

City of Danbury, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

City of Danbury, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2019

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INTRODUCTORY SECTION

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City of Danbury, Texas

PRINCIPAL OFFICIALS

September 30, 2019

GOVERNING BODY

Melinda Strong, Mayor
Bill Turnipseed, Mayor Pro-Tem
Heather Martin
Sue Powell
Coby Pruitt
Brenda Milligan

OTHER PRINCIPAL OFFICIALS

Moirá Ginther, City Secretary
Cynthia Sharp, Utility Billing/Court Clerk
Cheri Pate, Interim Police Chief
John Vasut, Court Judge
Laurence Boyd, City Attorney

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Rosenberg, TX 77469
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Email: curtis@curtiscraigcpa.com

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, 2019, 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, 2019, 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 3-10, budgetary information on pages 46-48 and pension information on pages 50-54, 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 58-59 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
July 8, 2020

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, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,492,632 (net position). Of this amount, \$630,505 (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 \$186,315 during the 2019 fiscal year.
- The City's total expenses were \$1,416,116. Program revenues of \$693,076 reduced the net cost of the City's functions to be financed from the City's general revenues to \$723,040.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$513,558, or 95.6 percent of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$252,986 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 44 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 46 through 54 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 \$5,492,632 as of September 30, 2019.

The largest portion of the City's net position (86.7 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 (1.8 percent) represents restricted financial resources which are not available for future spending.

Lastly, the remaining portion of the City's net position (11.5 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 659,691	\$ 538,604	\$ 239,109	\$ 198,003	\$ 898,800	\$ 736,607
Capital assets, net	2,825,808	2,931,677	2,927,541	3,060,080	5,753,349	5,991,757
Total Assets	3,485,499	3,470,281	3,166,650	3,258,083	6,652,149	6,728,364
Deferred outflows of resources	21,492	12,675	23,282	12,178	44,774	24,853
Long-term liabilities	935,112	1,153,119	133,017	169,263	1,068,129	1,322,382
Other liabilities	16,146	14,039	75,254	78,560	91,400	92,599
Total Liabilities	951,258	1,167,158	208,271	247,823	1,159,529	1,414,981
Deferred inflows of resources	21,486	16,279	23,276	15,640	44,762	31,919
Net Position:						
Net investment in capital assets	1,927,009	1,820,453	2,835,486	2,939,082	4,762,495	4,759,535
Restricted	99,632	94,496			99,632	94,496
Unrestricted	507,606	384,570	122,899	67,716	630,505	452,286
Total Net Position	\$ 2,534,247	\$ 2,299,519	\$ 2,958,385	\$ 3,006,798	\$ 5,492,632	\$ 5,306,317

Net position of the City, which relates to governmental and business-type activities, increased by \$186,315. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2019 and 2018

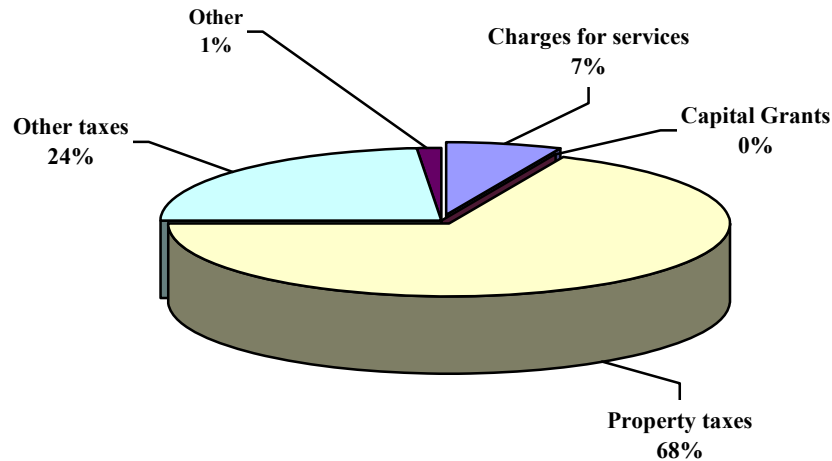
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 60,930	\$ 43,654	\$ 632,146	\$ 598,276	\$ 693,076	\$ 641,930
Capital grants and contributions		13,229				
General revenues:						
Property taxes	638,548	609,790			638,548	609,790
Other taxes	219,264	214,227			219,264	214,227
Other	13,130	108,992	38,413	102,310	51,543	211,302
Total Revenues	931,872	989,892	670,559	700,586	1,602,431	1,677,249
Expenses						
General administration	325,046	309,855			325,046	309,855
Police	173,077	214,718			173,077	214,718
Municipal court	6,956	4,032			6,956	4,032
Streets and drainage	114,672	110,836			114,672	110,836
Parks and community center	28,125	31,207			28,125	31,207
Interest and fiscal charges	24,549	29,765			24,549	29,765
Utilities			743,691	768,784	743,691	768,784
Total Expenses	672,425	700,413	743,691	768,784	1,416,116	1,469,197
Increase (Decrease) in Net Position Before Transfers	259,447	289,479	(73,132)	(68,198)	186,315	221,281
Transfers	(24,719)		24,719			
Change in Net Position	234,728	289,479	(48,413)	(68,198)	186,315	221,281
Net Position, Beginning	2,299,519	2,010,040	3,006,798	3,074,996	5,306,317	5,085,036
Net Position, Ending	\$ 2,534,247	\$ 2,299,519	\$ 2,958,385	\$ 3,006,798	\$ 5,492,632	\$ 5,306,317

The City's governmental net position increased by \$234,728, as compared to an increase of \$289,479 in the prior year.

The City's business-type net position decreased by \$48,413, as compared to a decrease of \$68,198 in the prior year.

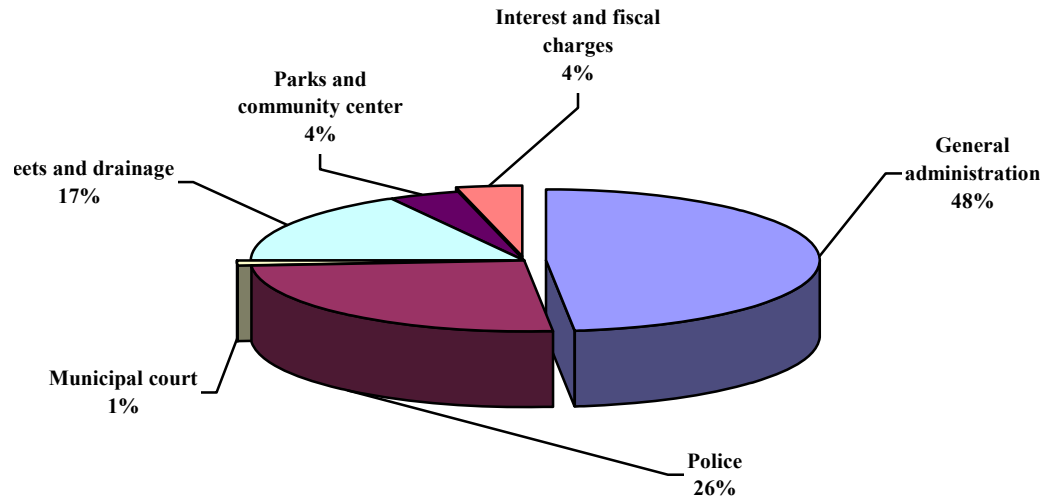
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2019, revenue from governmental activities totaled \$931,872.

GOVERNMENTAL EXPENSES



For the fiscal year ended September 30, 2019, expenses from governmental activities totaled \$672,425, the largest portion of which relates to general administration (48.3%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

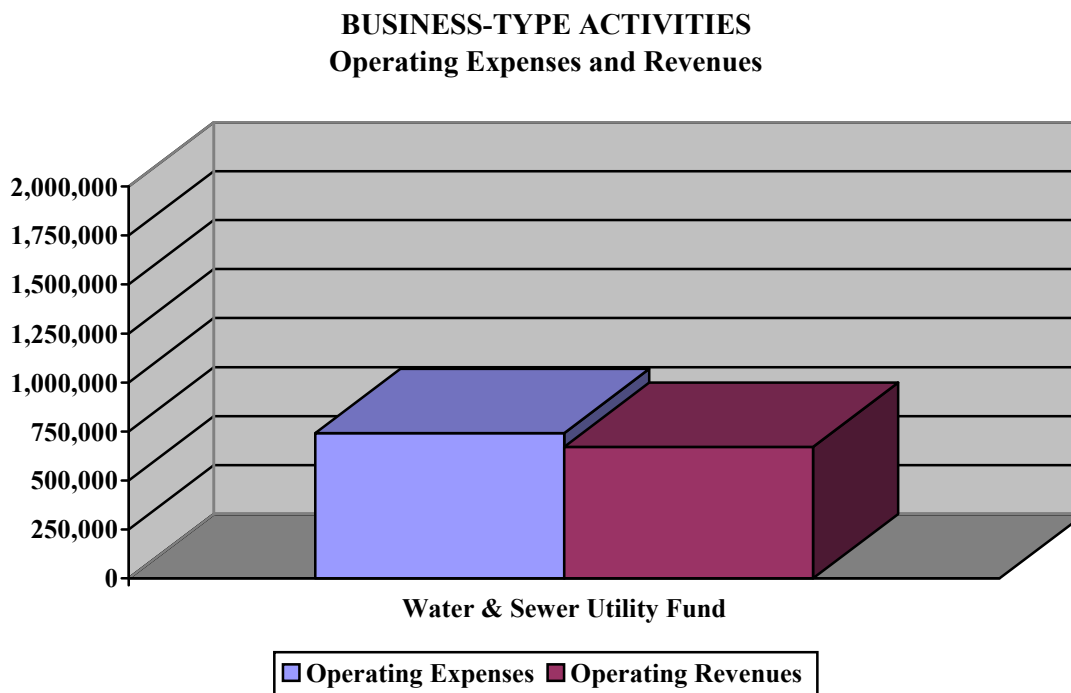
As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed as follows:

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, 2019, the City's governmental funds reported an ending fund balance of \$613,190, which is an increase of \$117,256 from last year's total of \$495,934. 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 95.6 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 \$122,899. The decrease in total net position of the Water & Sewer Utility Fund for the year was \$48,413. 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, 2019, amounts to \$5,753,349 (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, 2019 and 2018

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 217,465	\$ 217,465	\$ 24,800	\$ 24,800	\$ 242,265	\$ 242,265
Buildings and improvements	446,511	446,511	17,059	17,059	463,570	463,570
Infrastructure	4,766,087	4,756,087	6,013,364	6,006,984	10,779,451	10,763,071
Machinery, equipment, vehicles and furnishings	671,369	652,151	692,347	691,533	1,363,716	1,343,684
Vehicles and rolling stock			31,545	31,545	31,545	31,545
Less: accum. depreciation	(3,275,624)	(3,140,537)	(3,851,574)	(3,711,841)	(7,127,198)	(6,852,378)
Totals	\$ 2,825,808	\$ 2,931,677	\$ 2,927,541	\$ 3,060,080	\$ 5,753,349	\$ 5,991,757

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 \$998,505.

SCHEDULE OF LONG-TERM LIABILITIES September 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Refunding bonds	\$ 897,000	\$ 1,109,000	\$	\$	\$ 897,000	\$ 1,109,000
Note payable			92,895	120,998	92,895	120,998
Compensated absences	4,289	7,965	4,321	13,528	8,610	21,493
Totals	\$ 901,289	\$ 1,116,965	\$ 97,216	\$ 134,526	\$ 998,505	\$ 1,251,491

The City's total long-term liabilities decreased by \$252,986 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, 2019, fund balance in the General Fund increased to \$513,558.
- For the 2019 fiscal year, total revenues were less than budgeted amounts by \$2,043.
- For the 2019 fiscal year, total expenditures were less than appropriations by \$108,132.

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, 2019

	Governmental Activities	Business-Type Activities	Totals
<u>Assets</u>			
Cash and cash equivalents	\$ 572,373	\$ 95,835	\$ 668,208
Receivables, net	50,963	65,066	116,029
Inventory		20,530	20,530
Prepays	787		787
Internal balances	35,568	(35,568)	
Restricted cash and cash equivalents		93,246	93,246
Capital assets, not being depreciated	217,465	24,800	242,265
Capital assets, net of accumulated depreciation	2,608,343	2,902,741	5,511,084
Total Assets	3,485,499	3,166,650	6,652,149
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pension activities	21,492	23,282	44,774
Total Deferred Outflows of Resources	21,492	23,282	44,774
<u>Liabilities</u>			
Accounts payable and other current liabilities	14,347	20,285	34,632
Accrued interest payable	1,799	2,058	3,857
Customer deposits		52,911	52,911
Noncurrent liabilities:			
Due within one year	216,429	30,240	246,669
Due in more than one year	718,683	102,777	821,460
Total Liabilities	951,258	208,271	1,159,529
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pension activities	21,486	23,276	44,762
Total Deferred Inflows of Resources	21,486	23,276	44,762
<u>Net Position</u>			
Net investment in capital assets	1,927,009	2,835,486	4,762,495
Restricted	99,632		99,632
Unrestricted	507,606	122,899	630,505
Total Net Position	\$ 2,534,247	\$ 2,958,385	\$ 5,492,632

See Notes to Financial Statements.

CITY OF DANBURY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants & Contributions
Governmental Activities:			
General administration	\$ 325,046	\$ 28,903	\$
Police	173,077	9,472	
Municipal court	6,956		
Streets and drainage	114,672		
Parks and community center	28,125	22,555	
Interest and fiscal charges	24,549		
Total Governmental Activities	672,425	60,930	
Business-Type Activities:			
Utilities	743,691	632,146	
Total Business-Type Activities	743,691	632,146	
Totals	\$ 1,416,116	\$ 693,076	\$

General Revenues:

Taxes:

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Transfers

Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (296,143)	\$	\$ (296,143)
(163,605)		(163,605)
(6,956)		(6,956)
(114,672)		(114,672)
(5,570)		(5,570)
(24,549)		(24,549)
<u>(611,495)</u>		<u>(611,495)</u>
	(111,545)	(111,545)
	<u>(111,545)</u>	<u>(111,545)</u>
<u>\$ (611,495)</u>	<u>\$ (111,545)</u>	<u>\$ (723,040)</u>
\$ 638,548	\$	\$ 638,548
158,882		158,882
60,382		60,382
946		946
12,184	38,413	50,597
<u>(24,719)</u>	<u>24,719</u>	
846,223	63,132	909,355
234,728	(48,413)	186,315
2,299,519	3,006,798	5,306,317
<u>\$ 2,534,247</u>	<u>\$ 2,958,385</u>	<u>\$ 5,492,632</u>

CITY OF DANBURY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 473,549	\$ 70,070
Receivables, net:		
Property taxes	18,166	13,988
Sales taxes	12,180	
Franchise taxes	6,629	
Prepays	787	
Due from other funds	34,760	
Total Assets	<u>\$ 546,071</u>	<u>\$ 84,058</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 14,347	\$
Total Liabilities	<u>14,347</u>	
<u>Deferred Inflows of Resources</u>		
Unavailable revenues - property taxes	18,166	13,988
Total Deferred Inflows of Resources	<u>18,166</u>	<u>13,988</u>
<u>Fund Balances</u>		
Restricted		70,070
Unassigned	513,558	
Total Fund Balances	<u>513,558</u>	<u>70,070</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 546,071</u>	<u>\$ 84,058</u>

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 (-\$21,486), projected and actual investment earnings (\$10,932), pension contributions made subsequent to the measurement date (\$9,147), and assumption changes (\$1,413) 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

Other Governmental Fund	Totals Governmental Funds
\$ 28,754	\$ 572,373
	32,154
	12,180
	6,629
	787
808	35,568
<u>\$ 29,562</u>	<u>\$ 659,691</u>
<u>\$</u>	<u>\$ 14,347</u>
	14,347
	32,154
	<u>32,154</u>
29,562	99,632
	513,558
<u>29,562</u>	<u>613,190</u>
<u>\$ 29,562</u>	<u>\$ 659,691</u>
	\$ 2,825,808
	(903,088)
	6
	(33,823)
	32,154
	<u>\$ 2,534,247</u>

CITY OF DANBURY, TEXAS

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

For the Year Ended September 30, 2019

	General Fund	Debt Service Fund
<u>Revenues</u>		
Property taxes	\$ 402,389	\$ 234,860
Franchise taxes	60,382	
Sales taxes	158,882	
Municipal court fines	9,472	
Licenses and permits	28,903	
Parks and community center		
Investment earnings	897	
Other	13,332	334
Total Revenues	674,257	235,194
<u>Expenditures</u>		
Current:		
General administration	300,286	
Municipal court	6,956	
Police department	157,851	
Streets and drainage	9,652	
Parks and community center		
Capital outlay	62,673	
Debt Service:		
Principal payments		212,000
Interest and fiscal charges		24,974
Total Expenditures	537,418	236,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	136,839	(1,780)
<u>Other Financing (Uses)</u>		
Transfers (out)	(24,719)	
Total Other Financing (Uses)	(24,719)	
Net Change in Fund Balances	112,120	(1,780)
Fund Balances - Beginning	401,438	71,850
Fund Balances - Ending	\$ 513,558	\$ 70,070

See Notes to Financial Statements.

Other Governmental Fund	Totals Governmental Funds
\$	\$ 637,249
	60,382
	158,882
	9,472
	28,903
22,555	22,555
49	946
40	13,706
<u>22,644</u>	<u>932,095</u>
	300,286
	6,956
	157,851
	9,652
15,728	15,728
	62,673
	212,000
	24,974
<u>15,728</u>	<u>790,120</u>
<u>6,916</u>	<u>141,975</u>
	(24,719)
	(24,719)
6,916	117,256
<u>22,646</u>	<u>495,934</u>
<u>\$ 29,562</u>	<u>\$ 613,190</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, 2019

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

Net change in fund balances - total governmental funds	\$ 117,256
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.	(105,869)
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.	215,676
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 (\$2,331), deferred outflows of resources (\$8,817), deferred inflows of resources (-\$5,207) and accrued interest (\$425).	6,366
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>1,299</u>
Change in Net Position of Governmental Activities	<u>\$ 234,728</u>

CITY OF DANBURY, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION **PROPRIETARY FUND**

September 30, 2019

	Business-Type Activities
	Enterprise Fund
	Water & Sewer
	Utility Fund
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 95,835
Receivables:	
Accounts, net	65,066
Inventory	20,530
Restricted Assets:	
Cash for emergency recovery	33,760
Cash for meter replacement	6,633
Cash for customer deposits	52,853
Non-Current Assets:	
Capital assets	6,779,115
Less: accumulated depreciation	(3,851,574)
Total capital assets, net of	
accumulated depreciation	2,927,541
Total Assets	3,202,218
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pension activities	23,282
Total Deferred Outflows of Resources	23,282
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued expenses	22,343
Customer deposits	52,911
Due to other funds	35,568
Compensated absences	432
Note payable	29,808
Non-Current Liabilities:	
Compensated absences	3,889
Note payable	62,247
Net pension liability	36,641
Total Liabilities	243,839
<u>Deferred Inflows of Resources</u>	
Deferred inflows -pension activities	23,276
Total Deferred Inflows of Resources	23,276
<u>Net Position</u>	
Net investment in capital assets	2,835,486
Unrestricted	122,899
Total Net Position	\$ 2,958,385

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, 2019

	Business-Type Activities
	Enterprise Fund
	Water & Sewer
	Utility Fund
<u>Operating Revenues</u>	
Charges for services:	
Water	\$ 227,080
Sewer	239,840
Garbage	152,387
Late charges	12,839
Other	38,413
Total Operating Revenues	670,559
<u>Operating Expenses</u>	
Cost of sales and services:	
Personnel	257,187
Contract services	150,352
Utilities	35,666
Other administrative	56,435
Repairs and maintenance	84,690
Depreciation	156,419
Total Operating Expenses	740,749
Operating (Loss)	(70,190)
<u>Non-Operating Revenues (Expenses)</u>	
Transfers in	24,719
Interest and fiscal charges	(2,942)
Total Non-Operating Revenues (Expenses)	21,777
Net (Loss)	(48,413)
Net Position, Beginning	3,006,798
Net Position, Ending	\$ 2,958,385

CITY OF DANBURY, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS **PROPRIETARY FUND**

For the Year Ended September 30, 2019

	Business-Type Activities
	Enterprise Fund
	Water & Sewer Utility Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 664,817
Cash paid to suppliers	(306,169)
Cash paid to employees	(266,232)
Net Cash Provided by Operating Activities	92,416
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers in	24,719
Net Cash Provided by Non-Capital Financing Activities	24,719
<u>Cash Flows from Capital and Related</u>	
<u>Financing Activities</u>	
Acquisition of capital assets	(24,703)
Principal paid on capital debt	(28,943)
Interest paid on capital debt	(3,618)
Net Cash (Used) by Capital and Related	
Financing Activities	(57,264)
Net Increase in Cash and Cash Equivalents	59,871
Cash and Cash Equivalents, Beginning	129,210
Cash and Cash Equivalents, Ending	\$ 189,081

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, 2019

Reconciliation of Operating (Loss) to Net Cash

Provided by Operating Activities

Operating (loss)	\$	(70,190)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:		
Depreciation expense		156,419
(Increase) decrease in receivables		(7,473)
(Increase) decrease in inventory		(1,481)
(Increase) decrease in deferred outflows		(11,104)
(Increase) decrease in prepaids		1,021
Increase (decrease) in customer deposits		1,731
Increase (decrease) in due to other funds		25,863
Increase (decrease) in deferred inflows		7,636
Increase (decrease) in pension liability		1,904
Increase (decrease) in compensated absences		(9,207)
Increase (decrease) in accounts payable and accrued liabilities		(2,703)
Net Cash Provided by Operating Activities	\$	92,416

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, 2019.

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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.

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, changes in actuarial assumptions and differences between expected and actual investment earnings.

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 July 8, 2020, 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.

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2019, the carrying value of bank deposits is \$791,593. Of this bank balance, \$541,593 is covered by securities pledged by the City's bank and the remainder is covered by federal depository insurance.

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 \$0.816924 per \$100 of assessed valuation (including \$0.304434 for debt service and \$0.512490 for maintenance and operations). The resulting adjusted tax levy was \$634,794 on the total adjusted taxable valuation of \$77,705,392 for the 2018 tax year.

Property taxes receivable, as of September 30, 2019, consists of the following:

Tax Year	General	Debt Service	Totals
	Fund	Fund	
2018	\$ 8,793	\$ 5,224	\$ 14,017
2017	5,089	3,267	8,356
2016	3,217	2,288	5,505
2015	1,052	820	1,872
2014	1,253	1,066	2,319
2013 and prior	3,762	3,823	7,585
Totals	\$ 23,166	\$ 16,488	\$ 39,654

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

Receivables as of September 30, 2019, for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities		Business-Type Activities	
	General Fund	Debt Service Fund	Water & Sewer Utility Fund	Totals
Net Receivables:				
Accounts	\$	\$	\$ 65,066	\$ 65,066
Taxes	36,975	13,988		50,963
Totals	\$ 36,975	\$ 13,988	\$ 65,066	\$ 116,029

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	\$ 18,166
Delinquent property taxes receivable - Debt Service Fund	13,988
Total	\$ 32,154

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, 2019:

Governmental Activities:

	Balances Oct. 1, 2018	Increases	Decreases	Balances Sept. 30, 2019
Capital assets not being depreciated:				
Land	\$ 217,465	\$	\$	\$ 217,465
Total capital assets not being depreciated	217,465			217,465
Capital assets being depreciated:				
Buildings and improvements	446,511			446,511
Infrastructure	4,756,087	10,000		4,766,087
Machinery, equipment, vehicles and furnishings	652,151	52,673	(33,455)	671,369
Total capital assets being depreciated	5,854,749	62,673	(33,455)	5,883,967
Less accumulated depreciation for:				
Buildings and improvements	(145,504)	(17,778)		(163,282)
Infrastructure	(2,545,074)	(105,020)		(2,650,094)
Machinery, equipment, vehicles and furnishings	(449,959)	(44,222)	31,933	(462,248)
Total accumulated depreciation	(3,140,537)	(167,020)	31,933	(3,275,624)
Total capital assets being depreciated, net	2,714,212	(104,347)	(1,522)	2,608,343
Governmental activities capital assets, net	\$ 2,931,677	\$ (104,347)	\$ (1,522)	\$ 2,825,808

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Business-Type Activities:

	Balances			Balances
	Oct. 1, 2018	Increases	Decreases	Sept. 30, 2019
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	6,006,984	17,984	(11,604)	6,013,364
Vehicles and rolling stock	31,545			31,545
Machinery, equipment and furnishings	691,533	6,719	(5,905)	692,347
Total capital assets being depreciated	6,747,121	24,703	(17,509)	6,754,315
Less accumulated depreciation for:				
Buildings and improvements	(7,619)	(951)		(8,570)
Infrastructure	(3,113,810)	(132,226)	11,604	(3,234,432)
Vehicles and rolling stock	(31,545)			(31,545)
Machinery, equipment and furnishings	(558,867)	(23,242)	5,082	(577,027)
Total accumulated depreciation	(3,711,841)	(156,419)	16,686	(3,851,574)
Total capital assets being depreciated, net	3,035,280	(131,716)	(823)	2,902,741
Business-type activities capital assets, net	\$ 3,060,080	\$ (131,716)	\$ (823)	\$ 2,927,541

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

Governmental Activities:

General administration	\$ 23,876
Police	25,727
Streets and drainage	105,020
Parks and community center	12,397
Total Depreciation Expense - Governmental Activities	\$ 167,020

Business-Type Activities:

Utilities	\$ 156,419
Total Depreciation Expense - Business-Type Activities	\$ 156,419

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:

Bonds	Original Issue Amount	Matures	Interest Rate (%)	Amount Outstanding
<u>Governmental Activities:</u>				
General Obligation Refunding Bonds, Series 2012	\$ 2,294,000	2023	2.49	\$ 897,000
Total				\$ 897,000

As of September 30, 2019, the debt service requirements on the bonds outstanding for the next five fiscal years are as follows:

Year	Principal	Interest	Totals
2020	\$ 216,000	\$ 19,646	\$ 235,646
2021	220,000	14,218	234,218
2022	229,000	8,628	237,628
2023	232,000	2,888	234,888
Totals	\$ 897,000	\$ 45,380	\$ 942,380

Business-Type Activities Long-Term Liabilities

The City's has one note payable outstanding as of September 30, 2019, which is listed below:

Notes	Original Note Amount	Matures	Interest Rate (%)	Amount Outstanding
<u>Business-Type Activities:</u>				
Government Capital Corporation - Utility Metering & Billing System	\$ 203,000	2022	2.989	\$ 92,055
Total				\$ 92,055

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>
2020	\$ 29,808	\$ 2,753	\$ 32,561
2021	30,699	1,862	32,561
2022	31,548	1,013	32,561
Totals	<u><u>\$ 92,055</u></u>	<u><u>\$ 5,628</u></u>	<u><u>\$ 97,683</u></u>

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2019, are as follows:

	<u>Balances</u>			<u>Balances</u>	<u>Amounts</u>
	<u>Oct. 1, 2018</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Sept. 30, 2019</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Refunding bonds	\$ 1,109,000	\$	\$ (212,000)	\$ 897,000	\$ 216,000
Compensated absences	7,965		(3,676)	4,289	429
Total Governmental Activities	<u><u>\$ 1,116,965</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (215,676)</u></u>	<u><u>\$ 901,289</u></u>	<u><u>\$ 216,429</u></u>
Business-Type Activities:					
Note payable	\$ 120,998	\$	\$ (28,103)	\$ 92,895	\$ 28,943
Compensated absences	13,528		(9,207)	4,321	432
Total Business-Type Activities	<u><u>\$ 134,526</u></u>	<u><u>\$</u></u>	<u><u>\$ (37,310)</u></u>	<u><u>\$ 97,216</u></u>	<u><u>\$ 29,375</u></u>

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended September 30, 2019, interfund receivables/payables consisted of the following:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
		Water & Sewer
		Utility Fund
General Fund		\$ 34,760
Parks Fund		808
Total		<u><u>\$ 35,568</u></u>

For the year ended September 30, 2019, interfund transfers consisted of the following:

	<u>Transfers In</u>	
	Water & Sewer	
	Utility Fund	
<u>Transfers Out</u>		<u>Total</u>
General Fund	\$ 24,719	\$ 24,719
Total	<u><u>\$ 24,719</u></u>	<u><u>\$ 24,719</u></u>

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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:

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 not 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, 2019, were distributed as follows:

	General Fund	Debt Service Fund	Other Governmental Fund	Totals
Restricted for:				
Debt service	\$	\$ 70,070	\$	\$ 70,070
Parks and community center			29,562	29,562
Subtotal		70,070	29,562	99,632
Unassigned	513,558			513,558
Totals	\$ 513,558	\$ 70,070	\$ 29,562	\$ 613,190

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Danbury, Texas, participates as one of 879 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.tmr.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.

Plan provisions adopted by the City are as follows:

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 (%)	Removed

Employees covered by benefit terms.

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	10
Active employees	9
Total	<u>20</u>

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 6.78% and 6.32% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$25,537, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2018, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 through December 31, 2014. They were first adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	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.

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/17	\$ 506,100	\$ 435,209	\$ 70,891
Changes for the year:			
Service cost	35,971		35,971
Interest	34,255		34,255
Change of benefit terms			
Difference between expected and actual experience	(40,151)		(40,151)
Changes of assumptions			
Contributions - employer		25,055	(25,055)
Contributions - employee		18,774	(18,774)
Net investment income		(13,061)	13,061
Benefit payments, including refunds of employee contributions	(33,212)	(33,212)	
Administrative expense		(252)	252
Other changes		(14)	14
Net changes	\$ (3,137)	\$ (2,710)	\$ (427)
Balance at 12/31/18	<u>\$ 502,963</u>	<u>\$ 432,499</u>	<u>\$ 70,464</u>

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:

	<u>1% Decrease in</u>		<u>1% Increase in</u>
	<u>Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>
City's net pension liability (asset)	\$ 134,546	\$ 70,464	\$ 16,610

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$17,526.

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 44,762
Changes in actuarial assumptions	2,943	
Difference between projected and actual investment earnings	22,776	
Contributions subsequent to the measurement date	19,055	
Totals	\$ 44,774	\$ 44,762

\$19,055 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended Dec 31:	
2019	\$ (5,445)
2020	(9,790)
2021	(7,519)
2022	3,711
2023	
Thereafter	
	\$ (19,043)

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 2019 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

CITY OF DANBURY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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 recorded any amount regarding this potential liability in the City's financial statements as of September 30, 2019. However, as of September 30, 2019, it is not known if the City will be required to pay Wells Fargo Bank for these fraudulent charges/cash advances.

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, 2019

	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 411,000	\$ 411,000	\$ 402,389	\$ (8,611)
Franchise taxes	60,000	60,000	60,382	382
Sales taxes	150,000	180,000	158,882	(21,118)
Municipal court fines and fees	20,000	10,000	9,472	(528)
Licenses and permits	6,000	6,200	28,903	22,703
Intergovernmental	800	800		(800)
Investment earnings	100	100	897	797
Other	5,200	8,200	13,332	5,132
Total Revenues	653,100	676,300	674,257	(2,043)
<u>Expenditures</u>				
Current:				
General administration:				
Personnel	76,000	68,000	62,814	5,186
Payroll taxes - all departments	20,000	15,000	14,825	175
Retirement - all departments	12,000	12,000	12,100	(100)
Health insurance - all departments	16,000	26,000	20,499	5,501
Legal fees	20,000	20,000	40,834	(20,834)
Accounting and audit	30,000	60,000	54,622	5,378
Engineering	20,000	40,000	8,575	31,425
Tax collection and appraisal district	3,500	3,500	4,170	(670)
Utilities	20,000	20,000	15,225	4,775
Telephone	3,000	2,000	2,498	(498)
Office supplies and postage	3,000	6,000	5,646	354
Council and elections	2,000	100	166	(66)
Library	2,000	2,000	3,323	(1,323)
Insurance	24,000	20,000	27,014	(7,014)
Other administrative	36,800	25,850	27,975	(2,125)

	Budgeted Amounts			Variance from Final
	Original	Final	Actual	Favorable (Unfavorable)
<u>(continued:)</u>				
Municipal court:				
Personnel	3,000	3,000	2,640	360
Other	2,000	1,000	4,316	(3,316)
Police department:				
Personnel	175,000	135,000	132,071	2,929
Equipment and supplies	5,000	5,000	5,135	(135)
Vehicle costs	27,000	13,000	14,230	(1,230)
Other	6,800	14,300	6,415	7,885
Maintenance:				
Streets and other	14,000	4,000	9,652	(5,652)
Capital outlay	132,000	149,800	62,673	87,127
Total Expenditures	653,100	645,550	537,418	108,132
Excess of Revenues Over Expenditures		30,750	136,839	106,089
Other Financing (Uses)				
Transfers (out)		(30,750)	(24,719)	6,031
Total Other Financing (Uses)		(30,750)	(24,719)	6,031
Net Change in Fund Balance			112,120	112,120
Fund Balance - Beginning	401,438	401,438	401,438	
Fund Balance - Ending	\$ 401,438	\$ 401,438	\$ 513,558	\$ 112,120

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, 2019, 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

	Last Ten Years*			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 35,971	\$ 39,035	\$ 34,602	\$ 29,183
Interest (on the total pension liability)	34,255	32,176	27,841	24,963
Changes of benefit terms				
Difference between expected and actual experience	(40,151)	(20,475)	1,624	(11,784)
Change of assumptions				14,271
Benefit payments, including refunds of employee contributions	(33,212)	(3,598)	(540)	(6,442)
Net Change in Total Pension Liability	(3,137)	47,138	63,527	50,191
Total Pension Liability - Beginning	506,100	458,962	395,435	345,244
Total Pension Liability - Ending (a)	<u>\$ 502,963</u>	<u>\$ 506,100</u>	<u>\$ 458,962</u>	<u>\$ 395,435</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 25,055	\$ 27,526	\$ 20,793	\$ 19,276
Contributions - employee	18,774	20,675	18,173	16,450
Net investment income	(13,061)	47,610	19,343	378
Benefit payments, including refunds of employee contributions	(33,212)	(3,598)	(540)	(6,442)
Administrative expense	(252)	(247)	(218)	(230)
Other	(14)	(13)	(12)	(11)
Net Change in Plan Fiduciary Net Position	(2,710)	91,953	57,539	29,421
Plan Fiduciary Net Position - Beginning	435,209	343,256	285,717	256,296
Plan Fiduciary Net Position - Ending (b)	<u>\$ 432,499</u>	<u>\$ 435,209</u>	<u>\$ 343,256</u>	<u>\$ 285,717</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 70,464</u>	<u>\$ 70,891</u>	<u>\$ 115,706</u>	<u>\$ 109,718</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.99%	85.99%	74.79%	72.25%
Covered Payroll	\$ 375,484	\$ 413,501	\$ 363,470	\$ 329,009
Net Pension Liability as a Percentage of Covered Payroll	18.77%	17.14%	31.83%	33.35%

Notes to Schedule: N/A

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

Exhibit B-3

2014	2013	2012	2011	2010	2009
\$ 23,955	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
21,964	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
3,888	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
(12,700)	N/A	N/A	N/A	N/A	N/A
37,107	N/A	N/A	N/A	N/A	N/A
308,137	N/A	N/A	N/A	N/A	N/A
<u>\$ 345,244</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 19,918	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
16,995	N/A	N/A	N/A	N/A	N/A
12,575	N/A	N/A	N/A	N/A	N/A
(12,700)	N/A	N/A	N/A	N/A	N/A
(131)	N/A	N/A	N/A	N/A	N/A
(11)	N/A	N/A	N/A	N/A	N/A
36,646	N/A	N/A	N/A	N/A	N/A
219,650	N/A	N/A	N/A	N/A	N/A
<u>\$ 256,296</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 88,948</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
74.24%	N/A	N/A	N/A	N/A	N/A
\$ 339,895	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
26.17%	N/A	N/A	N/A	N/A	N/A

CITY OF DANBURY, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contributions	\$ 25,537	\$ 25,808	\$ 27,930	\$ 19,526
Contributions in Relation to the Actuarially Determined Contributions	<u>\$ 25,537</u>	<u>\$ 25,808</u>	<u>\$ 27,930</u>	<u>\$ 19,526</u>
Contribution Deficiency (Excess)	\$	\$	\$	\$
Covered Payroll	\$ 397,109	\$ 385,157	\$ 424,354	\$ 331,872
Contributions as a Percentage of Covered Payroll	6.43%	6.70%	6.58%	5.88%

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

Exhibit B-4

2015	2014	2013	2012	2011	2010
\$ 19,276	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$ 19,276	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$ 329,009	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
5.86%	N/A	N/A	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	18 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experienced-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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, 2019

	<u>Parks Fund</u>
<u>Assets</u>	
Cash - parks	\$ 10,115
Cash - community center	18,639
Due from other funds	808
Total Assets	29,562
<u>Liabilities</u>	
Accounts payable	
Total Liabilities	
<u>Fund Balance</u>	
Restricted	29,562
Total Fund Balance	29,562
Total Liabilities and Fund Balance	\$ 29,562

CITY OF DANBURY, TEXAS

Exhibit C-2

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

Year Ended September 30, 2019

	<u>Parks Fund</u>
<u>Revenues</u>	
Parks:	\$
Rentals	4,550
Donations	9,430
Community center	8,575
Investment earnings	49
Other	40
Total Revenues	<u>22,644</u>
<u>Expenditures</u>	
Current:	
Park related	8,080
Community center	7,648
Total Expenditures	<u>15,728</u>
Excess of Revenues Over Expenditures	<u>6,916</u>
Fund Balance - Beginning	<u>22,646</u>
Fund Balance - Ending	<u>\$ 29,562</u>

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