <u>\$ 1,894</u> | <u>\$ 1,003</u> | <u>\$ 22</u> | <u>\$ 6,072</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, 2022

| | Special Revenue Funds | |
|--|--------------------------|------------------------|
| | Court Technology Fund | Court Security Fund |
| REVENUES | | |
| Property taxes | \$ - | \$ - |
| Sales tax | - | - |
| Franchise taxes | - | - |
| Other taxes | - | - |
| Licenses and permits | - | - |
| Charge for services | - | - |
| Grants | - | - |
| Fines | - | - |
| Rents and royalties | - | - |
| Interest income | - | - |
| Other | 774 | 839 |
| Total revenues | 774 | 839 |
| 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 | - | - |
| Excess (deficiency) of revenues over expenditures | 774 | 839 |
| 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) | - | - |
| Net change in fund balances | 774 | 839 |
| Fund balances - beginning of year | 747 | 793 |
| Fund balances - end of year | \$ 1,521 | \$ 1,632 |

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

| Special Revenue Funds | | | |
|------------------------------------|--|------------------------|---|
| <u>Parks & Recreation Fund</u> | <u>Local Truancy & Prevention Fund</u> | <u>Court Jury Fund</u> | <u>Total Non-Major Governmental Funds</u> |
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 692 | 15 | 2,320 |
| <u>-</u> | <u>692</u> | <u>15</u> | <u>2,320</u> |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 692 | 15 | 2,320 |
| (100) | - | - | (100) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>(100)</u> | <u>-</u> | <u>-</u> | <u>(100)</u> |
| (100) | 692 | 15 | 2,220 |
| 601 | 311 | 7 | 2,459 |
| <u>\$ 501</u> | <u>\$ 1,003</u> | <u>\$ 22</u> | <u>\$ 4,679</u> |

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atchley & Associates LLP

Austin, Texas

April 11, 2023

**CITY OF JOHNSON CITY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

Financial Statement Findings

None

**CITY OF JOHNSON CITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022**

Prior Audit Findings

None