



# ANNUAL FINANCIAL REPORT 2021

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2021

CITY OF  
**DAYTON, TEXAS**

117 COOK STREET | DAYTON, TEXAS 77535  
[WWW.CITYOFDAYTONTX.COM](http://WWW.CITYOFDAYTONTX.COM) | 936.258.2642



*ANNUAL FINANCIAL REPORT*

of the

**City of Dayton, Texas**

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

Prepared by:

Calyn Wesson  
Director of Finance



# City of Dayton, Texas

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***FINANCIAL SECTION***

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## *INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Dayton, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note V.F to the financial statements, the City restated its beginning net position/fund balance in governmental activities, general fund, business-type activities, water and sewer fund, and the component unit due to accounting errors related to accounts payable, OPEB, and TESRS pension balances. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and the schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates 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 our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co., PLLC  
Certified Public Accountants  
Houston, Texas  
April 22, 2022

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# City of Dayton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2021

As management of the City of Dayton, 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 fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements, notes to the financial statements, requirement supplementary information, and other supplementary information.

#### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2021 by \$21,104,307.
- The City's total net position decreased by \$1,828,112. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$6,401,640 at September 30, 2021, a decrease of \$386,329 from the prior fiscal year; this includes an increase of \$63,483 in the general fund, an increase of \$33,777 in the debt service fund, an increase of \$1,186,514 in the grant fund, and a decrease of \$1,670,103 in nonmajor funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,062,766 or 23% of total general fund operating expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$6,380,000 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$55,014,581, including premiums.
- The City's net pension liabilities totaled \$400,629 as of year end.

#### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-Wide 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.

# City of Dayton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is 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. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, community development, public safety, and public works. The business-type activities of the City include water and sewer, refuse, and fiber operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Dayton Community Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar



# City of Dayton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and grant funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, most special revenue, and enterprise funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the respective budget.

### **Proprietary Funds**

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water/sewer and sanitation service, and fiber internet operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for payment of employee benefits. This internal service fund has been included with governmental activities on the government-wide financial statements.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, refuse, and fiber funds since they are considered major funds of the City.

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

**Component Units**

The City maintains the accounting and financial statements for one component unit. The Dayton Community Development Corporation is a discretely presented component unit and displayed on the government-wide financial statements.

**Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's changes in net pension/OPEB liability and employer contributions to the plan.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Dayton, Texas, assets exceed liabilities by \$21,104,307 as of September 30, 2021, in the primary government.

The largest portion of the City's net position, \$14,169,445, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 8,121,066	\$ 15,291,810	\$ 23,412,876	\$ 11,055,846	\$ 17,939,667	\$ 28,995,513
Capital assets, net	30,281,478	25,812,047	56,093,525	31,156,078	16,698,604	47,854,682
<b>Total Assets</b>	<b>38,402,544</b>	<b>41,103,857</b>	<b>79,506,401</b>	<b>42,211,924</b>	<b>34,638,271</b>	<b>76,850,195</b>
<b>Deferred Outflows of Resources</b>	<b>412,301</b>	<b>67,729</b>	<b>480,030</b>	<b>453,921</b>	<b>63,589</b>	<b>517,510</b>
Other liabilities	2,957,222	3,022,073	5,979,295	3,502,631	1,017,114	4,519,745
Long-term liabilities	23,071,402	29,378,646	52,450,048	27,172,853	22,244,611	49,417,464
<b>Total Liabilities</b>	<b>26,028,624</b>	<b>32,400,719</b>	<b>58,429,343</b>	<b>30,675,484</b>	<b>23,261,725</b>	<b>53,937,209</b>
<b>Deferred Inflows of Resources</b>	<b>364,501</b>	<b>88,280</b>	<b>452,781</b>	<b>413,759</b>	<b>84,318</b>	<b>498,077</b>
Net Position:						
Net investment						
in capital assets	6,500,449	7,668,996	14,169,445	6,932,976	8,381,337	15,314,313
Restricted	3,894,129	-	3,894,129	2,942,343	-	2,942,343
Unrestricted	2,027,142	1,013,591	3,040,733	1,701,283	2,974,480	4,675,763
<b>Total Net Position</b>	<b>\$ 12,421,720</b>	<b>\$ 8,682,587</b>	<b>\$ 21,104,307</b>	<b>\$ 11,576,602</b>	<b>\$ 11,355,817</b>	<b>\$ 22,932,419</b>

Governmental activities current assets decreased by \$2,934,780 due primarily to the utilization of bond proceeds on capital projects. Governmental activities capital assets decreased by \$874,600 due to the depreciation exceeding capital additions. Long-term liabilities for governmental activities decreased by \$4,101,451 due primarily to current year bond principal payments. Long-term liabilities for business-type activities increased by \$7,134,035 due to the issuance of \$8,930,000 worth of certificates of obligation during the year. Current liabilities for business-type activities increased by \$2,004,959 due to current maturities on long-term debt and an increase in accounts payable at year end.

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

**Statement of Activities:**

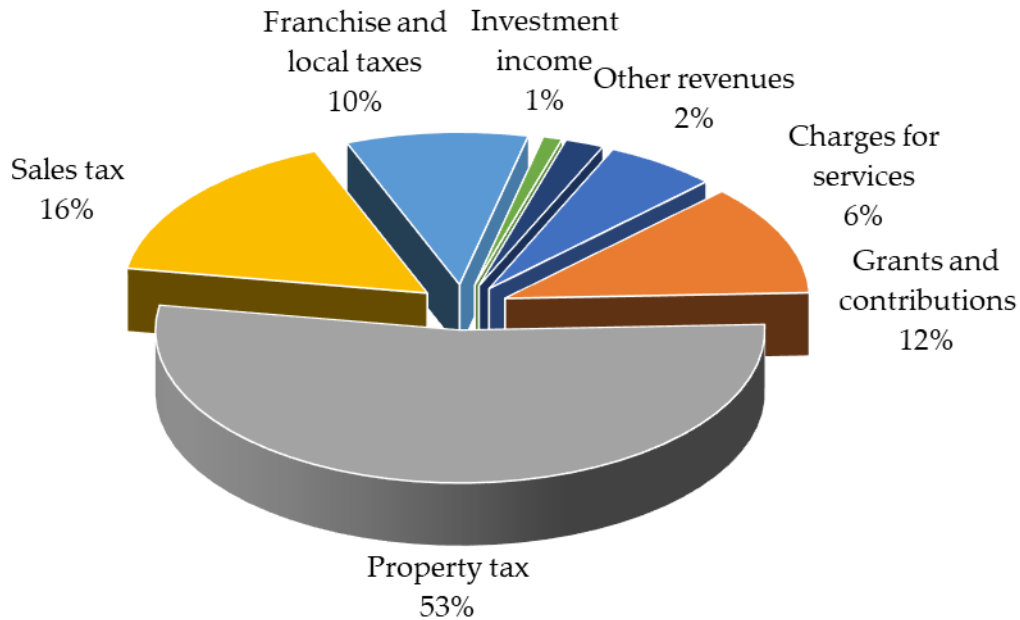
The following table provides a summary of the City's changes in net position:

	<u>For the Year Ended September 30, 2021</u>			<u>For the Year Ended September 30, 2020</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 697,539	\$ 4,153,036	\$ 4,850,575	\$ 835,603	\$ 5,025,211	\$ 5,860,814
Operating grants	140,516	-	140,516	493,443	-	493,443
Capital grants	1,236,056	-	1,236,056	-	-	-
General revenues:						
Property tax	6,222,546	-	6,222,546	5,850,732	-	5,850,732
Sales tax	1,913,865	-	1,913,865	1,755,169	-	1,755,169
Franchise and local taxes	1,127,538	-	1,127,538	871,920	-	871,920
Investment income	42,112	37,727	79,839	115,436	64,138	179,574
Other revenues	314,329	40,842	355,171	10,281	56,685	66,966
<b>Total Revenues</b>	<u>11,694,501</u>	<u>4,231,605</u>	<u>15,926,106</u>	<u>9,932,584</u>	<u>5,146,034</u>	<u>15,078,618</u>
<b>Expenses</b>						
General government	3,906,125	-	3,906,125	3,266,516	-	3,266,516
Public safety	3,357,233	-	3,357,233	3,223,331	-	3,223,331
Public works	1,758,786	-	1,758,786	2,543,613	-	2,543,613
Culture and recreation	598,732	-	598,732	579,022	-	579,022
Community enhancement	1,096,823	-	1,096,823	1,165,072	-	1,165,072
Interest and fiscal charges	735,337	803,191	1,538,528	734,643	775,171	1,509,814
Water and sewer	-	4,310,656	4,310,656	-	4,587,220	4,587,220
Refuse	-	797,706	797,706	-	1,004,761	1,004,761
Fiber	-	389,629	389,629	-	-	-
<b>Total Expenses</b>	<u>11,453,036</u>	<u>6,301,182</u>	<u>17,754,218</u>	<u>11,512,197</u>	<u>6,367,152</u>	<u>17,879,349</u>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	241,465	(2,069,577)	(1,828,112)	(1,579,613)	(1,221,118)	(2,800,731)
Transfers	603,653	(603,653)	-	776,482	(776,482)	-
<b>Total</b>	<u>603,653</u>	<u>(603,653)</u>	<u>-</u>	<u>776,482</u>	<u>(776,482)</u>	<u>-</u>
<b>Change in Net Position</b>	845,118	(2,673,230)	(1,828,112)	(803,131)	(1,997,600)	(2,800,731)
Beginning Net Position	11,576,602	11,355,817	22,932,419	12,379,733	13,353,417	25,733,150
<b>Ending Net Position</b>	<u>\$ 12,421,720</u>	<u>\$ 8,682,587</u>	<u>\$ 21,104,307</u>	<u>\$ 11,576,602</u>	<u>\$ 11,355,817</u>	<u>\$ 22,932,419</u>

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

**Governmental Activities Revenues**

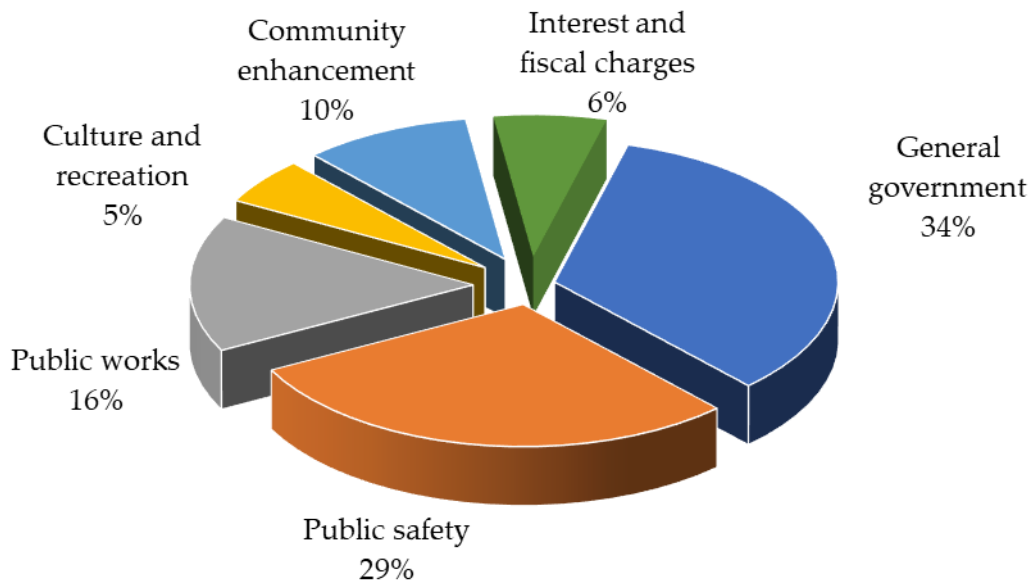


For the year ended September 30, 2021, revenues from governmental activities totaled \$11,694,501. Property tax and sales tax were the City's largest general revenue sources. Overall revenue increased \$1,761,917 or 18% from the prior year. This increase is primarily due to an overall increase in property taxes and intergovernmental grants. Charges for services decreased by \$138,064 primarily as a result of greater licenses and permits issued in the prior year. Capital and operating grants increased \$883,129 due to primarily to the American Rescue Plan Act grant during the current year. Property tax revenue increased by \$371,814 due to an increase in the overall taxable property values. Sales tax revenue increased by \$158,696 primarily due to increased economic growth as well as population growth within the City. Other revenue increased by \$304,048 due to nonrecurring miscellaneous revenue received in the current year. All remaining revenues remained relatively consistent with the previous year.

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

This graph shows the governmental function expenses of the City:

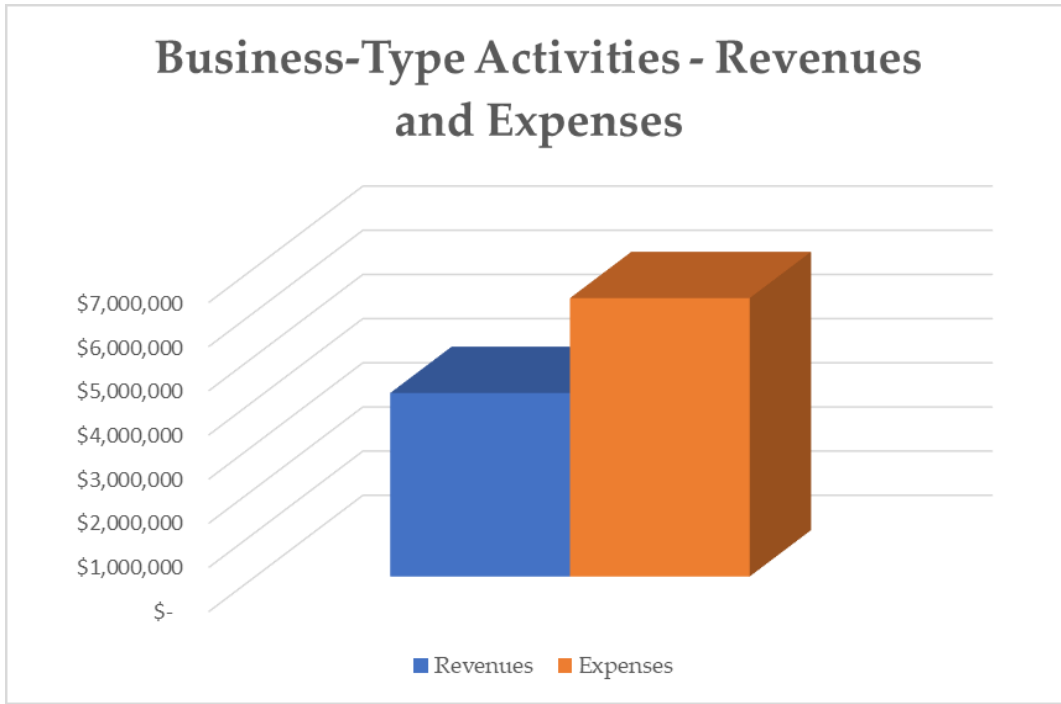
**Governmental Activities Expenses**



For the year ended September 30, 2021, expenses for governmental activities totaled \$11,453,036. This represents a decrease of \$59,161 or from the prior year. The City's largest functional expense is general government totaling \$3,906,125. General government increased by \$639,609 or 20% when compared to the prior year, which is primarily due to an increase in employee benefit expenses as well as nonrecurring expenditures when compared to the prior year. Public safety expenses increased by \$133,902 or 4% due to greater salaries and benefits as a result of new hires in the current year. Public works expenses decreased by \$784,827 or 31% primarily due to nonrecurring street maintenance expenditures in the prior year. All remaining expenses remained relatively consistent with the previous year.

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2021, charges for services by business-type activities totaled \$4,153,036. This is a decrease of \$872,175 or 17% from the previous year. This decrease directly relates to a decrease in utility service consumption and the elimination of commercial refuse revenue.

Total expenses decreased \$65,970 or 1% to a total of \$6,301,182. Water and sewer expenses decreased by \$276,564 due to a decline in consumption and related cost of services. Refuse expenses decreased by \$207,055 or 21% due to the elimination of commercial refuse services. Fiber expenses increased by \$389,629 due to the continued buildout of the City's fiber network. Interest and fiscal charges increased by \$28,020.

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

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

At September 30, 2021, the City's governmental funds reported combined fund balances of \$6,401,640, a decrease of \$386,329 in comparison with the prior year. Approximately 32% of this amount, \$2,062,766, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The

**City of Dayton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2021**

remainder of the fund balance is either *nonspendable, restricted or committed* to indicate that it is not in spendable form \$24,993 or restricted for particular purposes \$4,313,881.

As of the end of the year the general fund reflected a total fund balance of \$2,087,759. Of this, \$24,993 is considered nonspendable and \$2,062,766 is unassigned. General fund balance increased by \$63,483. This increase can be attributed to current year revenues exceeding expenditures and other financing uses.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$2,062,766 is 23% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$2,584,759 as of year end. Total fund balance increased by \$33,777 from the prior year due to revenues and transfers in exceeding debt service expenditures.

The grant fund had an ending fund balance of \$1,186,514 at September 30, 2021, an increase of \$1,186,514 when compared to the previous year. This increase is primarily attributable to the American Recovery Plan Act grant received in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the water and sewer fund, totaled \$8,335,861. Unrestricted net position at the close of the fiscal year amounted to a deficit of \$151,821 and a total decrease in net position of \$1,633,895 from the previous year. Total investment in capital assets, net of related debt of was \$8,487,682, and capital assets, net of depreciation totaled \$20,860,106.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$1,051,552 and increasing total revenues by \$2,002,321. The primary reasons for the budget revision were due to higher than expected revenue from intergovernmental. Budgeted expenditures were increased to account for inspections and engineering on new developments. As well as special projects, new capital outlay, unplanned repairs, and professional services. Total budgeted revenues of \$9,314,115 were more than actual revenues of \$7,779,536, resulting in a total negative revenue variance of \$1,534,579. The majority of this variance is a result of intergovernmental revenue that was budgeted in the general fund but recorded in the grant special revenue fund. Total budgeted expenditures of \$8,953,244 were less than actual expenditures of \$9,147,311, resulting in a total negative expenditure variance of \$1,728,646.



# City of Dayton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2021

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$30,281,478 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$25,812,047 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

Major capital asset events during the current year include the following:

- Major construction in progress additions of the following:

Fiber network	\$	4,032,320
Water meter project	\$	6,040,487
Rail crossing improvements	\$	244,924
Cleveland road	\$	136,328
- Church street sanitary sewer rehab for \$213,769.
- Rolke road land and ROWs amounting to \$406,222.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

### LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation payable increased by \$6,380,000 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$55,014,581, including premiums.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Dayton and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year. The City will continue to consider the impacts of the COVID-19 pandemic on the City's revenues and expenses.

# City of Dayton, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*

September 30, 2021

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 117 Cook Street, Dayton, TX 77535.

## ***FINANCIAL STATEMENTS***

# City of Dayton, Texas

## STATEMENT OF NET POSITION (Page 1 of 2) September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 5,529,617	\$ 9,183,485	\$ 14,713,102
Investments	996,000	5,193,000	6,189,000
Receivables, net	1,432,435	667,365	2,099,800
Inventory	24,993	83,708	108,701
Due from other funds	138,021	164,252	302,273
Due from primary government	-	-	-
<b>Total Current Assets</b>	<b>8,121,066</b>	<b>15,291,810</b>	<b>23,412,876</b>
Capital assets:			
Non-depreciable	5,006,027	12,889,049	17,895,076
Net depreciable capital assets	25,275,451	12,922,998	38,198,449
<b>Total Noncurrent Assets</b>	<b>30,281,478</b>	<b>25,812,047</b>	<b>56,093,525</b>
<b>Total Assets</b>	<b>38,402,544</b>	<b>41,103,857</b>	<b>79,506,401</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred charge on refunding	130,955	-	130,955
Pension outflows-TMRS	196,778	53,773	250,551
Pension outflows-TESRS	31,159	-	31,159
OPEB outflows	53,409	13,956	67,365
<b>Total Deferred Outflows of Resources</b>	<b>412,301</b>	<b>67,729</b>	<b>480,030</b>

See Notes to Financial Statements.

<b>Component Unit</b>
<b>DCDC</b>
\$ 1,944,606
-
177,081
-
-
70,321
<u>2,192,008</u>
905,986
-
<u>905,986</u>
<u>3,097,994</u>
-
9,017
-
-
<u>9,017</u>

# City of Dayton, Texas

## STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2021

<u>Liabilities</u>	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Accounts payable and accrued liabilities	\$ 690,276	\$ 1,105,107	\$ 1,795,383
Customer deposits	-	128,915	128,915
Due to other funds	164,252	138,021	302,273
Accrued interest payable	118,061	149,178	267,239
Compensated absences, current	119,312	15,852	135,164
Long-term debt due within one year	1,795,000	1,485,000	3,280,000
Due to component unit	70,321	-	70,321
<b>Total Current Liabilities</b>	<b>2,957,222</b>	<b>3,022,073</b>	<b>5,979,295</b>
Noncurrent liabilities:			
Net pension liability-TMRS	271,863	74,292	346,155
Net pension liability-TEERS	42,016	-	42,016
OPEB liability	247,586	64,693	312,279
Compensated absences, noncurrent	13,257	1,761	15,018
Long-term debt due in more than one year	22,496,680	29,237,900	51,734,580
<b>Total Noncurrent Liabilities</b>	<b>23,071,402</b>	<b>29,378,646</b>	<b>52,450,048</b>
<b>Total Liabilities</b>	<b>26,028,624</b>	<b>32,400,719</b>	<b>58,429,343</b>
 <u>Deferred Inflows of Resources</u>			
Pension inflows-TMRS	314,609	85,973	400,582
Pension inflows-TEERS	41,064	-	41,064
OPEB inflows	8,828	2,307	11,135
<b>Total Deferred Inflows of Resources</b>	<b>364,501</b>	<b>88,280</b>	<b>452,781</b>
 <u>Net Position</u>			
Net investment in capital assets	6,500,449	7,668,996	14,169,445
Restricted for:			
Public safety	84,995	-	84,995
Debt service	2,584,759	-	2,584,759
Capital projects	766,762	-	766,762
Tourism	187,419	-	187,419
Library	14,693	-	14,693
Community development	255,501	-	255,501
Economic development	-	-	-
Unrestricted	2,027,142	1,013,591	3,040,733
<b>Total Net Position</b>	<b>\$ 12,421,720</b>	<b>\$ 8,682,587</b>	<b>\$ 21,104,307</b>

See Notes to Financial Statements.

<b>Component</b>	
<b>Unit</b>	
<hr/>	
<b>DCDC</b>	
<hr/>	
\$	12,390
	-
	-
	-
	2,066
	-
	-
	<hr/>
	14,456
	<hr/>
	12,458
	-
	-
	230
	-
	<hr/>
	12,688
	<hr/>
	27,144
	<hr/>
	14,416
	-
	-
	<hr/>
	14,416
	<hr/>
	905,986
	-
	-
	-
	-
	-
	-
	-
	2,159,465
	-
	<hr/>
\$	3,065,451
	<hr/>
	<hr/>

**City of Dayton, Texas**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 3,906,125	\$ -	\$ 140,516	\$ 1,236,056
Public safety	3,357,233	341,574	-	-
Public works	1,758,786	246,303	-	-
Culture and recreation	598,732	109,662	-	-
Community enhancement	1,096,823	-	-	-
Interest and fiscal charges	735,337	-	-	-
<b>Total Governmental Activities</b>	<b>11,453,036</b>	<b>697,539</b>	<b>140,516</b>	<b>1,236,056</b>
<b>Business-Type Activities</b>				
Water and sewer	4,751,669	3,546,087	-	-
Refuse	797,706	606,949	-	-
Fiber	751,807	-	-	-
<b>Total Business-Type Activities</b>	<b>6,301,182</b>	<b>4,153,036</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 17,754,218</b>	<b>\$ 4,850,575</b>	<b>\$ 140,516</b>	<b>\$ 1,236,056</b>
<b>Component Unit</b>				
Community development	\$ 694,520	\$ -	\$ -	\$ -
<b>Total Component Unit</b>	<b>\$ 694,520</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes  
Property tax  
Sales tax  
Franchise and local taxes  
Investment income  
Gain on sale of capital assets  
Other revenues

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.



<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Component</b>
<b>Primary Government</b>			<b>Unit</b>
<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>	<b>DCDC</b>
<b>Activities</b>	<b>Activities</b>		
\$ (2,529,553)	\$ -	\$ (2,529,553)	\$ 555,432
(3,015,659)	-	(3,015,659)	-
(1,512,483)	-	(1,512,483)	-
(489,070)	-	(489,070)	-
(1,096,823)	-	(1,096,823)	-
(735,337)	-	(735,337)	-
<u>(9,378,925)</u>	<u>-</u>	<u>(9,378,925)</u>	<u>555,432</u>
-	(1,205,582)	(1,205,582)	-
-	(190,757)	(190,757)	-
-	(751,807)	(751,807)	-
<u>-</u>	<u>(2,148,146)</u>	<u>(2,148,146)</u>	<u>-</u>
(9,378,925)	(2,148,146)	(11,527,071)	555,432
			(694,520)
			<u>(694,520)</u>
6,222,546	-	6,222,546	-
1,913,865	-	1,913,865	956,933
1,127,538	-	1,127,538	-
118,105	37,727	155,832	340
105,975	-	105,975	-
132,361	40,842	173,203	53,693
603,653	(603,653)	-	-
<u>10,224,043</u>	<u>(525,084)</u>	<u>9,698,959</u>	<u>1,010,966</u>
845,118	(2,673,230)	(1,828,112)	316,446
11,576,602	11,355,817	22,932,419	2,749,005
<u>\$ 12,421,720</u>	<u>\$ 8,682,587</u>	<u>\$ 21,104,307</u>	<u>\$ 3,065,451</u>

# City of Dayton, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2021

	General	Debt Service	Grant Fund
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 971,871	\$ 2,584,759	\$ 1,226,570
Investments	996,000	-	-
Receivables, net	1,159,266	273,169	-
Inventory	24,993	-	-
Due from other funds	138,021	-	-
<b>Total Assets</b>	<b>\$ 3,290,151</b>	<b>\$ 2,857,928</b>	<b>\$ 1,226,570</b>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 610,763	\$ -	\$ 40,056
Due to other funds	-	-	-
Due to component unit	70,321	-	-
<b>Total Liabilities</b>	<b>681,084</b>	<b>-</b>	<b>40,056</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable revenue - Property taxes	521,308	273,169	-
<b>Total Deferred Inflows of Resources</b>	<b>521,308</b>	<b>273,169</b>	<b>-</b>
<b><u>Fund Balances</u></b>			
Nonspendable:			
Inventory	24,993	-	-
Restricted for:			
Public safety	-	-	-
Debt service	-	2,584,759	-
Capital projects	-	-	1,186,514
Tourism	-	-	-
Library	-	-	-
Community development	-	-	-
Unassigned reported in:			
General fund	2,062,766	-	-
<b>Total Fund Balances</b>	<b>2,087,759</b>	<b>2,584,759</b>	<b>1,186,514</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 3,290,151</b>	<b>\$ 2,857,928</b>	<b>\$ 1,226,570</b>

See Notes to Financial Statements.

<b>Nonmjaor Governmental Funds</b>	<b>Governmental Funds</b>
\$ 746,317	\$ 5,529,517
-	996,000
-	1,432,435
-	24,993
-	138,021
<u>\$ 746,317</u>	<u>\$ 8,120,966</u>
\$ 39,457	\$ 690,276
164,252	164,252
-	70,321
<u>203,709</u>	<u>924,849</u>
-	794,477
<u>-</u>	<u>794,477</u>
-	24,993
84,995	84,995
-	2,584,759
-	1,186,514
187,419	187,419
14,693	14,693
255,501	255,501
-	2,062,766
<u>542,608</u>	<u>6,401,640</u>
<u>\$ 746,317</u>	<u>\$ 8,120,966</u>

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# City of Dayton, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2021

<b>Fund Balances - Total Governmental Funds</b>	\$	6,401,640
 <b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		5,006,027
Capital assets - net depreciable		25,275,451
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property taxes		794,477
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Deferred charge on refunding		130,955
Pension outflows-TMRS		196,778
Pension outflows-TEERS		31,159
OPEB outflows		53,409
 Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.		
Pension inflows-TMRS		(314,609)
Pension inflows-TEERS		(41,064)
OPEB inflows		(8,828)
 Internal service funds are used by management to charge the cost of equipment to individual departments and funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		100
 Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.		
Net pension liability-TMRS		(271,863)
Net pension liability-TEERS		(42,016)
OPEB liability		(247,586)
Accrued interest		(118,061)
Bond premium		(796,680)
Compensated absences		(132,569)
Non-current liabilities due in one year		(1,795,000)
Non-current liabilities due in more than one year		(21,700,000)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>12,421,720</b>

See Notes to Financial Statements.

# City of Dayton, Texas

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

For the Year Ended September 30, 2021

	General	Debt Service	Grant Fund
<b><u>Revenues</u></b>			
Property tax	\$ 3,788,710	\$ 2,430,119	\$ -
Sales tax	1,913,865	-	-
Franchise and local taxes	604,063	-	-
Payments in lieu of taxes	433,933	-	-
License and permits	246,303	-	-
Charges for services	108,516	-	-
Fines and forfeitures	327,927	-	-
Intergovernmental	140,516	-	1,236,056
Investment income	85,923	27,706	-
Other revenues	129,780	-	-
<b>Total Revenues</b>	<b>7,779,536</b>	<b>2,457,825</b>	<b>1,236,056</b>
<b><u>Expenditures</u></b>			
General government	3,396,244	-	-
Public safety	2,911,906	-	-
Public works	948,825	-	-
Culture and recreation	223,982	-	-
Community enhancement	780,402	-	-
Community center	266,393	-	-
Capital outlay	576,300	-	60,904
Debt service			
Principal	41,250	1,910,000	-
Interest and fiscal charges	2,009	772,681	-
<b>Total Expenditures</b>	<b>9,147,311</b>	<b>2,682,681</b>	<b>60,904</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,367,775)</b>	<b>(224,856)</b>	<b>1,175,152</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	1,136,930	258,633	11,362
Transfers (out)	(217,869)	-	-
Sale of capital assets	512,197	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,431,258</b>	<b>258,633</b>	<b>11,362</b>
<b>Net Change in Fund Balances</b>	<b>63,483</b>	<b>33,777</b>	<b>1,186,514</b>
Beginning fund balances	2,024,276	2,550,982	-
<b>Ending Fund Balances</b>	<b>\$ 2,087,759</b>	<b>\$ 2,584,759</b>	<b>\$ 1,186,514</b>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,218,829
-	1,913,865
89,542	693,605
-	433,933
-	246,303
1,146	109,662
13,647	341,574
-	1,376,572
4,427	118,056
2,581	132,361
<u>111,343</u>	<u>11,584,760</u>
101,902	3,498,146
13,319	2,925,225
-	948,825
2,475	226,457
-	780,402
-	266,393
860,478	1,497,682
-	1,951,250
-	774,690
<u>978,174</u>	<u>12,869,070</u>
<u>(866,831)</u>	<u>(1,284,310)</u>
-	1,406,925
(803,272)	(1,021,141)
-	512,197
<u>(803,272)</u>	<u>897,981</u>
<u>(1,670,103)</u>	<u>(386,329)</u>
<u>2,212,711</u>	<u>6,787,969</u>
<u>\$ 542,608</u>	<u>\$ 6,401,640</u>

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# City of Dayton, Texas

## *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 changes in fund balances - total governmental funds	\$	(386,329)
---------------------------------------------------------	----	-----------

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.

Capital outlay		1,007,783
Depreciation expense		(1,476,161)
Adjustment for disposal of capital assets		(406,222)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		3,717
----------------	--	-------

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 governmental funds.

Pension expense-TMRS		167,416
Pension expense-TEERS		18,306
OPEB expense		(24,619)
Compensated absences		55,879
Accrued interest		12,808
Amortization of deferred charges on refunding		(18,708)
Amortization of bond premium		45,253

Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

		(105,255)
--	--	-----------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		1,951,250
--------------------	--	-----------

	\$	<u>845,118</u>
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See Notes to Financial Statements.

**City of Dayton, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2021**

	<b>Water and Sewer</b>	<b>Refuse</b>	<b>Fiber</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 3,659,422	\$ -	\$ 5,524,063
Receivables, net	565,609	67,305	34,451
Investments	-	1,298,000	3,895,000
Due from other funds	164,252	-	-
Inventories	83,708	-	-
<b>Total Current Assets</b>	<b>4,472,991</b>	<b>1,365,305</b>	<b>9,453,514</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets:			
Non-depreciable	8,454,962	26,185	4,407,902
Net depreciable capital assets	12,405,144	491,033	26,821
<b>Total Noncurrent Assets</b>	<b>20,860,106</b>	<b>517,218</b>	<b>4,434,723</b>
<b>Total Assets</b>	<b>25,333,097</b>	<b>1,882,523</b>	<b>13,888,237</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension outflows	48,821	1,237	3,715
OPEB inflows	13,956	-	-
<b>Total Deferred Outflows of Resources</b>	<b>62,777</b>	<b>1,237</b>	<b>3,715</b>

See Notes to Financial Statements.

<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service</b>
\$ 9,183,485	\$ 100
667,365	-
5,193,000	-
164,252	-
83,708	-
<u>15,291,810</u>	<u>100</u>
12,889,049	-
12,922,998	-
<u>25,812,047</u>	<u>-</u>
<u>41,103,857</u>	<u>100</u>
53,773	-
13,956	-
<u>67,729</u>	<u>-</u>

**City of Dayton, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**PROPRIETARY FUNDS**  
**September 30, 2021**

	<u>Water and Sewer</u>	<u>Refuse</u>	<u>Fiber</u>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 228,467	\$ 57,486	\$ 819,154
Customer deposits	128,915	-	-
Current maturities of long-term liabilities	1,230,000	-	255,000
Compensated absences, current	12,918	-	2,934
Accrued interest	76,394	-	72,784
Due to other funds	-	138,021	-
<b>Total Current Liabilities</b>	<u>1,676,694</u>	<u>195,507</u>	<u>1,149,872</u>
<b><u>Noncurrent Liabilities</u></b>			
Long-term debt, noncurrent	15,169,379	-	14,068,521
Compensated absences, noncurrent	1,435	-	326
Net pension liability	67,450	1,709	5,133
OPEB liability	64,693	-	-
<b>Total Noncurrent Liabilities</b>	<u>15,302,957</u>	<u>1,709</u>	<u>14,073,980</u>
<b>Total Liabilities</b>	<u>16,979,651</u>	<u>197,216</u>	<u>15,223,852</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension inflows	78,055	1,978	5,940
OPEB inflows	2,307	-	-
<b>Total Deferred Inflows of Resources</b>	<u>80,362</u>	<u>1,978</u>	<u>5,940</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	8,487,682	517,218	(1,335,904)
Unrestricted	(151,821)	1,167,348	(1,936)
<b>Total Net Position</b>	<u>\$ 8,335,861</u>	<u>\$ 1,684,566</u>	<u>\$ (1,337,840)</u>

See Notes to Financial Statements.

<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service</b>
\$ 1,105,107	\$ -
128,915	-
1,485,000	-
15,852	-
149,178	-
138,021	-
<u>3,022,073</u>	<u>-</u>
29,237,900	-
1,761	-
74,292	-
64,693	-
<u>29,378,646</u>	<u>-</u>
<u>32,400,719</u>	<u>-</u>
85,973	-
2,307	-
<u>88,280</u>	<u>-</u>
7,668,996	-
1,013,591	100
<u>\$ 8,682,587</u>	<u>\$ 100</u>

# City of Dayton, Texas

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

For the Year Ended September 30, 2021

	Water and Sewer	Refuse	Fiber
<b><u>Operating Revenues</u></b>			
Water and sewer charges	\$ 3,546,087	\$ -	\$ -
Sanitation revenue	-	606,949	-
Other revenue	23,734	16,548	560
<b>Total Operating Revenues</b>	<b>3,569,821</b>	<b>623,497</b>	<b>560</b>
<b><u>Operating Expenses</u></b>			
Personnel services	1,435,062	65,676	104,008
Services	473,258	541,729	284,209
Supplies	203,598	100,686	-
Utilities	489,719	1,765	-
Repairs and maintenance	137,501	9,740	-
Depreciation	1,534,622	71,999	1,412
Miscellaneous	13,841	656	-
Insurance claims and expenses	23,055	5,455	-
<b>Total Operating Expenses</b>	<b>4,310,656</b>	<b>797,706</b>	<b>389,629</b>
<b>Operating Income (Loss)</b>	<b>(740,835)</b>	<b>(174,209)</b>	<b>(389,069)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	21,765	10,583	5,379
Interest expense	(257,120)	-	(362,178)
Bond issuance costs	(183,893)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(419,248)</b>	<b>10,583</b>	<b>(356,799)</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,160,083)</b>	<b>(163,626)</b>	<b>(745,868)</b>
<b><u>Transfers</u></b>			
Transfers in	803,272	-	-
Transfers (out)	(1,277,084)	(129,841)	-
<b>Change in Net Position</b>	<b>(1,633,895)</b>	<b>(293,467)</b>	<b>(745,868)</b>
Beginning net position	9,969,756	1,978,033	(591,972)
<b>Ending Net Position</b>	<b>\$ 8,335,861</b>	<b>\$ 1,684,566</b>	<b>\$ (1,337,840)</b>

See Notes to Financial Statements.

<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service</b>
\$ 3,546,087	\$ -
606,949	-
40,842	-
<u>4,193,878</u>	<u>-</u>
1,604,746	-
1,299,196	-
304,284	-
491,484	-
147,241	-
1,608,033	-
14,497	-
28,510	323,173
<u>5,497,991</u>	<u>323,173</u>
<u>(1,304,113)</u>	<u>(323,173)</u>
37,727	49
(619,298)	-
(183,893)	-
<u>(765,464)</u>	<u>49</u>
(2,069,577)	(323,124)
803,272	217,869
(1,406,925)	-
<u>(2,673,230)</u>	<u>(105,255)</u>
11,355,817	105,355
<u>\$ 8,682,587</u>	<u>\$ 100</u>

**City of Dayton, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2021**

	<u>Water and Sewer</u>	<u>Refuse</u>	<u>Fiber</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 3,628,716	\$ 654,721	\$ (8,671)
Payments to suppliers and contractors	(161,475)	(528,572)	(507,888)
Payments to employees for salaries and benefits	(1,462,016)	(77,343)	(93,390)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,005,225</b>	<b>48,806</b>	<b>(609,949)</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfer in	803,272	(129,841)	-
Transfer (out)	(1,277,084)	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(473,812)</b>	<b>(129,841)</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Purchases of capital assets	(6,689,155)	-	(3,220,081)
Proceeds from capital debt	9,433,893	-	-
Principal paid on capital debt	(640,000)	-	-
Interest paid on capital debt	(323,747)	-	(565,683)
Bond issuance costs paid	(183,893)	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>1,597,098</b>	<b>-</b>	<b>(3,785,764)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Sale of investments	-	-	2,587,046
Purchase of investments	-	(1,298,000)	-
Interest on investments	21,765	10,583	5,379
<b>Net Cash Provided by Investing Activities</b>	<b>21,765</b>	<b>(1,287,417)</b>	<b>2,592,425</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,150,276</b>	<b>(1,368,452)</b>	<b>(1,803,288)</b>
Beginning cash and cash equivalents	509,146	1,368,452	7,327,351
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 3,659,422</b>	<b>\$ -</b>	<b>\$ 5,524,063</b>

See Notes to Financial Statements.



<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service</b>
\$ 4,274,766	\$ 988
(1,197,935)	(323,173)
(1,632,749)	-
<u>1,444,082</u>	<u>(322,185)</u>
673,431	217,869
(1,277,084)	-
<u>(603,653)</u>	<u>217,869</u>
(9,909,236)	-
9,433,893	-
(640,000)	-
(889,430)	-
(183,893)	-
<u>(2,188,666)</u>	<u>-</u>
2,587,046	-
(1,298,000)	-
37,727	49
<u>1,326,773</u>	<u>49</u>
(21,464)	(104,267)
<u>9,204,949</u>	<u>104,367</u>
<u>\$ 9,183,485</u>	<u>\$ 100</u>

**City of Dayton, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2021**

	<u>Water and Sewer</u>	<u>Refuse</u>	<u>Fiber</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>			
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>			
Operating Income (Loss)	\$ (740,835)	\$ (174,209)	\$ (389,069)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,534,622	71,999	1,412
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	53,805	31,224	(9,231)
Inventory	(42,318)	-	-
Due from other funds	1,386,559	-	-
Deferred Outflows of Resources:			
Pension outflows	5,469	710	(3,715)
OPEB outflows	(6,601)	-	5,940
Deferred Inflows of Resources:			
Pension inflows	(2,992)	746	-
OPEB inflows	268	-	-
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued expenses	(82,828)	(5,786)	(223,679)
Customer deposits	5,090	-	-
Compensated absences	(7,513)	-	3,260
Due to other funds	(81,916)	137,245	-
Net pension liability	(28,351)	(13,123)	5,133
OPEB liability	12,766	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,005,225</b>	<b>\$ 48,806</b>	<b>\$ (609,949)</b>

See Notes to Financial Statements.

<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service</b>
\$ (1,304,113)	\$ (323,173)
1,608,033	-
75,798	988
(42,318)	-
1,386,559	-
2,464	-
(661)	-
(2,246)	-
268	-
(312,293)	-
5,090	-
(4,253)	-
55,329	-
(36,341)	-
12,766	-
<u>\$ 1,444,082</u>	<u>\$ (322,185)</u>

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**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

**B. Reporting Entity**

The City of Dayton, Texas (the “City”) is a Home Rule City. The City operates under a “Mayor-Council” form of government and provides services authorized by its charter. Presently, these services include: public safety (police, fire, and emergency medical services), public works (street and park maintenance), culture and recreation, community enhancement, and general administrative services.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the City Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City is an independent political subdivision of the State of Texas (the “State”) governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component unit, as listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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 other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

Dayton Community Development Corporation

In May 1996, the City formed the Dayton Community Development Corporation (the "Corporation"), which was created by voters approving an additional sales tax. The mission of the Corporation is to promote economic development within the City and surrounding areas. The Board is composed of seven directors (voting members) and four advisory directors (nonvoting), each of whom is appointed by the City Council. The City Council may remove a Board member from office at any time without cause. Not more than three members of the Board may be a member of City Council or any other officer or employee of the City. The Corporation has been included in the reporting entity as a discretely presented component unit. The City has the ability to impose its will on the Corporation because it approves the Corporation's budget and the City is legally entitled to, and has, complete access to the Corporation's economic resources. As a discretely presented component unit, the Corporation is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the City. The Corporation is funded by the levy of one-half of one percent sales and use tax. The Corporation has a September 30 year end. Financial statements for the Corporation may be obtained by contacting the finance department, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

**C. Basis of Presentation - Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

charges between the government's water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, and community enhancement. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Grant Fund**

The grant fund is used to account for and report the proceeds of federal and state grant sources that are legally restricted or committed to expenditures for purposes defined by the granting agency.

The government reports the following proprietary funds:

**Enterprise Funds**

The enterprise funds are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, fiber network, and the operations that provide garbage services to the public. The services are financed and operated in a manner similar to private business enterprises where the intent of the

# City of Dayton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund, refuse, and fiber funds are considered major funds for reporting purposes.

Additionally, the government reports the following fund type:

### **Capital Projects Fund**

The capital projects fund is used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects.

### **Special Revenue Funds**

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

### **Internal Service Funds**

Internal service funds account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The employee benefits fund is used to account for insurance provided to City employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds



**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported 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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of*

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

*accounting.* Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

**E. Assets, Liabilities, Deferred Outflows / Inflows, and Fund Equity or Net Position**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Fair Value**

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**3. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the general fund are restricted by contractual agreements. Restricted assets of the enterprise fund are restricted for customer deposits and bond covenants.

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**4. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

**5. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**6. 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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 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 are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are expensed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

# City of Dayton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Furniture and equipment	5 to 7 years
Water and sewer system	30 to 40 years
Buildings and improvements	50 years

### 7. Deferred Outflows / Inflows of Resources

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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### 8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**9. Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**10. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**11. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, issuance premiums, and capital lease obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**12. 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 the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. 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.

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**13. Other Postemployment Benefits (“OPEB”)**

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn’t meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary, calculated based on the employee’s actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position.

**14. 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 the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**F. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax

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Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

**3. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.



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**4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 and sewer fund, refuse fund, fiber funds are charges to customers for sales and services. The water and sewer 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 enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital projects, most special revenue funds and enterprise funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level for the general fund and the fund level for all other funds. No funds can be

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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transferred or added to a budgeted without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

**A. Expenditures Over Appropriations**

For the year ended September 30, 2021, expenditures exceeded appropriations at the legal level of control in the following departments within the general fund as follows:

General government		
Nondepartmental	\$	6,181
Public safety		
Municipal Court		33,857
Planning & Code Enforcement		1,500
Police & Dispatch		118,978
Public works		
Fleet Maintenance		39,713
Stets & Drainage		97,808
Community enhancement		121,381
Capital outlay		576,300
Debt service		
Principal		41,250
Interest and fiscal charges		2,009
Transfers (out)		217,869
Total		\$ 1,256,846

**B. Deficit Fund Equity**

The Fiber fund had a deficit net position balance of \$1,337,840 as of year end. This deficit will be corrected in future years through transfers from other funds and revenues generated from charges for services.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The primary government and its component unit may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987.

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

As of September 30, 2021, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal agency bonds	\$ 4,695,000	1.64
Certificates of deposit	1,494,000	2.85
Total value	<u>\$ 6,189,000</u>	
Portfolio weighted average maturity		1.93

As of September 30, 2021, the Dayton Community Development Corporation had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 970,496	0.10
Total value	<u>\$ 970,496</u>	
Portfolio weighted average maturity		0.10

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Credit risk:* The City’s investment policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of September 30, 2021, the City’s investments in TexPool were rated ‘AAAm’ by Standard & Poor’s.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective fair value of at least 103 percent. As of September 30, 2020, the fair values of pledged securities and FDIC coverage exceeded the City’s bank balances. As of September 30, 2021, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus

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**NOTES TO FINANCIAL STATEMENTS, Continued**  
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payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds. As of September 30, 2021, the City’s investments in federal agency bonds were rated ‘AAAm’ by Standard & Poor’s.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	<b>Primary Government</b>					<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Water and Sewer</b>	<b>Refuse</b>	<b>Fiber</b>	
Property taxes	\$ 521,308	\$ 273,169	\$ -	\$ -	\$ -	\$ 794,477
Sales tax	354,163	-	-	-	-	354,163
Franchise tax	57,340	-	-	-	-	57,340
Accounts, net	-	-	630,053	71,593	-	701,646
Other	226,455	-	-	-	34,451	260,906
Allowance	-	-	(64,444)	(4,288)	-	(68,732)
<b>Total</b>	<b>\$ 1,159,266</b>	<b>\$ 273,169</b>	<b>\$ 565,609</b>	<b>\$ 67,305</b>	<b>\$ 34,451</b>	<b>\$ 2,099,800</b>

The following comprise receivable balances of the component unit consisted entirely of sales tax at year end.

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**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**C. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,384,811	\$ 406,222	\$ (406,222)	\$ 1,384,811
Construction in progress	3,090,595	530,621	-	3,621,216
Total capital assets not being depreciated	<u>4,475,406</u>	<u>936,843</u>	<u>(406,222)</u>	<u>5,006,027</u>
Capital assets, being depreciated:				
Infrastructure	5,981,441	-	-	5,981,441
Buildings and improvements	23,410,856	38,500	-	23,449,356
Machinery and equipment	9,356,792	32,440	-	9,389,232
Total capital assets being depreciated	<u>38,749,089</u>	<u>70,940</u>	<u>-</u>	<u>38,820,029</u>
Less accumulated depreciation				
Infrastructure	1,947,193	261,144	-	2,208,337
Buildings and improvements	4,474,820	508,089	-	4,982,909
Machinery and equipment	5,646,404	706,928	-	6,353,332
Total accumulated depreciation	<u>12,068,417</u>	<u>1,476,161</u>	<u>-</u>	<u>13,544,578</u>
Net capital assets being depreciated	26,680,672	(1,405,221)	-	25,275,451
<b>Total Capital Assets</b>	<u>\$ 31,156,078</u>	<u>\$ (468,378)</u>	<u>\$ (406,222)</u>	<u>\$ 30,281,478</u>

Depreciation was charged to governmental functions as follows:

General	\$ 139,750
Public safety	546,544
Public works	341,559
Culture and recreation	377,825
Community enhancement	70,483
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 1,476,161</u>

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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A summary of changes in business-type activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 107,408	\$ -	\$ -	\$ 107,408
Construction in progress	2,334,531	10,447,110	-	12,781,641
Total capital assets not being depreciated	<u>2,441,939</u>	<u>10,447,110</u>	<u>-</u>	<u>12,889,049</u>
Capital assets, being depreciated:				
Building and improvements	3,086,121	-	-	3,086,121
Machinery and equipment	2,601,341	60,597	-	2,661,938
Infrastructure	30,718,578	213,769	-	30,932,347
Total capital assets being depreciated	<u>36,406,040</u>	<u>274,366</u>	<u>-</u>	<u>36,680,406</u>
Less accumulated depreciation				
Building and improvements	1,002,672	144,603	-	1,147,275
Machinery and equipment	1,844,351	190,612	-	2,034,963
Infrastructure	19,302,352	1,272,818	-	20,575,170
Total accumulated depreciation	<u>22,149,375</u>	<u>1,608,033</u>	<u>-</u>	<u>23,757,408</u>
Net capital assets being depreciated	<u>14,256,665</u>	<u>(1,333,667)</u>	<u>-</u>	<u>12,922,998</u>
<b>Total Capital Assets</b>	<u>\$ 16,698,604</u>	<u>\$ 9,113,443</u>	<u>\$ -</u>	<u>\$ 25,812,047</u>

Depreciation was charged to business-type activities as follows:

Water and sewer	\$ 1,534,622
Refuse	71,999
Fiber	1,412
<b>Total Business-type Activities Depreciation Expense</b>	<u>\$ 1,608,033</u>

A summary of changes in component-unit activities capital assets for the year end was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Retirements/ Reclassifications</b>	<b>Ending Balances</b>
Capital assets, not being depreciated:				
Land	\$ 906,686	\$ -	\$ (700)	\$ 905,986
Total capital assets not being depreciated	<u>906,686</u>	<u>-</u>	<u>(700)</u>	<u>905,986</u>
<b>Total Capital Assets</b>	<u>\$ 906,686</u>	<u>\$ -</u>	<u>\$ (700)</u>	<u>\$ 905,986</u>

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**D. Long-term Debt**

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2021. In general, the City uses the general and debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General Obligation Bonds	\$ 7,775,000	\$ -	\$ (895,000)	\$ 6,880,000	\$ 920,000
Tax Notes	235,000	-	(115,000)	120,000	120,000
Certificates of Obligation	17,395,000	-	(900,000)	16,495,000	755,000
Less deferred amounts:					
For premiums	841,933	-	(45,253)	796,680	-
Total Bonds Payable	<u>26,246,933</u>	<u>-</u>	<u>(1,955,253)</u>	<u>24,291,680</u>	<u>1,795,000</u>
Capital Leases	41,250	-	(41,250)	-	-
<b>Total</b>	<u>\$ 26,288,183</u>	<u>\$ -</u>	<u>\$ (1,996,503)</u>	<u>\$ 24,291,680</u>	<u>\$ 1,795,000</u>
			<b>Long-term liabilities due in more than one year</b>	<u>\$ 22,496,680</u>	
<b>Business-Type Activities:</b>					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 15,305,000	\$ 8,930,000	\$ (50,000)	\$ 24,185,000	\$ 885,000
General Obligation Bonds	5,195,000	-	(590,000)	4,605,000	600,000
Less deferred amounts:					
For premiums	1,560,185	503,893	(131,178)	1,932,900	-
<b>Total</b>	<u>\$ 22,060,185</u>	<u>\$ 9,433,893</u>	<u>\$ (771,178)</u>	<u>\$ 30,722,900</u>	<u>\$ 1,485,000</u>
			<b>Long-term liabilities due in more than one year</b>	<u>\$ 29,237,900</u>	

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
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Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. Capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

Long-term debt at year end was comprised of the following debt issues:

	<b>Governmental Activities</b>
<b>Certificates of Obligation:</b>	
2015 Certificates of Obligation, original principal due of \$6,990,000 with an interest rate rate ranging from 2.00-4.00%	\$ 5,820,000
2018 Certificates of Obligation, original principal due of \$6,595,000 with an interest rate rate ranging from 2.00-4.00%	5,550,000
2019 Certificates of Obligation, original principal due of \$2,500,000 with an interest rate rate ranging from 2.00-5.00%	2,185,000
2020B Certificates of Obligation, original principal due of \$3,015,000 with an interest rate rate ranging from 2.00-5.00%	2,940,000
<b>Total Certificates of Obligation</b>	<b>\$ 16,495,000</b>



**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

	<u>Governmental Activities</u>
<b>General Obligations:</b>	
2017 general obligation refunding bonds, original principal due of \$8,045,000 with an an interest rate of 2.23%	\$ 6,880,000
<b>Total General Obligation bonds</b>	<u>\$ 6,880,000</u>
<b>Tax Notes:</b>	
2017 tax anticipation notes, original principal due \$575,000 with an interest rate of 1.68%	120,000
<b>Total Tax Notes</b>	<u>\$ 120,000</u>
Less deferred amounts:	
Premiums	\$ 796,680
<b>Total Long-term Debt</b>	<u><u>\$ 24,291,680</u></u>
<b>Business - Type Activities</b>	
<b>Certificates of Obligation:</b>	
2020A Certificates of Obligation, original principal due of \$13,450,000 with an interest rate rate ranging from 2.00-4.00%	\$ 13,450,000
2020B Certificates of Obligation, original principal due of \$1,855,000 with an interest rate rate ranging from 2.00-5.00%	1,805,000
2021 Certificates of Obligation, original principal due of \$1,855,000 with an interest rate rate ranging from 1.25-4.00%	8,930,000
<b>Total Certificates of Obligation</b>	<u>\$ 24,185,000</u>
<b>General Obligations:</b>	
2016 general obligaiton refunding bonds, original principal due of \$6,880,000 with an interest rate rate ranging from 2.00-4.00%	
<b>Total General Obligation bonds</b>	<u>\$ 4,605,000</u>
Less deferred amounts:	
Premiums	\$ 1,932,900
<b>Total Long-term Debt</b>	<u><u>\$ 30,722,900</u></u>

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

Certificates of Obligation

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 755,000	\$ 541,525	\$ 885,000	\$ 724,494
2023	775,000	517,550	945,000	694,369
2024	805,000	491,400	1,395,000	654,369
2025	835,000	462,025	1,360,000	599,569
2026	865,000	429,603	1,210,000	555,094
2027	900,000	396,631	1,250,000	512,794
2028	935,000	363,147	1,300,000	461,019
2029	1,060,000	329,063	1,360,000	406,994
2030	1,085,000	296,103	1,410,000	355,144
2031	1,125,000	260,019	1,175,000	316,756
2032	1,165,000	218,794	1,205,000	287,716
2033	1,215,000	179,756	1,230,000	257,625
2034	1,245,000	142,588	1,260,000	226,475
2035	1,290,000	103,141	1,295,000	194,125
2036	605,000	72,975	1,210,000	162,288
2037	620,000	52,513	1,245,000	130,650
2038	640,000	31,256	1,275,000	97,813
2039	355,000	14,631	1,305,000	64,119
2040	220,000	4,400	1,345,000	28,775
2041	-	-	525,000	5,250
<b>Total</b>	<b>\$ 16,495,000</b>	<b>\$ 4,907,119</b>	<b>\$ 24,185,000</b>	<b>\$ 6,735,434</b>

General Obligation Bonds

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 920,000	\$ 143,166	\$ 600,000	\$ 147,200
2023	940,000	122,427	615,000	131,975
2024	960,000	101,242	635,000	113,225
2025	980,000	79,611	650,000	93,950
2026	3,080,000	104,030	2,105,000	128,500
<b>Total</b>	<b>\$ 6,880,000</b>	<b>\$ 550,476</b>	<b>\$ 4,605,000</b>	<b>\$ 614,850</b>

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

Tax Notes

	Governmental Activities	
	Principal	Interest
2022	\$ 120,000	\$ 2,016
<b>Total</b>	\$ 120,000	\$ 2,016

**E. Other Long-term Liabilities**

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and water and sewer funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Compensated absences	188,448	132,569	(188,448)	132,569	119,312
<b>Total Governmental Activities</b>	\$ 188,448	\$ 132,569	\$ (188,448)	\$ 132,569	\$ 119,312
<b>Other long-term liabilities due in more than one year</b>				\$ 13,257	
<b>Business Type Activities:</b>					
Compensated absences	21,866	17,613	(21,866)	17,613	15,852
<b>Total Business Type Activities</b>	\$ 21,866	\$ 17,613	\$ (21,866)	\$ 17,613	\$ 15,852
<b>Other long-term liabilities due in more than one year</b>				\$ 1,761	
<b>Component Unit Activities:</b>					
Compensated absences	-	2,296	-	2,296	2,066
<b>Total Component Unit Activities</b>	\$ -	\$ 2,296	\$ -	\$ 2,296	\$ 2,066
<b>Other long-term liabilities due in more than one year</b>				\$ 230	

**F. Deferred Charges on Refunding**

Deferred charges resulting from the issuance of series 2017 general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental activities totaled \$130,955. Current year amortization expense for governmental totaled \$18,708.

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**G. Interfund Transactions**

Transfers between the primary government funds during the 2021 year were as follows:

<b>Transfer out:</b>	<b>Transfer In:</b>					<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Nonmajor</b>			
			<b>Governmental</b>	<b>Water &amp; Sewer</b>	<b>Internal Service</b>	
General	\$ -	\$ -	\$ -	\$ -	\$ 217,869	\$ 217,869
Nonmajor governmental	-	-	-	803,272	-	803,272
Water & Sewer	1,007,089	258,633	11,362	-	-	1,277,084
Garbage Disposal	129,841	-	-	-	-	129,841
<b>Total</b>	<b>\$ 1,136,930</b>	<b>\$ 258,633</b>	<b>\$ 11,362</b>	<b>\$ 803,272</b>	<b>\$ 217,869</b>	<b>\$ 2,428,066</b>

Transfers between funds were primarily to support construction projects, debt payments and operation of funds.

The compositions of interfund balances as of the year ended September 30, 2021 were as follows:

<b>Due from (receivable fund):</b>	<b>Due to (payable fund):</b>			<b>Total</b>
	<b>General</b>	<b>Nonmajor</b>		
		<b>Governmental</b>	<b>Refuse</b>	
General	\$ -	\$ -	\$ 138,021	\$ 138,021
Water and Sewer	-	164,252	-	164,252
Component Unit	70,321	-	-	70,321
<b>Total</b>	<b>\$ 70,321</b>	<b>\$ 164,252</b>	<b>\$ 138,021</b>	<b>\$ 372,594</b>

Interfund receivables and payables are used to cover operational, debt, and capital expenditures. All balances are expected to be resolved in the subsequent year.

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

**B. Commitments and Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**Developer Agreements**

**Master Development and Reimbursement Agreement – CMC Railroad, LLC**

In December 2018, the City, the City of Dayton Tax Increment Reinvestment Zone No. 1 (the “Zone”), and CMC Railroad, LLC (the “Developer”) entered into a Master Development and Reimbursement Agreement (the “Agreement”) to provide for the financing and construction of public improvements and associated eligible project costs within the Zone. The Zone was created on May 28, 2018. In order to implement certain plans of the Zone, the City entered into purchase contracts for the necessary right of way for the widening and improvements to Stilson Road from two landowners in the estimated amount of \$306,720 plus related survey and closing costs and real estate agent fees. The Developer has agreed to advance funds necessary to pay for the eligible project costs to be reimbursed in accordance with the Agreement. Liberty County (the “County”) entered into an interlocal agreement with the Zone and the City to participate in the Zone. The County has agreed to pay the City for deposit into the tax increment fund 50 percent of all taxes collected by the County each year during the term of the Agreement at the then-prevailing County tax rate on the captured appraised values. The term of the Agreement shall end on August 1, 2044, or until 100 percent of the County tax increment participation has been paid.

The City and the County have agreed to reimburse the Developer annually for Zone improvements funded by the Developer based upon 50 percent of the tax increment payments collected within the Zone on the captured appraised values. The other 50 percent of the tax increment shall go into the Zone fund for future projects to be named/approved by the Zone board and City. The Agreement has a reimbursement cap up to \$68,200,000 for eligible project costs, plus developer interest (based upon the published prime commercial lending rate in the Wall Street Journal), plus an annual adjustment for the most recently published consumer price index. The agreement shall end upon the expiration of the Zone. No TIRZ collections or developer payments were made during the year.

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2021

Development Agreement with CMC Railroad, LLC and creation of Municipal District No. 9

On January 25, 2021, the City entered into a development agreement with CMC Railroad, LLC (the “Developer”) to develop their approximately 1,156 acres of land for primarily industrial use and the creation of a Municipal Utility District (to be known as Liberty County Municipal Utility District No. 9) to fund certain public infrastructure. The Developer has agreed to advance up to \$1 million dollars to build a substation for the police department, fire station, and a training facility. The Developer, as needed, will be responsible for designing and constructing all internal and off-site water and sewer lines and associated facilities and drainage facilities. The Developer advance will be reimbursed from the increment generated within TIRZ No. 1 under the Master Development and Reimbursement Agreement. The Developer will convey these constructed assets to the City. The Agreement is for 30 years. No TIRZ collections or developer payments were made during the year.

**Dayton Community Development Corporation Grant Agreements**

The Corporation entered into another Grant Performance Agreement for Business and Commerce Development (the “Agreement”) with Sumiden Wire Products Corporation (the “Company”). The Company has agreed to commitments of at least \$13,000,000 for the purchase of real estate for, or construction of, a manufacturing facility in the City. The Company has also agreed to hire a minimum of 15 full-time employees at a minimum salary specified within the Agreement. The minimum number of employees hired will increase each year over the five-year term of the Agreement. The Corporation has agreed to maximum grant payments of \$643,200 over the term of the Agreement if the Company meets the various conditions noted for each year of the Agreement.

In the event of default by the Company, the Company must repay all grant payments with interest of ten percent. During the fiscal year ending September 30, 2021, the Corporation made payments of \$100,000 related to this agreement.

**C. Defined Benefit Pension Plans**

**Texas Municipal Retirement System**

**1. Plan Description**

The City of Dayton, Texas participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of

# City of Dayton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com). All eligible employees of the city are required to participate in TMRS.

### **2. Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may 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 plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
 September 30, 2021

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	114
Active employees	<u>100</u>
<b>Total</b>	<b><u>265</u></b>

**3. 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 the 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 Dayton, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Dayton, Texas were 6.99% and 6.58% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$355,127, and were equal to the required contributions.

**4. 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.

**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	2.75%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation



**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2021**

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 16 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 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (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).

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/19</b>	\$ 9,358,513	\$ 8,830,086	\$ 528,427
Changes for the year:			
Service cost	691,091	-	691,091
Interest	636,851	-	636,851
Change in benefit terms	-	-	-
Difference between expected and actual experience	(66,921)	-	(66,921)
Changes of assumptions	-	-	-
Contributions – employer	-	382,803	(382,803)
Contributions – employee	-	383,331	(383,331)
Net investment income	-	669,208	(669,208)
Benefit payments, including refunds of emp. contributions	(538,444)	(538,444)	-
Administrative expense	-	(4,337)	4,337
Other changes	-	(170)	170
Net changes	722,577	892,391	(169,814)
<b>Balance at 12/31/20</b>	<b>\$ 10,081,090</b>	<b>\$ 9,722,477</b>	<b>\$ 358,613</b>

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,808,712	\$ 358,613	\$ (826,773)

**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).

**5. 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 expense of \$155,072.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between projected and investment earnings	\$ -	\$ 247,023
Changes in actuarial assumptions	9,193	-
Difference between expected and actual economic experience	-	167,975
Contributions subsequent to the measurement date	250,375	-
<b>Total</b>	<b>\$ 259,568</b>	<b>\$ 414,998</b>

The City reported \$250,375 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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 Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

<b>Year ended December 31:</b>	
2021	\$ (201,279)
2022	(38,663)
2023	(151,226)
2024	(14,637)
2025	-
Thereafter	-
	\$ (405,805)

**Texas Emergency Services Retirement System**

**1. Plan Description**

The Fire Fighter’s Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2021, there were 239 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2021, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,843
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,706
Active Participants (Vested and Nonvested)	<u>3,571</u>
Total	<u>9,120</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly

**City of Dayton, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
**September 30, 2021**

contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

**2. Funding Policy**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2020 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**3. Contributions**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2021, total contributions (dues and prior service) of \$3,813,748 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2021.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The most recently completed biennial actuarial valuation as of August 31, 2020 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System’s administrative expenses.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

	<b><u>August 31, 2016</u></b>	<b><u>August 31, 2018</u></b>	<b><u>August 31, 2020</u></b>
Valuation Date	Entry Age	Entry Age	Entry Age
Actuarial Cost Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization Method	30 years	30 years	30 years
Amortization	Market value	Market value	Market value smoothed
Asset Valuation Method	smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses	7.50% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.00%	3.00%
Cost-of-Living Adjustments	None	None	None

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.15%
Emerging markets	5%	7.25%
Master limited partnership	5%	6.41%
Real Estate	10%	4.48%
Multi asset income	5%	3.84%
Fixed income	30%	1.99%
Cash	0%	0%
Total	100.0%	4.60%

**Discount Rate:**

The discount rate used to measure the Total Pension Liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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 Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**4. Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at 8/31/19</b>	\$ 404,203	\$ 336,466	\$ 67,737
Changes for the year:			
Service Cost	6,103	-	6,103
Interest (on the Total Pension Liab.)	43,611	-	43,611
Change in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – members	-	14,656	(14,656)
Contributions – state	-	5,213	(5,213)
Net investment income	-	87,448	(87,448)
Benefit payments, including refunds of emp. contributions	(29,153)	(29,153)	-
Administrative expense	-	(1,053)	1,053
Proportion changes	185,754	154,925	30,829
Net changes	206,315	232,036	(25,721)
<b>Balance at 8/31/20</b>	<b>\$ 610,518</b>	<b>\$ 568,502</b>	<b>\$ 42,016</b>

**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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

<b>1% Decrease 6.5%</b>	<b>Current Single Rate Assumption 7.5%</b>	<b>1% Increase 8.5%</b>
\$ 137,323	\$ 42,016	\$ (21,608)

**Pension Plan Fiduciary Net Position:**

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



**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended September 30, 2021, the City recognized pension expense of \$49.

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>
Difference between expected and actual economic experience	\$ -	\$ (39,345)
Difference between projected and investment earnings	-	(57)
Change in actuarial assumptions	-	(1,662)
Changes in pension proportion	31,159	-
<b>Total</b>	<b>\$ 31,159</b>	<b>\$ (41,064)</b>

Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

<b>Year ended August 31:</b>	
2022	\$ (9,285)
2023	(5,022)
2024	(11,083)
2025	(8,421)
2026	1,813
Thereafter	22,093
	<b>\$ (9,905)</b>

**D. Other Postemployment Benefits**

**Supplemental Death Benefits Fund**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the

# City of Dayton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2021

12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City offers supplemental death to:	Plan Year 2020	Plan Year 2019
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

### Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	23
Active employees	100
Total	157

The City’s contributions to the TMRS SDBF for the years ended 2021 and 2020 were \$4,785, and \$1,591, respectively, which equaled the required contributions each year.

### Schedule of Contribution Rates (*RETIREE-only portion of the rate*)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2019	0.05%	0.05%	100.0%
2020	0.04%	0.04%	100.0%
2021	0.11%	0.11%	100.0%

### Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2020, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Actuarial assumptions:**

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables 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 males 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.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 2.00%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

1% Decrease (1.00%)	Current Single Rate Assumption 2.00%	1% Increase (3.00%)
\$ 391,669	\$ 312,279	\$ 253,571

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**Changes in the Total OPEB Liability:**

	<b>Total OPEB Liability</b>
<b>Balance at 12/31/19</b>	<b>\$ 250,656</b>
Changes for the year:	
Service Cost	15,881
Interest	7,081
Difference between expected and actual experience	(4,757)
Changes of assumptions	45,608
Benefit payments	(2,190)
Net changes	61,623
<b>Balance at 12/31/20</b>	<b>\$ 312,279</b>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2021, the City recognized OPEB expense of \$35,838.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>
Changes in actuarial assumptions	\$ 63,179	\$ -
Difference between expected and actual experience	-	11,135
Contributions subsequent to measurement date	4,186	-
<b>Total</b>	<b>\$ 67,365</b>	<b>\$ 11,135</b>

The City reported \$4,186 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

<b>Year ended December 31:</b>		
2021	\$	12,874
2022		12,550
2023		10,803
2024		3,358
2025		12,459
Thereafter		-
	<u>\$</u>	<u>52,044</u>

**E. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Plan’s trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payments to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions. Employee contributions totaled \$8,390 during the year.

**F. Tax Abatements**

In accordance with Chapter 312 of the Texas Property Tax Code (the “Tax Code”), the City entered into a tax abatement agreement with Hiller Carbon, LLC (the “Company”) on September 12, 2016. The Company has agreed to spend a minimum of \$2,750,000 on new improvements on the property and create at least nine full time jobs that pay prevailing wages for similar jobs in the county and State. The City has agreed to abate ad valorem taxation on any increase in assessed valuation from the 2016 tax year in the following amounts: 100 percent in tax years 2017 and 2018, 80 percent in tax year 2019, forty percent in tax year 2020, and twenty percent in tax year 2021. If at any time during the term of the Agreement the Company should fail to comply with the terms of the agreement, the Company will be liable to the City for the value of all taxes abated since the agreement commenced. Tax abated for the 2021 fiscal year totaled \$2,810.

**City of Dayton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2021**

**F. Restatement**

City has restated beginning net position/fund balance within governmental activities, general fund, business-type activities, water and sewer fund, and the DCDC due to a correction relating to accounts payable and the allocation of the City's OPEB liability in the prior year. The restatement of beginning net position/fund balance is as follows:

	<b>Governmental Activities</b>	<b>General Fund</b>
Prior year ending net position/fund balance as reported	\$ 11,569,971	\$ 2,047,130
Correction of TESRS balances	(17,127)	-
Allocation of OPEB	46,612	-
Correction to accounts payable	(22,854)	(22,854)
Restated beginning net position/fund balance	\$ 11,576,602	\$ 2,024,276

	<b>Business-type Activities</b>	<b>Water &amp; Sewer</b>
Prior year ending net position/fund balance as reported	\$ 11,402,429	\$ 10,016,368
Allocation of OPEB	(46,612)	(46,612)
Restated beginning net position/fund balance	\$ 11,355,817	\$ 9,969,756

	<b>Component Unit</b>
Prior year ending net position/fund balance as reported	\$ 2,738,260
Correction to accounts payable	10,745
Restated beginning net position/fund balance	\$ 2,749,005

**G. Subsequent Events**

There were no material subsequent events through April 22, 2022, the date the financial statements were issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Dayton, Texas

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

### GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property tax	\$ 3,648,156	\$ 3,746,745	\$ 3,788,710	\$ 41,965
Sales tax	1,754,156	1,819,347	1,913,865	94,518
Franchise and local taxes	467,000	467,000	604,063	137,063
Payments in lieu of taxes	170,000	219,874	433,933	214,059
License and permits	417,600	455,225	246,303	(208,922)
Charges for services	127,070	103,575	108,516	4,941
Fines and forfeitures	576,585	302,315	327,927	25,612
Intergovernmental	107,027	2,093,144	140,516	(1,952,628)
Investment income	5,000	12,633	85,923	73,290
Other revenues	39,200	94,257	129,780	35,523
<b>Total Revenues</b>	7,311,794	9,314,115	7,779,536	(1,534,579)
<b>Expenditures</b>				
Current:				
General government				
Administration	1,183,392	2,223,231	1,656,011	567,220
Technology	484,073	508,047	481,401	26,646
Office of City Mgr. & Sec.	397,039	431,528	407,452	24,076
Planning & Code Enforcement	674,770	611,100	604,921	6,179
Animal Control	137,387	133,425	123,437	9,988
Parks-Aquatics	96,007	86,035	72,017	14,018
Nondepartmental	14,000	44,824	51,005	(6,181) *
<b>Total General Government</b>	2,986,668	4,038,190	3,396,244	641,946
Public safety				
Municipal Court	321,607	321,607	355,464	(33,857) *
Volunteer Fire	147,700	147,700	75,206	72,494
Planning & Code Enforcement	-	-	1,500	(1,500) *
Police & Dispatch	2,315,758	2,315,758	2,434,736	(118,978) *
EMS Services	77,500	77,500	45,000	32,500
<b>Total Public Safety</b>	2,862,565	2,862,565	2,911,906	(49,341)



# City of Dayton, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCE - BUDGET AND ACTUAL

#### GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Expenditures (continued)</u></b>				
Public works				
Fleet Maintenance	307,350	307,350	347,063	(39,713) *
Stets & Drainage	503,954	503,954	601,762	(97,808) *
<b>Total Public Works</b>	811,304	811,304	948,825	(137,521)
Culture and recreation				
Library	256,038	256,038	211,081	44,957
Parks-Maintenance	15,000	15,000	12,901	2,099
<b>Total Culture and Recreation</b>	271,038	271,038	223,982	47,056
Community enhancement	659,021	659,021	780,402	(121,381) *
Community Center	311,126	311,126	266,393	44,733
Capital outlay	-	-	576,300	(576,300) *
Debt service				
Principal	-	-	41,250	(41,250) *
Interest and fiscal charges	-	-	2,009	(2,009) *
<b>Total Expenditures</b>	7,901,722	8,953,244	9,147,311	(194,067)
<b>Revenues Over (Under)</b>				
<b>Expenditures</b>	(589,928)	360,871	(1,367,775)	(1,728,646)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ 1,148,292	\$ 1,148,292	\$ 1,136,930	\$ (11,362)
Transfers (out)	-	-	(217,869)	(217,869) *
Sale of capital assets	-	-	512,197	512,197
<b>Total Other Financing Sources (Uses)</b>	1,148,292	1,148,292	1,431,258	282,966
<b>Net Change in Fund Balance</b>	\$ 558,364	\$ 1,509,163	63,483	\$ (1,445,680)
Beginning fund balance			2,024,276	
<b>Ending Fund Balance</b>			\$ 2,087,759	

#### Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

\* Expenditures exceeded appropriations at the legal level of control.

# City of Dayton, Texas

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

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Total pension liability			
Service cost	\$ 691,091	\$ 654,534	\$ 570,125
Interest	636,851	593,767	562,917
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(66,921)	(153,335)	(273,080)
Changes of assumptions	-	21,131	-
Benefit payments, including refunds of participant contributions	(538,444)	(453,744)	(436,505)
<b>Net change in total pension liability</b>	<u>722,577</u>	<u>662,353</u>	<u>423,457</u>
<b>Total pension liability - beginning</b>	<u>9,358,513</u>	<u>8,696,160</u>	<u>8,272,703</u>
<b>Total pension liability - ending (a)</b>	<u>10,081,090</u>	<u>9,358,513</u>	<u>8,696,160</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 382,803	\$ 374,020	\$ 337,358
Contributions - members	383,331	359,634	316,736
Net investment income	669,208	1,143,957	(221,728)
Benefit payments, including refunds of participant contributions	(538,444)	(453,744)	(436,505)
Administrative expenses	(4,337)	(6,476)	(4,297)
Other	(170)	(194)	(222)
<b>Net change in plan fiduciary net position</b>	<u>892,391</u>	<u>1,417,197</u>	<u>(8,658)</u>
<b>Plan fiduciary net position - beginning</b>	<u>8,830,086</u>	<u>7,412,889</u>	<u>7,421,547</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 9,722,477</u>	<u>\$ 8,830,086</u>	<u>\$ 7,412,889</u>
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 358,613</u>	<u>\$ 528,427</u>	<u>\$ 1,283,271</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 96.44%	 94.35%	 85.24%
<b>Covered payroll</b>	\$ 5,476,155	\$ 5,137,633	\$ 4,524,803
<b>Fund's net pension liability as a percentage of covered payroll</b>	6.55%	10.29%	28.36%

**Notes to schedule:**

1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u> <sup>1</sup>
\$	540,698	\$ 490,826	\$ 415,360	\$ 324,986
	517,680	474,157	430,539	396,895
	-	-	-	-
	81,411	54,782	37,731	(19,939)
	-	-	216,362	-
	(532,131)	(267,708)	(259,770)	(273,230)
	<u>607,658</u>	<u>752,057</u>	<u>840,222</u>	<u>428,712</u>
	<u>7,665,045</u>	<u>6,912,988</u>	<u>6,072,766</u>	<u>5,644,054</u>
	<u>8,272,703</u>	<u>7,665,045</u>	<u>6,912,988</u>	<u>6,072,766</u>
\$	313,664	\$ 239,287	\$ 214,234	\$ 177,101
	296,309	268,002	241,488	215,977
	892,777	393,037	8,300	298,309
	(532,131)	(267,708)	(259,770)	(273,230)
	(4,637)	(4,449)	(5,059)	(3,114)
	(235)	(240)	(250)	(256)
	<u>965,747</u>	<u>627,929</u>	<u>198,943</u>	<u>414,787</u>
	<u>6,455,800</u>	<u>5,827,871</u>	<u>5,628,928</u>	<u>5,214,141</u>
\$	<u>7,421,547</u>	\$ <u>6,455,800</u>	\$ <u>5,827,871</u>	\$ <u>5,628,928</u>
\$	<u>851,156</u>	\$ <u>1,209,245</u>	\$ <u>1,085,117</u>	\$ <u>443,838</u>
	89.71%	84.22%	84.30%	92.69%
\$	4,230,816	\$ 3,828,596	\$ 3,449,831	\$ 3,085,380
	20.12%	31.58%	31.45%	14.39%

# City of Dayton, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	<u>8/31/2021</u>	<u>8/31/2020</u>	<u>8/31/2019</u>	<u>8/31/2018</u>
Total pension liability				
Service cost	\$ 6,103	\$ 5,013	\$ 4,975	\$ 4,373
Interest	43,611	29,553	28,137	27,181
Changes in benefit terms	-	8,031	-	7,754
Differences between expected and actual experience	-	(5,280)	-	(248)
Changes of assumptions	-	(182)	-	-
Benefit payments, including refunds of participant contributions	(29,153)	(18,490)	(17,149)	(16,026)
<b>Net change in total pension liability</b>	<u>20,561</u>	<u>18,645</u>	<u>15,962</u>	<u>23,034</u>
<b>Total pension liability - beginning</b>	<u>\$ 589,956</u>	<u>\$ 385,558</u>	<u>366,653</u>	<u>354,363</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 610,518</u>	<u>\$ 404,203</u>	<u>\$ 382,616</u>	<u>\$ 377,397</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 14,956	\$ 10,090	\$ 9,280	\$ 11,249
Contributions - state	5,213	3,571	3,544	3,648
Net investment income	87,448	32,757	3,041	31,050
Benefit payments, including refunds of participant contributions	(29,153)	(18,490)	(17,149)	(16,026)
Administrative expenses	(1,053)	(861)	(605)	(434)
<b>Net change in plan fiduciary net position</b>	<u>77,411</u>	<u>27,067</u>	<u>(1,889)</u>	<u>29,486</u>
<b>Plan fiduciary net position - beginning</b>	<u>491,091</u>	<u>309,399</u>	<u>308,927</u>	<u>288,493</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 568,502</u>	<u>\$ 336,467</u>	<u>\$ 307,038</u>	<u>\$ 317,979</u>
 <b>Fund's net pension liability - ending (a) - (b)</b>	 <u>\$ 42,016</u>	 <u>\$ 67,737</u>	 <u>\$ 75,578</u>	 <u>\$ 59,418</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 93.12%	 83.24%	 80.25%	 84.26%
<b>Number of active members</b>	3,702	3,702	3,702	3,927
<b>Net pension liability per active member</b>	\$ 11	\$ 18	\$ 20	\$ 15
<b>City's proportion of the net pension liability</b>	0.3922%	0.2687%	0.2666%	0.2744%

**Notes to schedule:**

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- 2) There is no compensation for active members, so number of active members is used instead.
- 3) The System's net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020.

<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u> <sup>1</sup>
\$ 4,732	\$ 4,979	\$ 5,268
28,119	26,162	26,340
-	2,122	-
-	190	-
-	2,616	-
<u>(14,945)</u>	<u>(13,818)</u>	<u>(13,989)</u>
<u>17,906</u>	<u>22,250</u>	<u>17,619</u>
<u>365,560</u>	<u>339,500</u>	<u>341,599</u> <sup>2</sup>
<u>\$ 383,466</u> <sup>3</sup>	<u>\$ 361,750</u>	<u>\$ 359,219</u>
\$ 14,885	\$ 10,179	\$ 10,932
4,704	4,655	5,091
29,034	14,567	(10,239)
(14,945)	(13,818)	(13,989)
(547)	(490)	(671)
<u>33,130</u>	<u>15,093</u>	<u>(8,877)</u>
<u>279,055</u>	<u>261,054</u>	<u>285,094</u>
<u>\$ 312,185</u>	<u>\$ 276,147</u>	<u>\$ 276,217</u>
<u>\$ 71,280</u>	<u>\$ 85,603</u>	<u>\$ 83,002</u>
81.41%	76.34%	76.89%
4,046	3,634	4,036 <sup>2</sup>
\$ 18	\$ 100	\$ 89
0.2970%	0.2939%	0.3110%

# City of Dayton, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	9/30/2021	9/30/2020	9/30/2019
Actuarially determined employer contributions	\$ 355,127	\$ 368,161	\$ 364,812
Contributions in relation to the actuarially determined contribution	\$ 355,127	\$ 368,161	\$ 364,812
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 5,303,686	\$ 5,215,600	\$ 4,981,259
Employer contributions as a percentage of covered payroll	6.70%	7.06%	7.32%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

**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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year.

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<sup>1</sup>
\$ 331,541	\$ 296,886	\$ 244,564	\$ 201,762	\$ 170,209	
\$ 331,541	\$ 296,886	\$ 244,564	\$ 201,762	\$ 170,209	
\$ -	\$ -	\$ -	\$ -	\$ -	
<u>\$ 4,421,733</u>	<u>\$ 4,150,979</u>	<u>\$ 3,919,546</u>	<u>\$ 3,316,114</u>	<u>\$ 3,032,125</u>	
7.50%	7.15%	6.24%	6.08%	5.61%	





<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u> <sup>1</sup>
\$ 13,738	\$ 14,364	\$ 17,342	\$ 14,852	\$ 14,852
\$ 13,738	\$ 14,364	\$ 17,342	\$ 14,852	\$ 14,852
\$ -	\$ -	\$ -	\$ -	\$ -
<u>28</u>	<u>30</u>	<u>30</u>	<u>34</u>	<u>34</u>
491	479	578	437	437

# City of Dayton, Texas

## SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

### TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u> <sup>1</sup>
Total OPEB liability				
Service cost	\$ 15,881	\$ 13,872	\$ 11,764	\$ 9,731
Interest	7,081	7,174	6,841	6,621
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(4,757)	1,432	(16,702)	
Changes of assumptions	45,608	43,021	(14,056)	15,885
Benefit payments, including refunds of participant contributions	(2,190)	(2,569)	(1,810)	(1,692)
<b>Net change in total OPEB liability</b>	<u>61,623</u>	<u>62,930</u>	<u>(13,963)</u>	<u>30,545</u>
<b>Total OPEB liability - beginning</b>	<u>\$ 250,656</u>	<u>\$ 187,726</u>	<u>\$ 201,689</u>	<u>\$ 171,144</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 312,279</u></u>	<u><u>\$ 250,656</u></u>	<u><u>\$ 187,726</u></u>	<u><u>\$ 201,689</u></u> <sup>2</sup>
<b>Covered payroll</b>	\$ 5,476,155	\$ 5,137,633	\$ 4,524,803	\$ 4,230,816
<b>City's total OPEB liability as a</b>	5.70%	4.88%	4.15%	4.77%

**Notes to schedule:**

<sup>1</sup> This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

<sup>2</sup> No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits

***COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES***

**City of Dayton, Texas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2021**

<u>Assets</u>	<u>Capital Projects</u>	<u>Hotel &amp; Motel</u>	<u>Police Investigation &amp; Forfeiture</u>
Cash and cash equivalents	\$ 455,301	\$ 187,785	\$ 7,776
<b>Total Assets</b>	<b>455,301</b>	<b>187,785</b>	<b>7,776</b>
<u>Liabilities</u>			
Accounts payable	\$ 35,548	\$ 366	\$ 2,704
Due to other funds	164,252	-	-
<b>Total Liabilities</b>	<b>199,800</b>	<b>366</b>	<b>2,704</b>
<u>Fund Balances</u>			
Restricted for:			
Capital projects	255,501	-	-
Public safety	-	-	5,072
Tourism	-	187,419	-
Library	-	-	-
<b>Total Fund Balances</b>	<b>255,501</b>	<b>187,419</b>	<b>5,072</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 455,301</b>	<b>\$ 187,785</b>	<b>\$ 7,776</b>

See Notes to Financial Statements.

<b>PD Equitable Sharing Justice</b>	<b>PD Equitable Sharing Treasury</b>	<b>Municipal Court Building</b>	<b>Municipal Court Technology</b>	<b>Library Special</b>	<b>Total</b>
\$ 6,379	\$ 104	\$ 47,074	\$ 26,470	\$ 15,428	\$ 746,317
6,379	104	47,074	26,470	15,428	746,317
\$ -	\$ -	\$ -	\$ 104	\$ 735	\$ 39,457
-	-	-	-	-	164,252
-	-	-	104	735	203,709
-	-	-	-	-	255,501
6,379	104	47,074	26,366	-	84,995
-	-	-	-	-	187,419
-	-	-	-	14,693	14,693
6,379	104	47,074	26,366	14,693	542,608
\$ 6,379	\$ 104	\$ 47,074	\$ 26,470	\$ 15,428	\$ 746,317

**City of Dayton, Texas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2021**

	<b>Capital Projects</b>	<b>Hotel &amp; Motel</b>	<b>Police Investigation &amp; Forfeiture</b>
<b><u>Revenues</u></b>			
Taxes	\$ -	\$ 89,542	\$ -
Service revenue	-	-	-
Fines and fees	-	-	-
Investment income	3,833	516	22
Other revenue	-	81	-
<b>Total Revenues</b>	<b>3,833</b>	<b>90,139</b>	<b>22</b>
<b><u>Expenditures</u></b>			
General government	-	101,902	-
Culture and recreation	-	-	-
Public safety	-	-	7,388
Capital Outlay	860,478	-	-
<b>Total Expenditures</b>	<b>860,478</b>	<b>101,902</b>	<b>7,388</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(856,645)</b>	<b>(11,763)</b>	<b>(7,366)</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	(803,272)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(803,272)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,659,917)</b>	<b>(11,763)</b>	<b>(7,366)</b>
Beginning fund balances	1,915,418	199,182	12,438
<b>Ending Fund Balances</b>	<b>\$ 255,501</b>	<b>\$ 187,419</b>	<b>\$ 5,072</b>

See Notes to Financial Statements.

<b>PD Equitable Sharing Justice</b>	<b>PD Equitable Sharing Treasury</b>	<b>Municipal Court Building</b>	<b>Municipal Court Technology</b>	<b>Library Special</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,542
-	-	-	-	1,146	1,146
-	-	6,929	6,718	-	13,647
15	-	-	-	41	4,427
-	-	-	-	2,500	2,581
<u>15</u>	<u>-</u>	<u>6,929</u>	<u>6,718</u>	<u>3,687</u>	<u>111,343</u>
-	-	-	-	-	101,902
-	-	-	-	2,475	2,475
-	-	225	5,706	-	13,319
-	-	-	-	-	860,478
<u>-</u>	<u>-</u>	<u>225</u>	<u>5,706</u>	<u>2,475</u>	<u>978,174</u>
<u>15</u>	<u>-</u>	<u>6,704</u>	<u>1,012</u>	<u>1,212</u>	<u>(866,831)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(803,272)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(803,272)</u>
15	-	6,704	1,012	1,212	(1,670,103)
6,364	104	40,370	25,354	13,481	2,212,711
<u>\$ 6,379</u>	<u>\$ 104</u>	<u>\$ 47,074</u>	<u>\$ 26,366</u>	<u>\$ 14,693</u>	<u>\$ 542,608</u>