

**City of Danbury, Texas**

***ANNUAL FINANCIAL REPORT***

**For the Year Ended September 30, 2021**



# **City of Danbury, Texas**

## **ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2021**

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## **INTRODUCTORY SECTION**

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# **City of Danbury, Texas**

## **PRINCIPAL OFFICIALS**

**September 30, 2021**

### **GOVERNING BODY**

Melinda Strong, Mayor  
Butch Peterson, Mayor Pro-Tem  
Chris Holcomb  
Keith Woods  
Rocky Hicks  
Jon Williams

### **OTHER PRINCIPAL OFFICIALS**

Cynthia Sharp, Utility Billing/Court Clerk/Deputy City Secretary  
Carrie Long, Finance Officer  
Todd Burson, Police Chief  
John Vasut, Court Judge  
Art Pertile, III of Olson & Olson, City Attorney

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Council  
City of Danbury  
Brazoria County, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Danbury, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Danbury, Texas's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Danbury, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary information on pages 48 through 50 and pension information on pages 52 through 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Danbury, Texas's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements on pages 60 through 61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

*Curtis T. Craig, CPA*

Rosenberg, Texas  
March 3, 2022

## Management's Discussion and Analysis

As management of the City of Danbury, Texas, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2021.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,673,082 (net position). Of this amount, \$1,452,517 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$617,956 during the 2021 fiscal year.
- The City's total expenses were \$1,386,691. Program revenues of \$941,876 reduced the net cost of the City's functions to be financed from the City's general revenues to \$444,815.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,125,244, or 291.2 percent of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$258,354 during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

### **FUND FINANCIAL STATEMENTS**

Traditional users of government financial statements will find the fund financial statement presentation more familiar, as the focus is on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has two types of funds:

**Governmental Funds** - Some of 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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship/differences between them.

The City maintains two major governmental funds, the General Fund and the Debt Service Fund for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for these funds.

**Proprietary Fund** – The City maintains a single enterprise fund, the Water & Sewer Utility Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 45 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget and the City's pension benefits provided to its employees. Required supplementary information can be found on pages 48 through 56 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,673,082 as of September 30, 2021.

The largest portion of the City's net position (72.8 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, infrastructure and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the City's net position (5.4 percent) represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City's net position (21.8 percent) represents unrestricted financial resources available for future operations.

**SUMMARY OF STATEMENT OF NET POSITION**  
**As of September 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 1,755,909	\$ 946,381	\$ 466,892	\$ 426,275	\$ 2,222,801	\$ 1,372,656
Capital assets, net	2,434,253	2,794,016	2,677,996	2,793,341	5,112,249	5,587,357
<b>Total Assets</b>	<b>4,190,162</b>	<b>3,740,397</b>	<b>3,144,888</b>	<b>3,219,616</b>	<b>7,335,050</b>	<b>6,960,013</b>
Deferred outflows of resources	5,483	7,967	5,940	7,065	11,423	15,032
Long-term liabilities	473,218	703,901	54,407	89,259	527,625	793,160
Other liabilities	14,950	19,211	97,633	61,643	112,583	80,854
<b>Total Liabilities</b>	<b>488,168</b>	<b>723,112</b>	<b>152,040</b>	<b>150,902</b>	<b>640,208</b>	<b>874,014</b>
Deferred inflows of resources	15,928	24,330	17,255	21,575	33,183	45,905
Net Position:						
Net investment in capital assets	2,189,798	2,111,658	2,671,248	2,731,094	4,861,046	4,842,752
Restricted	359,519	296,309			359,519	296,309
Unrestricted	1,142,232	592,955	310,285	323,110	1,452,517	916,065
<b>Total Net Position</b>	<b>\$ 3,691,549</b>	<b>\$ 3,000,922</b>	<b>\$ 2,981,533</b>	<b>\$ 3,054,204</b>	<b>\$ 6,673,082</b>	<b>\$ 6,055,126</b>

Net position of the City, which relates to governmental and business-type activities, increased by \$617,956. Key elements of the increase are as follows:

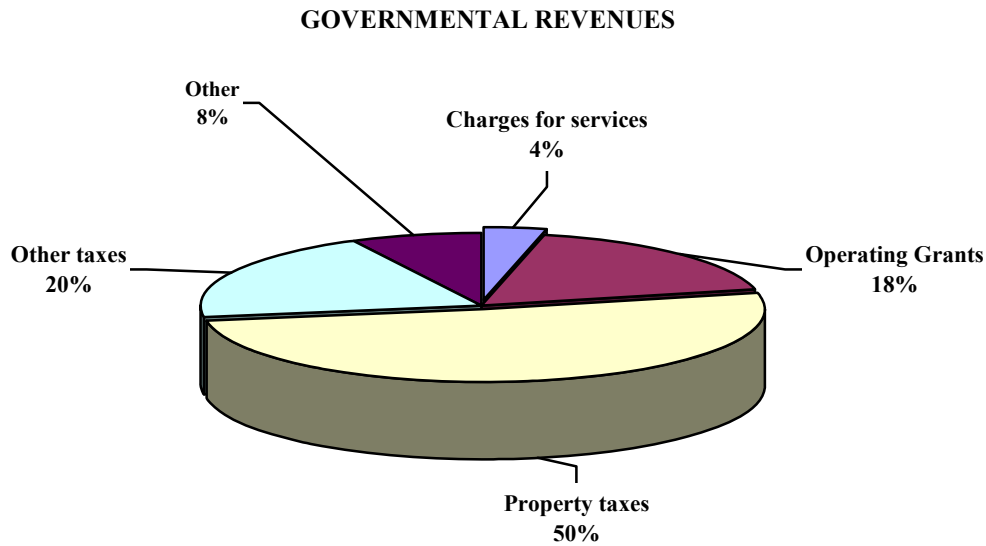
**CHANGES IN NET POSITION**  
**For the Fiscal Years Ended September 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 46,842	\$ 56,030	\$ 671,810	\$ 655,553	\$ 718,652	\$ 711,583
Operating grants and contributions	223,224				223,224	
General revenues:						
Property taxes	651,472	646,447			651,472	646,447
Other taxes	252,754	242,053			252,754	242,053
Other	95,426	108,528	63,119	69,507	158,545	178,035
<b>Total Revenues</b>	<b>1,269,718</b>	<b>1,053,058</b>	<b>734,929</b>	<b>725,060</b>	<b>2,004,647</b>	<b>1,778,118</b>
<b>Expenses</b>						
General administration	302,229	278,532			302,229	278,532
Police	79,380	131,425			79,380	131,425
Municipal court	1,378	4,396			1,378	4,396
Streets and drainage	119,454	131,434			119,454	131,434
Parks and community center	26,870	21,391			26,870	21,391
Interest and fiscal charges	13,780	19,205			13,780	19,205
Utilities			843,600	629,241	843,600	629,241
<b>Total Expenses</b>	<b>543,091</b>	<b>586,383</b>	<b>843,600</b>	<b>629,241</b>	<b>1,386,691</b>	<b>1,215,624</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>726,627</b>	<b>466,675</b>	<b>(108,671)</b>	<b>95,819</b>	<b>617,956</b>	<b>562,494</b>
Transfers	(36,000)		36,000			
<b>Change in Net Position</b>	<b>690,627</b>	<b>466,675</b>	<b>(72,671)</b>	<b>95,819</b>	<b>617,956</b>	<b>562,494</b>
<b>Net Position, Beginning</b>	<b>3,000,922</b>	<b>2,534,247</b>	<b>3,054,204</b>	<b>2,958,385</b>	<b>6,055,126</b>	<b>5,492,632</b>
<b>Net Position, Ending</b>	<b>\$ 3,691,549</b>	<b>\$ 3,000,922</b>	<b>\$ 2,981,533</b>	<b>\$ 3,054,204</b>	<b>\$ 6,673,082</b>	<b>\$ 6,055,126</b>

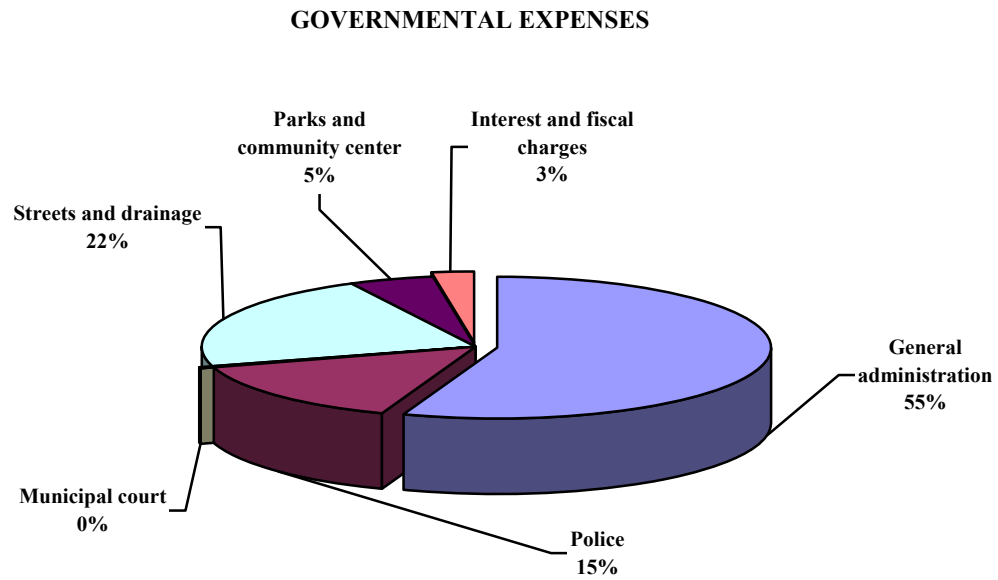
The City's governmental net position increased by \$690,627, as compared to an increase of \$466,675 in the prior year.

The City's business-type net position decreased by \$72,671, as compared to an increase of \$95,819 in the prior year.

Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.



For the fiscal year ended September 30, 2021, revenue from governmental activities totaled \$1,269,718.



For the fiscal year ended September 30, 2021, expenses from governmental activities totaled \$543,091, the largest portion of which relates to general administration (55.6%).

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

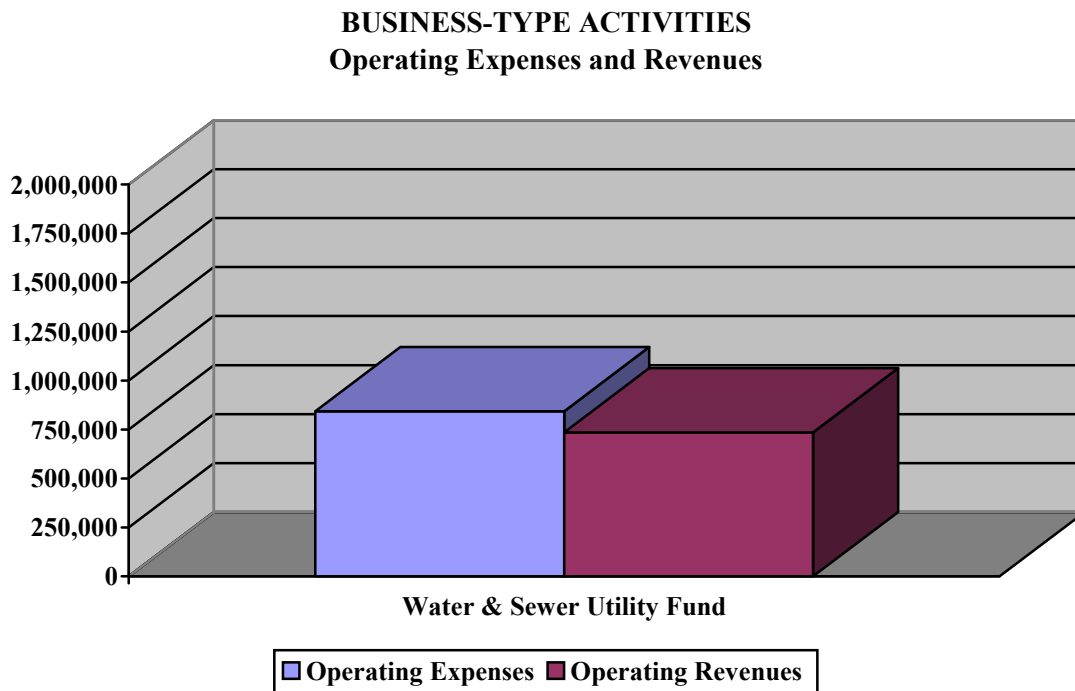
As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2021, the City's governmental funds reported an ending fund balance of \$1,492,596, which is an increase of \$594,953 from last year's total of \$897,643. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 291.2 percent of total General Fund expenditures.

**Proprietary Fund** - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail (see Exhibits A-6, A-7, and A-8).

The Water & Sewer Utility Fund has an unrestricted net position at fiscal year-end of \$310,285. The decrease in total net position of the Water & Sewer Utility Fund for the year was \$72,671. Other factors concerning the finances of the City's proprietary fund have already been addressed in the discussion of the City's business-type activities.





## **CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets** - The City's net investment in capital assets as of September 30, 2021, amounts to \$5,354,514 (net of accumulated depreciation). This net investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment, vehicles and rolling stock.

### **CAPITAL ASSETS SCHEDULE September 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 217,465	\$ 217,465	\$ 24,800	\$ 24,800	\$ 242,265	\$ 242,265
Construction in progress		46,650			0	
Buildings and improvements	511,451	443,151	17,059	17,059	528,510	460,210
Infrastructure	4,810,863	4,810,863	6,088,320	6,031,924	10,899,183	10,842,787
Machinery, equipment, vehicles and furnishings	691,506	708,007	669,337	689,605	1,360,843	1,397,612
Vehicles and rolling stock			26,545	31,545	26,545	31,545
Less: accum. depreciation	(3,579,567)	(3,432,120)	(4,123,265)	(4,001,592)	(7,702,832)	(7,433,712)
<b>Totals</b>	<b>\$ 2,651,718</b>	<b>\$ 2,794,016</b>	<b>\$ 2,702,796</b>	<b>\$ 2,793,341</b>	<b>\$ 5,354,514</b>	<b>\$ 5,540,707</b>

Additional information on the City's capital assets can be found in Note 6 in the Notes to Financial Statements.

**Long-Term Liabilities** - At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$502,197.

### **SCHEDULE OF LONG-TERM LIABILITIES September 30, 2021 and 2020**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Refunding bonds	\$ 461,000	\$ 681,000	\$	\$	\$ 461,000	\$ 681,000
Note payable			31,548	62,247	31,548	62,247
Compensated absences	13	5,618	9,636	11,686	9,649	17,304
<b>Totals</b>	<b>\$ 461,013</b>	<b>\$ 686,618</b>	<b>\$ 41,184</b>	<b>\$ 73,933</b>	<b>\$ 502,197</b>	<b>\$ 760,551</b>

The City's total long-term liabilities decreased by \$258,354 during the current fiscal year.

The refunding bonds are scheduled to be retired in 2023 and the note payable is scheduled to be retired in 2022.

Additional information on the City's long-term liabilities can be found in Note 7 in the Notes to Financial Statements.

### **GENERAL FUND HIGHLIGHTS**

- For the fiscal year ended September 30, 2021, fund balance in the General Fund increased to \$1,394,403.
- For the 2021 fiscal year, total revenues were more than budgeted amounts by \$402,372.
- For the 2021 fiscal year, total expenditures were less than appropriations by \$230,656.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Danbury, Texas's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Danbury, Texas, Attn: City Council, P.O. Box 258, Danbury, Texas 77534.

## **BASIC FINANCIAL STATEMENTS**

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# **CITY OF DANBURY, TEXAS**

Exhibit A-1

## **STATEMENT OF NET POSITION**

**September 30, 2021**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,456,707	\$ 232,311	\$ 1,689,018
Receivables, net	53,152	65,441	118,593
Inventory		19,225	19,225
Prepays	7,833		7,833
Internal balances	20,752	(20,752)	
Restricted cash and cash equivalents		145,867	145,867
Capital assets, not being depreciated	217,465	24,800	242,265
Capital assets, net of accumulated depreciation	2,434,253	2,677,996	5,112,249
<b>Total Assets</b>	<b>4,190,162</b>	<b>3,144,888</b>	<b>7,335,050</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows - pension activities	5,483	5,940	11,423
<b>Total Deferred Outflows of Resources</b>	<b>5,483</b>	<b>5,940</b>	<b>11,423</b>
<b><u>Liabilities</u></b>			
Accounts payable and other current liabilities	14,030	39,702	53,732
Accrued interest payable	920	760	1,680
Customer deposits		57,171	57,171
Noncurrent liabilities:			
Due within one year	229,001	32,512	261,513
Due in more than one year	244,217	21,895	266,112
<b>Total Liabilities</b>	<b>488,168</b>	<b>152,040</b>	<b>640,208</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred inflows - pension activities	15,928	17,255	33,183
<b>Total Deferred Inflows of Resources</b>	<b>15,928</b>	<b>17,255</b>	<b>33,183</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	2,189,798	2,671,248	4,861,046
Restricted	359,519		359,519
Unrestricted	1,142,232	310,285	1,452,517
<b>Total Net Position</b>	<b>\$ 3,691,549</b>	<b>\$ 2,981,533</b>	<b>\$ 6,673,082</b>

See Notes to Financial Statements.

# **CITY OF DANBURY, TEXAS**

## **STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants &amp; Contributions</b>
<b>Governmental Activities:</b>			
General administration	\$ 302,229	\$ 26,810	\$ 223,224
Police	79,380	4,591	
Municipal court	1,378		
Streets and drainage	119,454		
Parks and community center	26,870	15,441	
Interest and fiscal charges	13,780		
<b>Total Governmental Activities</b>	<b>543,091</b>	<b>46,842</b>	<b>223,224</b>
<b>Business-Type Activities:</b>			
Utilities	843,600	671,810	
<b>Total Business-Type Activities</b>	<b>843,600</b>	<b>671,810</b>	
<b>Totals</b>	<b>\$ 1,386,691</b>	<b>\$ 718,652</b>	<b>\$ 223,224</b>

### **General Revenues:**

#### **Taxes:**

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

### **Transfers**

#### **Total General Revenues and Transfers**

### **Change in Net Position**

**Net Position, Beginning**

**Net Position, Ending**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (52,195)	\$	\$ (52,195)
(74,789)		(74,789)
(1,378)		(1,378)
(119,454)		(119,454)
(11,429)		(11,429)
(13,780)		(13,780)
<u>(273,025)</u>		<u>(273,025)</u>
	(171,790)	(171,790)
	<u>(171,790)</u>	<u>(171,790)</u>
<u>\$ (273,025)</u>	<u>\$ (171,790)</u>	<u>\$ (444,815)</u>
\$ 651,472	\$	\$ 651,472
194,359		194,359
58,395		58,395
1,676		1,676
93,750	63,119	156,869
<u>(36,000)</u>	<u>36,000</u>	
963,652	99,119	1,062,771
690,627	(72,671)	617,956
3,000,922	3,054,204	6,055,126
<u>\$ 3,691,549</u>	<u>\$ 2,981,533</u>	<u>\$ 6,673,082</u>

# **CITY OF DANBURY, TEXAS**

## **BALANCE SHEET** **GOVERNMENTAL FUNDS**

**September 30, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,359,428	\$ 66,766
Receivables, net:		
Property taxes	18,699	13,119
Sales taxes	14,667	
Franchise taxes	6,505	
Other		162
Prepays	7,833	
Due from other funds	20,000	
<b>Total Assets</b>	<b>\$ 1,427,132</b>	<b>\$ 80,047</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and accrued liabilities	\$ 14,030	\$
<b>Total Liabilities</b>	<b>14,030</b>	
<b><u>Deferred Inflows of Resources</u></b>		
Unavailable revenues - property taxes	18,699	13,119
<b>Total Deferred Inflows of Resources</b>	<b>18,699</b>	<b>13,119</b>
<b><u>Fund Balances</u></b>		
Fund Balances:		
Nonspendable	7,833	
Restricted	261,326	66,928
Unassigned	1,125,244	
<b>Total Fund Balances</b>	<b>1,394,403</b>	<b>66,928</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,427,132</b>	<b>\$ 80,047</b>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, notes payable and compensated absences, are not due and payable in the current period and are therefore not reported in the funds.

Deferred inflows/outflows of resources pertaining to actuarial pension differences between expected and actual economic experience (-\$9,186), projected and actual investment earnings (-\$6,742), pension contributions made subsequent to the measurement date (\$4,858), and assumption changes (\$625) are not financial resources and, therefore, are not reported in the funds.

The net pension liability is not due and payable in the current period and is therefore not reported in the funds.

Revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.

### **Net Position of Governmental Activities**

See Notes to Financial Statements.



**Exhibit A-3**

<b>Other Governmental Fund</b>	<b>Totals Governmental Funds</b>
\$ 30,513	\$ 1,456,707
	31,818
	14,667
	6,505
	162
	7,833
752	20,752
<u>\$ 31,265</u>	<u>\$ 1,538,444</u>
\$	\$ 14,030
	14,030
	31,818
	31,818
	7,833
31,265	359,519
	1,125,244
<u>31,265</u>	<u>1,492,596</u>
<u>\$ 31,265</u>	<u>\$ 1,538,444</u>
	\$ 2,651,718
	(461,933)
	(10,445)
	(12,205)
	31,818
	<u>\$ 3,691,549</u>

# **CITY OF DANBURY, TEXAS**

## **STATEMENT OF REVENUES, EXPENDITURES,** **AND CHANGES IN FUND BALANCES** **GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>
<b><u>Revenues</u></b>		
Property taxes	\$ 419,989	\$ 230,550
Franchise taxes	58,395	
Sales taxes	194,359	
Municipal court fines	4,591	
Licenses and permits	26,810	
Parks and community center		
Intergovernmental	223,224	
Investment earnings	1,629	
Other	90,425	280
<b>Total Revenues</b>	<b>1,019,422</b>	<b>230,830</b>
<b><u>Expenditures</u></b>		
<b>Current:</b>		
General administration	285,754	
Municipal court	1,378	
Police department	61,763	
Streets and drainage	11,360	
Parks and community center		
<b>Capital outlay</b>	<b>26,139</b>	
<b>Debt Service:</b>		
Principal payments		220,000
Interest and fiscal charges		14,218
<b>Total Expenditures</b>	<b>386,394</b>	<b>234,218</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>633,028</b>	<b>(3,388)</b>
<b><u>Other Financing (Uses)</u></b>		
Transfers (out)	(36,000)	
<b>Total Other Financing (Uses)</b>	<b>(36,000)</b>	
<b>Net Change in Fund Balances</b>	<b>597,028</b>	<b>(3,388)</b>
<b>Fund Balances - Beginning</b>	<b>797,375</b>	<b>70,316</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,394,403</b>	<b>\$ 66,928</b>

See Notes to Financial Statements.

<b>Other Governmental Fund</b>	<b>Totals Governmental Funds</b>
\$	\$ 650,539
	58,395
	194,359
	4,591
	26,810
15,441	15,441
	223,224
47	1,676
3,060	93,765
<u>18,548</u>	<u>1,268,800</u>
	285,754
	1,378
	61,763
	11,360
17,235	17,235
	26,139
	220,000
	14,218
<u>17,235</u>	<u>637,847</u>
<u>1,313</u>	<u>630,953</u>
	(36,000)
	(36,000)
1,313	594,953
29,952	897,643
<u>\$ 31,265</u>	<u>\$ 1,492,596</u>

## **CITY OF DANBURY, TEXAS**

Exhibit A-5

### **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 594,953
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 expense exceeded capital outlay in the current period.	(142,298)
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	225,605
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in the net pension liability (\$5,078), deferred outflows of resources (-\$2,484), deferred inflows of resources (\$8,402) and accrued interest (\$438).	11,434
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting.	<u>933</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 690,627</u></b>

# **CITY OF DANBURY, TEXAS**

Exhibit A-6

## **STATEMENT OF NET POSITION** **PROPRIETARY FUND**

**September 30, 2021**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>
	<b>Utility Fund</b>
<b><u>Assets</u></b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 232,311
<b>Receivables:</b>	
Accounts, net	65,441
Inventory	19,225
<b>Restricted Assets:</b>	
Cash for emergency recovery	49,897
Cash for meter replacement	38,413
Cash for customer deposits	57,557
<b>Non-Current Assets:</b>	
Capital assets	6,826,061
Less: accumulated depreciation	(4,123,265)
Total capital assets, net of	
accumulated depreciation	2,702,796
<b>Total Assets</b>	<b>3,165,640</b>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred outflows - pension activities	5,940
<b>Total Deferred Outflows of Resources</b>	<b>5,940</b>
<b><u>Liabilities</u></b>	
<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	40,462
Customer deposits	57,171
Due to other funds	20,752
Compensated absences	964
Note payable	31,548
<b>Non-Current Liabilities:</b>	
Compensated absences	8,672
Net pension liability	13,223
<b>Total Liabilities</b>	<b>172,792</b>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows -pension activities	17,255
<b>Total Deferred Inflows of Resources</b>	<b>17,255</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	2,671,248
Unrestricted	310,285
<b>Total Net Position</b>	<b>\$ 2,981,533</b>

See Notes to Financial Statements.

# **CITY OF DANBURY, TEXAS**

Exhibit A-7

## **STATEMENT OF REVENUES, EXPENSES AND CHANGES** **IN FUND NET POSITION** **PROPRIETARY FUND**

**For the Year Ended September 30, 2021**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>
	<b>Utility Fund</b>
<b><u>Operating Revenues</u></b>	
Charges for services:	
Water	\$ 261,814
Sewer	250,310
Garbage	159,686
Late charges	15,264
Other	47,855
<b>Total Operating Revenues</b>	<b>734,929</b>
<b><u>Operating Expenses</u></b>	
Cost of sales and services:	
Personnel	143,205
Contract services	169,234
Utilities	38,038
Other administrative	50,469
Repairs and maintenance	289,322
Depreciation	152,107
<b>Total Operating Expenses</b>	<b>842,375</b>
<b>Operating Income (Loss)</b>	<b>(107,446)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Transfers in	36,000
Interest and fiscal charges	(1,225)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>34,775</b>
<b>Net Income (Loss)</b>	<b>(72,671)</b>
<b>Net Position, Beginning</b>	<b>3,054,204</b>
<b>Net Position, Ending</b>	<b>\$ 2,981,533</b>

# **CITY OF DANBURY, TEXAS**

Exhibit A-8 (Page 1 of 2)

## **STATEMENT OF CASH FLOWS** **PROPRIETARY FUND**

**For the Year Ended September 30, 2021**

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer Utility Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 735,981
Cash paid to suppliers	(493,747)
Cash paid to employees	(149,228)
<b>Net Cash Provided by Operating Activities</b>	<b>93,006</b>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>	
Transfers in	36,000
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>36,000</b>
<b><u>Cash Flows from Capital and Related</u></b>	
<b><u>Financing Activities</u></b>	
Acquisition of capital assets	(61,562)
Principal paid on capital debt	(30,699)
Interest paid on capital debt	(1,862)
<b>Net Cash (Used) by Capital and Related</b>	
<b>Financing Activities</b>	<b>(94,123)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>34,883</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>343,295</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 378,178</b>

See Notes to Financial Statements.

# **CITY OF DANBURY, TEXAS**

Exhibit A-8 (Page 2 of 2)

## **STATEMENT OF CASH FLOWS** **PROPRIETARY FUND**

**For the Year Ended September 30, 2021**

### **Reconciliation of Operating (Loss) to Net Cash**

#### **Provided by Operating Activities**

Operating (loss)	\$	(107,446)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation expense		152,107
(Increase) decrease in receivables		(888)
(Increase) decrease in deferred outflows		1,125
Increase (decrease) in customer deposits		1,940
Increase (decrease) in due to other funds		19,954
Increase (decrease) in deferred inflows		(4,320)
Increase (decrease) in pension liability		(2,103)
Increase (decrease) in compensated absences		(2,050)
Increase (decrease) in accounts payable and accrued liabilities		34,687
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>93,006</b>

See Notes to Financial Statements.



# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Danbury, Texas (the “City”), have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the primary accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

#### **A. Financial Reporting Entity**

The City is a political subdivision of the State of Texas, incorporated as a General Law Municipality, and is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present all governmental activities, agencies, organizations and functions for which the City’s governing body is considered to be financially accountable.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity, are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or reporting entity. The overriding elements associated with these prescribed criteria for this purpose are an entity: having a separately elected governing body; being a legally separate entity; and being fiscally independent of other state or local governments. Other prescribed criteria include considerations pertaining to organizations to which the reporting entity is financially accountable, or which have such a significance in relationship, that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The Danbury Volunteer Fire Department (“VFD”) and Danbury Emergency Services, Inc., are separate nonprofit corporations governed by their own boards of directors. Accordingly, these financial statements do not include the assets or operations of these legally separate entities. The City has utility billing procedures that provide for a regular monthly voluntary fee, which the City remits to the VFD for providing contractual fire services which are considered essential within the incorporated limits of the City. The City has also assisted with the acquisition of certain VFD assets and provides a level of support periodically budgeted through the City’s General Fund.

#### **B. Financial Statement Presentation**

These financial statements include implementation of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments (“Statement No. 34”).

Certain of the significant changes in Statement No. 34 include the following:

- A Management’s Discussion and Analysis (“MD&A”) section providing an analysis of the City’s overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City’s governmental and business-type activities.
- Fund financial statements focusing on the major funds.

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

### **D. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Governmental fund financial statements are reported

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

### **General Fund**

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources for this fund are charges for providing services and a property tax levied for maintenance and operations.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for payment of certain long-term debt principal, interest, and related costs. These particular debts require the assessment of a separate property tax dedicated for the security and servicing of such obligations.

The government reports the following major proprietary fund:

### **Water & Sewer Utility Fund**

The Water & Sewer Utility Fund is an enterprise fund, which is a fund type that focuses on the determination of operating income, changes in net position, and cash flows. Enterprise funds are accounted for in a manner similar to private businesses, where the intent of management is to cover operating costs through user charges.

The City's non-major governmental fund is a special revenue fund - the Parks Fund. This non-major fund is utilized to separately control fee revenues and donations earmarked for use in City park facilities and community center. The City does not have any non-major proprietary funds.

## **E. Cash and Investments**

State statutes authorize the City to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its agencies, commercial paper, money market mutual funds and fully collateralized repurchase agreements. Investments are stated at cost. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, which includes all cash and investment balances of the City's funds disclosed as of September 30, 2021.

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **F. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Property taxes are levied as of October 1st, of each year with statements prepared and mailed at that date or as soon thereafter as practical. The tax levy is based upon appraised property values as of January 1st. Taxes are due and payable when levied and may be timely paid through January 31st. On February 1st, the unpaid taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to lawsuit for collection and additional charges to offset related legal costs. The appraisal of property is the responsibility of a separate governmental entity. The City's taxes are collected by the Brazoria County Tax Assessor/Collector with collections remitted by direct deposit into the City's bank accounts.

Both property tax and utility customer receivables are shown net of allowances for uncollectible accounts. The amount provided for the allowance is based upon historical experience and evaluation of collectivity which uses an aging analysis. The net total for property taxes is offset by an unavailable revenue balance which is disclosed as a deferred inflow and effectively results in this revenue being recognized as cash is received.

### **G. Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Position and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

### **H. Inventories**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable utility system supplies held for repairs and improvements to the City's water and sewer systems.

### **I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the lives of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

<b><u>Asset Description</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings	20-40 years
Infrastructure - Utility	20-40 years
Infrastructure - Roadways	20 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-10 years

### **J. Compensated Employee Absences**

The City records a liability for the amount of unused vacation and compensatory time earned, which it has vested in each employee at year-end. This liability is not reported in the fund level financial statements but is included in the government-wide financial statements. The liability applicable to proprietary fund employees is reported within that fund. Time accumulated for sick leave is not included in this accrual, as such time is not paid upon separation from employment.

### **K. Deferred Inflows/Outflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension activities - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual actuarial experiences, and differences between expected and actual investment earnings.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category.

- Deferred outflows of resources for pension activities - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, and changes in actuarial assumptions.

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System ("TMRS") and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **M. Long-Term Obligations**

The government-wide financial statements and proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities or proprietary fund statement of net position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums or discounts associated with the debt are reported as either an other financing source or financing use.

### **N. Fund Equity**

Restricted equity balances represent those portions of equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned equity represents available funds for the City's future use.

### **O. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **P. Restricted Resources**

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Q. Interfund Activity**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are utility charges between the utility function and various other functions of the government.

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **R. Operating and Nonoperating Revenues**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water & Sewer Utility Fund are charges to customers for sales and services. The Water & Sewer Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

### **S. Reclassifications**

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have no effect on the excess of revenues over expenditures.

### **T. Date of Management's Review**

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 3, 2022, the date that the financial statements were available to be issued.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City's budget is prepared for governmental fund types in accordance with generally accepted accounting principles. An annual appropriated budget is adopted by City Council for the General Fund. Appropriations lapse at fiscal year-end except those for contracted commitments for construction or significant acquisitions. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to accordingly amend the budget.

## **NOTE 3 - CASH AND CASH EQUIVALENTS**

### **Cash and Cash Equivalents**

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. 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 amount of Federal Deposit Insurance Corporation insurance.

As of September 30, 2021, the carrying value of bank deposits is \$1,869,691, which is entirely covered by federal depository insurance and securities pledged by the City's bank.

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **Custodial Credit Risk - Deposits**

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Texas and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Deposits at year-end are representative of the types of deposits maintained by the City during the year.

### **NOTE 4 - PROPERTY TAXES**

The City's property taxes are levied annually in October on the basis of the appraisal district's assessed values as of January 1st of that calendar year. Appraised values are established by the appraisal district at market value and assessed at 100% of appraised value. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1st of the subsequent calendar year.

Property taxes are levied for operations and are based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.697258 per \$100 of assessed valuation (including \$0.249810 for debt service and \$0.447448 for maintenance and operations). The resulting adjusted tax levy was \$643,755 on the total adjusted taxable valuation of \$92,326,625 for the 2020 tax year.

Property taxes receivable, as of September 30, 2021, consists of the following:

<b>Tax Year</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Totals</b>
2020	\$ 5,812	\$ 3,245	\$ 9,057
2019	4,915	2,857	7,772
2018	4,041	2,401	6,442
2017	3,160	2,029	5,189
2016	2,027	1,442	3,469
2015 and prior	3,744	3,645	7,389
<b>Totals</b>	<b>\$ 23,699</b>	<b>\$ 15,619</b>	<b>\$ 39,318</b>



# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 5 - RECEIVABLES**

Receivables as of September 30, 2021, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>	
	<b><u>General Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Water &amp; Sewer Utility Fund</u></b>	<b><u>Totals</u></b>
Net Receivables:				
Accounts	\$	\$	\$ 65,441	\$ 65,441
Taxes	39,871	13,119		52,990
Other		162		162
<b>Totals</b>	<b>\$ 39,871</b>	<b>\$ 13,281</b>	<b>\$ 65,441</b>	<b>\$ 118,593</b>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the components of deferred inflows of resources reported in the governmental funds are as follows:

Delinquent property taxes receivable - General Fund	\$ 18,699
Delinquent property taxes receivable - Debt Service Fund	13,119
<b>Total</b>	<b>\$ 31,818</b>

# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2021:

#### Governmental Activities:

	Balances Oct. 1, 2020	Increases	Decreases	Balances Sept. 30, 2021
Capital assets not being depreciated:				
Land	\$ 217,465	\$	\$	\$ 217,465
Construction-in-progress	46,650		(46,650)	
Total capital assets not being depreciated	264,115		(46,650)	217,465
Capital assets being depreciated:				
Buildings and improvements	443,151	69,250	(950)	511,451
Infrastructure	4,810,863			4,810,863
Machinery, equipment, vehicles and furnishings	708,007	3,539	(20,040)	691,506
Total capital assets being depreciated	5,962,021	72,789	(20,990)	6,013,820
Less accumulated depreciation for:				
Buildings and improvements	(177,872)	(19,754)	950	(196,676)
Infrastructure	(2,757,068)	(108,094)		(2,865,162)
Machinery, equipment, vehicles and furnishings	(497,180)	(40,574)	20,025	(517,729)
Total accumulated depreciation	(3,432,120)	(168,422)	20,975	(3,579,567)
Total capital assets being depreciated, net	2,529,901	(95,633)	(15)	2,434,253
Governmental activities capital assets, net	\$ 2,794,016	\$ (95,633)	\$ (46,665)	\$ 2,651,718

# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### Business-Type Activities:

	Balances Oct. 1, 2020	Increases	Decreases	Balances Sept. 30, 2021
Capital assets not being depreciated:				
Land	\$ 24,800	\$	\$	\$ 24,800
Total capital assets not being depreciated	24,800			24,800
Capital assets being depreciated:				
Buildings and improvements	17,059			17,059
Infrastructure	6,031,924	63,444	(7,048)	6,088,320
Vehicles and rolling stock	31,545		(5,000)	26,545
Machinery, equipment and furnishings	689,605	2,274	(22,542)	669,337
Total capital assets being depreciated	6,770,133	65,718	(34,590)	6,801,261
Less accumulated depreciation for:				
Buildings and improvements	(9,521)	(951)		(10,472)
Infrastructure	(3,364,226)	(130,392)	4,856	(3,489,762)
Vehicles and rolling stock	(31,545)		5,000	(26,545)
Machinery, equipment and furnishings	(596,300)	(20,764)	20,578	(596,486)
Total accumulated depreciation	(4,001,592)	(152,107)	30,434	(4,123,265)
Total capital assets being depreciated, net	2,768,541	(86,389)	(4,156)	2,677,996
Business-type activities capital assets, net	\$ 2,793,341	\$ (86,389)	\$ (4,156)	\$ 2,702,796

Depreciation was charged to functions of the primary government as follows:

#### **Governmental Activities:**

General administration	\$ 26,515
Police	24,178
Streets and drainage	108,094
Parks and community center	9,635
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 168,422</b>

#### **Business-Type Activities:**

Utilities	\$ 152,107
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 152,107</b>

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 7 - LONG-TERM LIABILITIES**

#### **Governmental Activities Long-Term Liabilities**

The City's governmental activities general obligation long-term debt is comprised of the following:

<b>Bonds</b>	<b>Original Issue Amount</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Amount Outstanding</b>
<b><u>Governmental Activities:</u></b>				
General Obligation Refunding Bonds, Series 2012	\$ 2,294,000	2023	2.49	\$ 461,000
<b>Total</b>				<b>\$ 461,000</b>

As of September 30, 2021, the debt service requirements on the bonds outstanding for the next two fiscal years are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2022	\$ 229,000	\$ 8,628	\$ 237,628
2023	232,000	2,888	234,888
<b>Totals</b>	<b>\$ 461,000</b>	<b>\$ 11,516</b>	<b>\$ 472,516</b>

#### **Business-Type Activities Long-Term Liabilities**

The City's has one note payable outstanding as of September 30, 2021, which is listed below:

<b>Notes</b>	<b>Original Note Amount</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Amount Outstanding</b>
<b><u>Business-Type Activities:</u></b>				
Government Capital Corporation - Utility Metering & Billing System	\$ 203,000	2022	2.989	\$ 31,548
<b>Total</b>				<b>\$ 31,548</b>

During the 2015 fiscal year the City executed a public property finance act contract (note payable) issued through Government Capital Corporation in the amount of \$203,000 for the purchase and installation of an electronic utility metering system and related technology equipment to facilitate the monthly billing process. This obligation is being serviced by the Water & Sewer Utility Fund and is payable in seven annual installments of \$32,561 each, and bears interest at 2.989%, as follows:

# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 31,548	\$ 1,013	\$ 32,561
<b>Totals</b>	<b>\$ 31,548</b>	<b>\$ 1,013</b>	<b>\$ 32,561</b>

### Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2021, are as follows:

	<u>Balances</u>			<u>Balances</u>	<u>Amounts</u>
	<u>Oct. 1, 2020</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Sept. 30, 2021</u>	<u>Due Within</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Refunding bonds	\$ 681,000	\$	\$ (220,000)	\$ 461,000	\$ 229,000
Compensated absences	5,618		(5,605)	13	1
<b>Total Governmental Activities</b>	<b>\$ 686,618</b>	<b>\$</b>	<b>\$ (225,605)</b>	<b>\$ 461,013</b>	<b>\$ 229,001</b>
<b>Business-Type Activities:</b>					
Note payable	\$ 62,247	\$	\$ (30,699)	\$ 31,548	\$ 31,548
Compensated absences	11,686		(2,050)	9,636	964
<b>Total Business-Type Activities</b>	<b>\$ 73,933</b>	<b>\$</b>	<b>\$ (32,749)</b>	<b>\$ 41,184</b>	<b>\$ 32,512</b>

### NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended September 30, 2021, interfund receivables/payables consisted of the following:

	<u>Payable Fund</u>
	<u>Water &amp; Sewer</u>
	<u>Utility Fund</u>
<u>Receivable Fund</u>	
Parks Fund	\$ 752
General Fund	20,000
<b>Total</b>	<b>\$ 20,752</b>

### NOTE 9 - FUND BALANCES

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following five categories:

# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### *Nonspendable:*

To indicate fund balance associated with inventories, prepaids, long-term loans, notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

### *Restricted:*

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

### *Committed:*

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority). City Council must place an item on the Council's agenda, followed by a formal action to approve such, in order to establish, modify or rescind a fund balance commitment.

### *Assigned:*

To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed. Currently, only City Council has the authority to assign fund balances.

### *Unassigned:*

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

Fund balances for all of the governmental funds as of September 30, 2021, were distributed as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Fund</b>	<b>Totals</b>
<b>Nonspendable:</b>				
Prepaids	\$ 7,833	\$	\$	\$ 7,833
Subtotal	7,833			7,833
<b>Restricted for:</b>				
Streets and roads	\$ 211,067	\$	\$	\$ 211,067
DHEA	50,259			50,259
Debt service		66,928		66,928
Parks and community center			31,265	31,265
Subtotal	261,326	66,928	31,265	359,519
<b>Unassigned</b>	1,125,244			1,125,244
<b>Totals</b>	<u>\$ 1,394,403</u>	<u>\$ 66,928</u>	<u>\$ 31,265</u>	<u>\$ 1,492,596</u>

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City has adopted a fund balance policy for its General Fund, which is calculated at an amount not less than six months of the General Fund's total operating expenditures, excluding capital outlay, based on the most recently completed fiscal year.

### **NOTE 10 – DEFINED BENEFIT PENSION PLAN**

#### **Plan Description**

The City of Danbury, Texas, participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("the TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

#### **Benefits Provided**

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

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

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

Plan provisions adopted by the City are as follows:

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

Employee deposit rate	5%
Municipal current matching ratio	2-1
Updated service credit:	
Rate (%)	
Year effective	
Increased benefits to retirees:	
Rate (%)	
Year effective	
Military service credit effective date	
Buyback effective date	
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	
Supplemental death benefits	Employees, Retirees
Statutory maximum (%)	N/A

### ***Employees covered by benefit terms.***

At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

	<b>2020</b>
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	10
Active employees	5
Total	17

### **Contributions**

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Danbury, Texas, were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Danbury, Texas, were 5.93% and 6.23% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$13,942, and were equal to the required contributions.

### **Net Pension Liability**

The City's Net Pension Liability ("NPL") was measured as of December 31, 2020, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.



# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

### *Actuarial assumptions:*

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014, through December 31, 2018. They were first adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

# CITY OF DANBURY, TEXAS

Exhibit A-9

## NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

### *Discount Rate*

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

### *Changes in the Net Pension Liability*

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
<b>Balance at 12/31/19</b>	\$ 547,214	\$ 514,605	\$ 32,609
Changes for the year:			
Service cost	27,826		27,826
Interest	36,926		36,926
Change of benefit terms			
Difference between expected and actual experience	(2,850)		(2,850)
Changes of assumptions			
Contributions - employer		16,199	(16,199)
Contributions - employee		14,111	(14,111)
Net investment income		39,037	(39,037)
Benefit payments, including refunds of employee contributions	(28,145)	(28,145)	
Administrative expense		(253)	253
Other changes		(11)	11
Net changes	\$ 33,757	\$ 40,938	\$ (7,181)
<b>Balance at 12/31/20</b>	<u>\$ 580,971</u>	<u>\$ 555,543</u>	<u>\$ 25,428</u>

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability (asset)	\$ 100,011	\$ 25,428	\$ (36,378)

### ***Pension Plan Fiduciary Net Position***

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

### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2021, the City recognized pension income of \$2,889.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$	\$ 19,138
Changes in actuarial assumptions	1,303	
Difference between projected and actual investment earnings		14,045
Contributions subsequent to the measurement date	10,120	
<b>Totals</b>	<b>\$ 11,423</b>	<b>\$ 33,183</b>

\$10,120 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

<b><u>Year Ended Dec 31:</u></b>		
2021	\$	(16,786)
2022		(5,559)
2023		(8,674)
2024		(861)
2025		
Thereafter		
	\$	<u>(31,880)</u>

### **NOTE 11 – DANBURY HIGHER EDUCATION AUTHORITY**

The Danbury Higher Education Authority (“DHEA”) is a non-profit corporation established by the City to facilitate the issuance of bonds for institutions of higher education for the purpose of financing the facilities of those institutions. The establishment of the DHEA is authorized by Chapter 53 of the Texas Education Code. The DHEA contracts with a school to issue the bonds on behalf of the school. The school issues notes payable to the DHEA and the DHEA then issues bonds which are purchased by investors. The bonds are sold through an institutional agent who then sells the bonds to investors and remits the funds to the school and pays the DHEA its fee for issuing the bonds from the proceeds of the bond sale. The City did not receive any of the related fee revenue during the 2021 fiscal year. The City has no financial obligation in connection with any debts issued through the DHEA.

### **NOTE 12 – CONTINGENT LIABILITY**

At the beginning of the 2018 fiscal year, the City discovered fraudulent transactions in its general ledger that were recorded by a City employee. Upon discovery of the fraudulent transactions, the City filed a report with the Brazoria County Sheriff’s Office who investigated the case, and subsequently turned the case over to the Brazoria County District Attorney’s Office. After months of analyzing financial records and bank accounts, the City was able to identify fraudulent transactions recorded in the prior fiscal year (2017) general ledgers of the General Fund, Water & Sewer Utility Fund and Parks Fund in the amounts of \$85,865, \$105,316 and \$8,610, respectively. Further, the City was able to identify additional fraudulent transactions recorded in the 2018 fiscal year general ledgers of the General Fund, Water & Sewer Utility Fund and Parks Fund.

During the year ended September 30, 2018, the City received \$50,000 from a security bond held by the City, as well as a \$100,000 restitution payment from the former City employee who committed the fraud, which was part of a plea agreement reached between the former City employee and the Brazoria County District Attorney’s Office. In addition, as part of the plea agreement, the former City employee has been ordered to pay restitution to the City in the amount of \$257,256, less the \$100,000 restitution payment already received. The remainder of the restitution is to be paid to the City in monthly installments of \$1,332.67, however, there is no guarantee that the City will receive the full amount of the restitution.

As part of the fraudulent transactions disclosed above, approximately \$19,000 of fraudulent charges/cash advances were made with a City credit card issued by Wells Fargo Bank. The City has submitted a fraud claim to Wells Fargo Bank regarding these charges/cash advances and is anticipating that the City will not be held responsible for paying these fraudulent charges/cash advances. Therefore, the City has not

# **CITY OF DANBURY, TEXAS**

**Exhibit A-9**

## **NOTES TO FINANCIAL STATEMENTS**

recorded any amount regarding this potential liability in the City's financial statements as of September 30, 2021. However, as of September 30, 2021, it is not known if the City will be required to pay Wells Fargo Bank for these fraudulent charges/cash advances.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# **CITY OF DANBURY, TEXAS**

## **SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND**

**Year Ended September 30, 2021**

	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Favorable (Unfavorable)
<b><u>Revenues</u></b>				
Property taxes	\$ 425,000	\$ 425,000	\$ 419,989	\$ (5,011)
Franchise taxes	55,000	55,000	58,395	3,395
Sales taxes	118,000	118,000	194,359	76,359
Municipal court fines and fees	2,000	2,000	4,591	2,591
Licenses and permits	10,200	10,200	26,810	16,610
Intergovernmental	850	850	223,224	222,374
Investment earnings	1,000	1,000	1,629	629
Other	5,000	5,000	90,425	85,425
<b>Total Revenues</b>	<b>617,050</b>	<b>617,050</b>	<b>1,019,422</b>	<b>402,372</b>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General administration:				
Personnel	82,900	82,900	59,137	23,763
Payroll taxes - all departments	14,000	14,000	8,388	5,612
Retirement - all departments	10,800	10,800	6,705	4,095
Health insurance - all departments	27,000	27,000	7,523	19,477
Unemployment	4,000	4,000	761	3,239
Legal fees	42,000	42,000	29,493	12,507
Accounting and audit	35,000	35,000	50,664	(15,664)
Engineering	25,000	25,000	20,110	4,890
Tax collection and appraisal district	4,500	4,500	4,209	291
Utilities	15,000	15,000	11,544	3,456
Telephone	2,500	2,500	2,696	(196)
Office supplies and postage	4,000	4,000	6,300	(2,300)
Council and elections	4,100	4,100	6,120	(2,020)
Library	4,000	4,000	4,643	(643)
Insurance	25,000	25,000	24,998	2
Other administrative	110,920	110,920	42,464	68,456



	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Favorable (Unfavorable)
<u>(continued:)</u>				
Municipal court:				
Personnel	9,000	9,000	420	8,580
Other	2,000	2,000	958	1,042
Police department:				
Personnel	104,280	104,280	52,283	51,997
Equipment and supplies	5,000	5,000	2,148	2,852
Vehicle costs	27,000	27,000	4,034	22,966
Other	16,050	16,050	3,297	12,753
Maintenance:				
Streets and other	8,000	8,000	11,360	(3,360)
Capital outlay	35,000	35,000	26,139	8,861
Total Expenditures	617,050	617,050	386,394	230,656
Excess of Revenues Over Expenditures			633,028	633,028
Other Financing (Uses)				
Transfers (out)			(36,000)	(36,000)
Total Other Financing (Uses)			(36,000)	(36,000)
Net Change in Fund Balance			597,028	597,028
Fund Balance - Beginning	797,375	797,375	797,375	
Fund Balance - Ending	\$ 797,375	\$ 797,375	\$ 1,394,403	\$ 597,028

# **CITY OF DANBURY, TEXAS**

Exhibit B-2

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **A. Budgets and Budgetary Accounting**

The City's budget is prepared for governmental fund types in accordance with generally accepted accounting principles. An annual appropriated budget is adopted by City Council for the General Fund. Appropriations lapse at fiscal year-end except those for contracted commitments for construction or significant acquisitions. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to accordingly amend the budget.

### **B. Excess of Expenditures over Appropriations**

For the year ended September, 30, 2021, expenditures exceeded appropriations in various expenditure line-items of the General Fund. These expenditures in excess of appropriations were funded by available appropriations in excess of expenditures in the General Fund.

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# CITY OF DANBURY, TEXAS

## TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<b>Last Ten Years*</b>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>				
Service cost	\$ 27,826	\$ 36,332	\$ 35,971	\$ 39,035
Interest (on the total pension liability)	36,926	34,283	34,255	32,176
Changes of benefit terms				
Difference between expected and actual experience	(2,850)	(2,624)	(40,151)	(20,475)
Change of assumptions		2,713		
Benefit payments, including refunds of employee contributions	(28,145)	(26,453)	(33,212)	(3,598)
<b>Net Change in Total Pension Liability</b>	33,757	44,251	(3,137)	47,138
<b>Total Pension Liability - Beginning</b>	547,214	502,963	506,100	458,962
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 580,971</u>	<u>\$ 547,214</u>	<u>\$ 502,963</u>	<u>\$ 506,100</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 16,199	\$ 23,131	\$ 25,055	\$ 27,526
Contributions - employee	14,111	18,805	18,774	20,675
Net investment income	39,037	67,012	(13,061)	47,610
Benefit payments, including refunds of employee contributions	(28,145)	(26,453)	(33,212)	(3,598)
Administrative expense	(253)	(378)	(252)	(247)
Other	(11)	(11)	(14)	(13)
<b>Net Change in Plan Fiduciary Net Position</b>	40,938	82,106	(2,710)	91,953
<b>Plan Fiduciary Net Position - Beginning</b>	514,605	432,499	435,209	343,256
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 555,543</u>	<u>\$ 514,605</u>	<u>\$ 432,499</u>	<u>\$ 435,209</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ 25,428</u>	<u>\$ 32,609</u>	<u>\$ 70,464</u>	<u>\$ 70,891</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	95.62%	94.04%	85.99%	85.99%
<b>Covered Payroll</b>	\$ 282,215	\$ 376,106	\$ 375,484	\$ 413,501
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	9.01%	8.67%	18.77%	17.14%

**Notes to Schedule:** N/A

\* GASB 68 requires ten years of data to be provided in this schedule, however, only seven years are currently available.

**Exhibit B-3**

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$ 34,602	\$ 29,183	\$ 23,955	\$ N/A	\$ N/A	\$ N/A
27,841	24,963	21,964	N/A	N/A	N/A
			N/A	N/A	N/A
1,624	(11,784)	3,888	N/A	N/A	N/A
	14,271		N/A	N/A	N/A
(540)	(6,442)	(12,700)	N/A	N/A	N/A
63,527	50,191	37,107	N/A	N/A	N/A
395,435	345,244	308,137	N/A	N/A	N/A
<u>\$ 458,962</u>	<u>\$ 395,435</u>	<u>\$ 345,244</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 20,793	\$ 19,276	\$ 19,918	\$ N/A	\$ N/A	\$ N/A
18,173	16,450	16,995	N/A	N/A	N/A
19,343	378	12,575	N/A	N/A	N/A
(540)	(6,442)	(12,700)	N/A	N/A	N/A
(218)	(230)	(131)	N/A	N/A	N/A
(12)	(11)	(11)	N/A	N/A	N/A
57,539	29,421	36,646	N/A	N/A	N/A
285,717	256,296	219,650	N/A	N/A	N/A
<u>\$ 343,256</u>	<u>\$ 285,717</u>	<u>\$ 256,296</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 115,706</u>	<u>\$ 109,718</u>	<u>\$ 88,948</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
74.79%	72.25%	74.24%	N/A	N/A	N/A
\$ 363,470	\$ 329,009	\$ 339,895	\$ N/A	\$ N/A	\$ N/A
31.83%	33.35%	26.17%	N/A	N/A	N/A

## **CITY OF DANBURY, TEXAS**

### **TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS**

#### **Last Ten Years\***

	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Actuarially Determined Contributions</b>	\$ 13,942	\$ 17,628	\$ 25,537	\$ 25,808
<b>Contributions in Relation to the Actuarially Determined Contributions</b>	<u>\$ 13,942</u>	<u>\$ 17,628</u>	<u>\$ 25,537</u>	<u>\$ 25,808</u>
<b>Contribution Deficiency (Excess)</b>	\$	\$	\$	\$
<b>Covered Payroll</b>	\$ 226,886	\$ 292,365	\$ 397,109	\$ 385,157
<b>Contributions as a Percentage of Covered Payroll</b>	6.14%	6.03%	6.43%	6.70%

\* GASB 68 requires ten years of data to be provided in this schedule, however, only seven years are currently available.

**Exhibit B-4**

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 27,930	\$ 19,526	\$ 19,276	\$ N/A	\$ N/A	\$ N/A
<u>\$ 27,930</u>	<u>\$ 19,526</u>	<u>\$ 19,276</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$	\$	\$	\$ N/A	\$ N/A	\$ N/A
\$ 424,354	\$ 331,872	\$ 329,009	\$ N/A	\$ N/A	\$ N/A
6.58%	5.88%	5.86%	N/A	N/A	N/A

## **CITY OF DANBURY, TEXAS**

**Exhibit B-5**

### **TEXAS MUNICIPAL RETIREMENT SYSTEM - NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS**

#### **Valuation Date:**

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

#### **Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	16 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 There were no benefit changes during the year.



## **OTHER SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUND**

### **SPECIAL REVENUE FUND**

**Parks Fund** - Accounts for fee revenues and donations that are to be used for City park facilities and the City community center.

# **CITY OF DANBURY, TEXAS**

Exhibit C-1

## **BALANCE SHEET** **NONMAJOR SPECIAL REVENUE FUND**

**September 30, 2021**

	<b><u>Parks Fund</u></b>
<b><u>Assets</u></b>	
Cash - parks	\$ 15,152
Cash - community center	15,361
Due from other funds	<u>752</u>
<b>Total Assets</b>	<b><u>31,265</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	<u>                    </u>
<b>Total Liabilities</b>	<u>                    </u>
<b><u>Fund Balance</u></b>	
Restricted	<u>31,265</u>
<b>Total Fund Balance</b>	<b><u>31,265</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 31,265</u></b>

# **CITY OF DANBURY, TEXAS**

Exhibit C-2

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR SPECIAL REVENUE FUND**

**Year Ended September 30, 2021**

	<b><u>Parks Fund</u></b>
<b><u>Revenues</u></b>	
Parks:	\$
Rentals	2,825
Donations	9,066
Community center	3,550
Investment earnings	47
Other	3,060
<b>Total Revenues</b>	<b><u>18,548</u></b>
<b><u>Expenditures</u></b>	
<b>Current:</b>	
Park related	10,476
Community center	6,759
<b>Total Expenditures</b>	<b><u>17,235</u></b>
<b>Excess of Revenues     Over Expenditures</b>	<b><u>1,313</u></b>
<b>Fund Balance - Beginning</b>	<b><u>29,952</u></b>
<b>Fund Balance - Ending</b>	<b><u>\$ 31,265</u></b>

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