

TOWN OF DANBURY
DANBURY, NORTH CAROLINA

Financial Statements

Year Ended June 30, 2019

Town Council Members

Janet S. Whitt, Mayor

Gary East

David Hoskins

Wendi Spraker

Steve Shelton

Administrative and Financial Staff

Mike Barsness, Town Administrator

Dianne Starnes, Town Clerk

Town of Danbury, North Carolina
Table of Contents
June 30, 2019

Exhibit		Page
Financial Section:		
	Independent Auditor's Report	1
	Management's Discussion and Analysis	4
Basic Financial Statements:		
Government-wide Financial Statements:		
1	Statement of Net Position	14
2	Statement of Activities	15
Fund Financial Statements:		
3	Balance Sheet – Governmental Fund	16
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	19
	Notes to the Financial Statements	20
Individual Fund Statements and Schedules:		
A-1	General Fund – Comparative Balance Sheets	28
A-2	General Fund – Statement of Revenues, Expenditures, And Changes in Fund Balances – Budget and Actual	29
Other Schedules:		
B-1	Schedule of Ad Valorem Taxes Receivable	32
B-2	Analysis of Current Tax Levy	33

Rouse, Rouse, Rouse & Gardner, L.L.P.

Certified Public Accountants



R. Rex Rouse, Jr., CPA
Judy G. Rouse, CPA
Victor B. Rouse, CPA/PFS
Trevor C. Gardner, CPA

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Danbury
Danbury, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Danbury, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Danbury, North Carolina as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis and budgetary comparison information, on pages 4 to 13 and 29 to 31, be presented to supplement the basic financial statements. Such information, although not a required 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 an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Danbury, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly

to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Rouse Rouse Rouse and Gardner LLP
Rouse, Rouse, Rouse & Gardner, LLP
Certified Public Accountants

August 15, 2019

Management's Discussion and Analysis

As management of the Town of Danbury, we offer readers of the Town of Danbury's financial statements this narrative overview and analysis of the financial activities of the Town of Danbury for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Danbury's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Danbury exceeded its liabilities at the close of the fiscal year by \$296,177.00 (net position).
- The Town's total net position increased by \$14,541.00 primarily due to strong sales tax revenue off-setting the loss of RiverStreet property taxes and total expenditures being significantly less than revenue intake.

As of the close of the current fiscal year, the Town of Danbury's governmental funds reported an ending fund balance of \$179,100.00, an increase of \$16,159.00 in comparison with the prior year. Approximately 86% of this total, or \$154,539.00 is available for spending at the Town's discretion (unassigned fund balance).

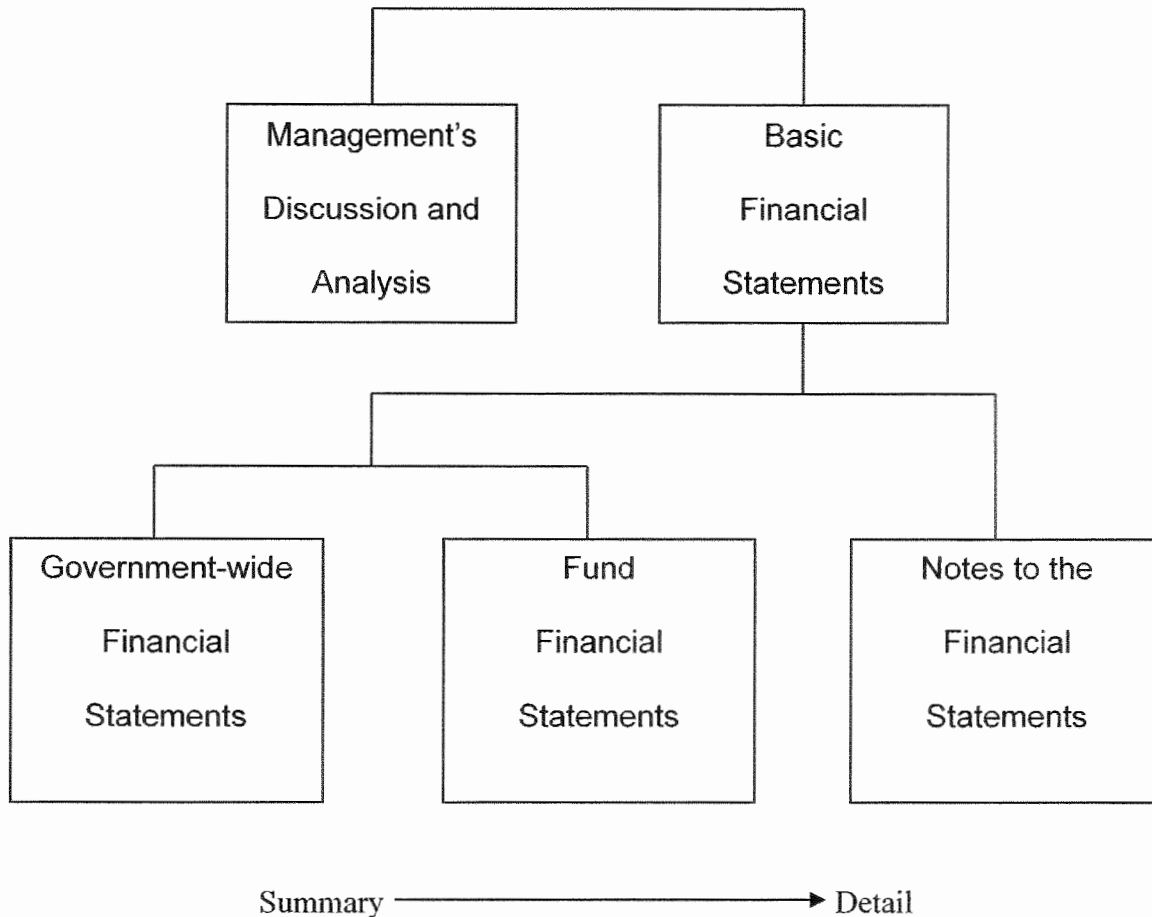
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$154,539.00, or 244% of the total general fund expenditures for the fiscal year.
- The Town of Danbury's total long term debt was eliminated in the year ended June 30, 2011 with the full retirement of the long-term debt in the amount of \$24,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Danbury's basic financial statements. The town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Danbury.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town of Danbury's financial status.

The next statements (Exhibits 3 through 5) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town of Danbury's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

Management Discussion and Analysis

Town of Danbury

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town's financial status as a whole.

The two government-wide statements report the town's net position and how it has changed. Net position is the difference between the town's total assets and total liabilities. Measuring net position is one way to gauge the town's financial condition.

The governmental activities include most of the town's basic services such as transportation, solid waste management, and general administration. Property taxes and state intergovernmental revenues finance most of these activities. The business type activities of the town were discontinued effective for the year ended June 30, 2009.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. 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 Town of Danbury like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the town's budget ordinance.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Management Discussion and Analysis

Town of Danbury

The Town of Danbury adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the town, the management of the town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The town has no proprietary funds or internal service funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20 through 27 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, to and associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Management Discussion and Analysis
Town of Danbury

Town of Danbury

**Management's Discussion and Analysis
 Government-Wide Financial Analysis**

**Figure 2
 Net Position**

	Governmental Activities	
	2019	2018
Current and other assets	180,610	165,092
Capital assets	116,528	117,714
Total assets	297,138	282,806
Long-term liabilities outstanding		
Other liabilities	961	1,170
Total liabilities	961	1,170
Net position:		
Net Investment in capital assets	116,528	117,714
Restricted	24,561	24,329
Unrestricted	155,088	139,593
Total net position	296,177	281,636

Management Discussion and Analysis

Town of Danbury

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Danbury exceeded liabilities by \$296,177 as of June 30, 2019. The town's net position increased by \$14,541 for the fiscal year ended June 30, 2019. However, a large portion (39%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Danbury uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Danbury's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Danbury's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$155,088 is unrestricted.

Governmental Activities. Governmental activities increased the Town of Danbury's net position by \$14,541.

Management Discussion and Analysis
Town of Danbury

Town of Danbury
Management's Discussion and Analysis
Government-Wide Financial Analysis
Figure 3
Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	445	425
Operating grants and contributions	6,296	6,504
General revenues:		
Property taxes	33,520	41,511
Other taxes	19,607	13,969
Unrestricted intergovernmental allocations	17,999	17,860
Other	1,129	2,687
Total revenues	78,996	82,956
Expenses:		
General government	37,730	35,430
Public safety	700	700
Highways/streets	10,179	8,085
Sanitation	11,895	11,088
Economic and physical development	2,501	2,838
Cultural and recreation	1,450	1,100
Total expenses	64,455	59,241
Change in Net Position	14,541	23,715
Net Position, July 1	281,636	257,921
Net Position, June 30	296,177	281,636

Management Discussion and Analysis
Town of Danbury

Business-type activities:

- Effective July 1, 2008, the water services for the Town of Danbury were transferred to the County of Stokes.

Financial Analysis of the Town of Danbury Funds

- As noted earlier, the Town of Danbury uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Danbury's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Danbury's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Danbury. At the end of the current fiscal year, the unassigned fund balance available in the General Fund was \$154,539.00, while total fund balance amounted to \$179,100.00. The fund balance available represents 244% of total General Fund expenditures while total fund balance represents 283% of that same amount.

The town has adopted a minimum fund balance policy which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures.

The general fund is the only governmental fund of the Town of Danbury.

General Fund Budgetary Highlights. During the fiscal year, the Town of Danbury found it necessary to revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Final budget revenues totaled \$76,030.00. Final budget expenditures totaled \$67,515.00. *Actual* revenues and expenditures totaled \$79,428.00 and \$63,269.00 respectively.

The town was in substantial compliance with its legal budgetary requirements.

Proprietary Funds. The town's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Effective July 1, 2008, the water system lease agreement was terminated with Stokes County and the town transferred to the county all water system assets.

Management Discussion and Analysis
Town of Danbury

Capital Asset and Debt Administration

Capital assets. The town's investment in capital assets for its governmental activities as of June 30, 2019, totals \$116,528.00 (net of accumulated depreciation). These assets include buildings, land, sidewalks, furniture and equipment.

**Town of Danbury's
Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities June 30, 2019	Governmental Activities June 30, 2018
Land	40,218	38,418
Sidewalks	52,836	54,094
Buildings	21,842	22,951
Furniture & Equipment	1,632	2,251
	<u>116,528</u>	<u>117,714</u>

Additional information on the Town of Danbury capital assets can be found on page 26 in the notes to the Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Danbury had no bonded debt outstanding. The debt was retired in full by principal payment in the amount of \$24,000 during the year ended June 30, 2011.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Danbury is \$978,459.00. The town has no authorized but unissued bonds at June 30, 2019.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Danbury is the county seat of Stokes County and its economic and employment rates normally remain quite stable and are expected to remain so during the next year.
- Real property values are slowly improving.
- An improved economy has had a positive effect on Town revenue intake.
- Ad valorem tax collections (excluding motor vehicles) are at 98.33%.
- Motor vehicle tax collections are at 100% in FY 2018-19.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: All taxes and other revenues received in the Town of Danbury could be near the amount received in FY 2018-19 with a collection rate of 98.46%. For *budgeting* purposes, collections are conservatively expected to be closer to 97%. The tax *rate* has remained stable at \$0.27 per \$100.00 valuation for all years beginning with FYE 6-30-2009, up to and including the fiscal year ending June 30, 2020.

Budgeted expenditures for the year ending June 30, 2020 in the General Fund amount to \$98,200.00, an increase of \$34,931.00 over actual expenditures of \$63,269.00 last year. The notable expenditures in this budget are for street repairs, including a culvert replacement (\$14,300.00), and garbage collection fees (\$11,500.00). A one-time expenditure line for Pedestrian Safety Engineering (\$20,000.00) has been included, however, this cost will be reimbursed by NCDOT at the end of the street improvement project. All other expenditures are expected to be unremarkable.

Business – type Activities: The water system was transferred to the county on July 1, 2008.

Requests for Information

This report is designed to provide an overview of the town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed as follows:

Mike Barsness, Town Administrator
P.O. Box 4
Danbury, NC 27016
336-593-2002
admin@townofdanbury1957.org

Town of Danbury, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Governmental Activities
Assets:	
Cash and Cash Equivalents	155,500
Taxes Receivable (Net)	549
Due From Other Governments	3,881
Restricted Cash and Cash Equivalents	<u>20,680</u>
Total current assets	<u>180,610</u>
Capital assets:	
Land	22,518
Other capital assets, net of depreciation	<u>94,010</u>
Total capital assets	<u>116,528</u>
Total assets	<u><u>297,138</u></u>
Liabilities:	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	961
Unearned Revenue	<u>0</u>
Total liabilities	<u>961</u>
NET POSITION	
Net Investment in Capital Assets	116,528
Restricted for:	
Streets	20,680
Stabilization by State Statute	3,881
Unrestricted	<u>155,088</u>
Total net position	<u><u>296,177</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
					Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	37,730				(37,730)
Public Safety	700				(700)
Transportation	10,179		6,296		(3,883)
Economic and Physical Development	2,501	445			(2,056)
Environmental Protection	11,895				(11,895)
Cultural and Recreation	1,450				(1,450)
Total Governmental Activities	64,455	445	6,296	0	(57,714)
		General Revenues:			
		Property Taxes, Levied for General Purposes			33,520
		Taxes Other than Property Taxes			19,607
		Unrestricted Intergovernmental Allocations			17,999
		Investment Earnings			1,031
		Miscellaneous			98
		Total General Revenues, Special Items, and Transfers			72,255
		Change in Net Position			14,541
		Net Position - Beginning			281,636
		Net Position - Ending			296,177

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
Balance Sheet
Governmental Fund
June 30, 2019

Exhibit 3

June 30, 2019

Assets:	
Cash and Investments	155,500
Restricted Cash	20,680
Taxes Receivable (Net)	549
Due from Other Governmental Units	<u>3,881</u>
Total Assets	<u><u>180,610</u></u>
Liabilities:	
Accounts Payable and Accrued Liabilities	961
Unearned Revenue	<u>0</u>
Total Liabilities	<u>961</u>
Deferred Inflows of Resources	
Property Taxes Receivable	<u>549</u>
Fund Balances:	
Restricted	
Stabilization by State Statute	3,881
Streets	20,680
Unassigned	<u>154,539</u>
Total Fund Balances	<u>179,100</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u><u>180,610</u></u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total Fund Balance	179,100
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	116,528
Liabilities for earned resources considered deferred inflows of resources in fund statements	<u>549</u>
Net position of governmental activities	<u><u>296,177</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Fund Types
For the Year Ended June 30, 2019

Exhibit 4

	Governmental Fund Types
	General Fund
	June 30, 2019
Revenues:	
Ad Valorem Taxes	33,952
Other Taxes	19,607
Unrestricted Intergovernmental Revenues	17,999
Interest on Investments	1,031
Restricted Intergovernmental Revenues	6,296
Other Restricted Revenues	445
Other Unrestricted Revenue	98
	<hr/>
Total Revenues	79,428
	<hr/>
Expenditures:	
Current:	
General Government	34,744
Public Safety	700
Transportation	10,179
Sanitation	11,895
Cultural & Recreational	1,450
Planning, Zoning & Beautification	2,501
Capital Outlay	1,800
	<hr/>
Total Expenditures	63,269
	<hr/>
Revenues Over (Under) Expenditures	16,159
	<hr/>
Fund Balance, Beginning of Year	162,941
	<hr/>
Fund Balance, End of Year	179,100
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Government Funds
For the Year Ended June 30, 2019

Exhibit 4

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

Net changes in fund balances - total governmental funds	16,159
Capital Outlay	1,800
Depreciation expense for governmental activities	(2,986)
Change in unavailable revenue for tax revenues	<u>(432)</u>
Total changes in net position of governmental activities	<u><u>14,541</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2019

Exhibit 5

	General Fund 2019			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad Valorem Taxes	34,500	32,900	33,952	1,052
Other Taxes	13,000	17,400	19,607	2,207
Unrestricted Intergovernmental Revenues	16,275	17,900	17,999	99
Interest on Investments	400	1,000	1,031	31
Restricted Intergovernmental Revenues	6,400	6,295	6,296	1
Other Restricted Revenue:				
Planning, Zoning & Beautification	200	445	445	-
Other Unrestricted Revenue	100	90	98	8
Total Revenue	<u>70,875</u>	<u>76,030</u>	<u>79,428</u>	<u>3,398</u>
Expenditures:				
Current:				
General Government	38,775	36,415	34,744	1,671
Public Safety	800	700	700	-
Transportation	16,100	10,700	10,179	521
Planning, Zoning & Beautification	3,800	2,800	2,501	299
Sanitation	13,300	12,400	11,895	505
Cultural and Recreational	1,600	1,500	1,450	50
Capital Outlay	-	3,000	1,800	1,200
Total Expenditures	<u>74,375</u>	<u>67,515</u>	<u>63,269</u>	<u>4,246</u>
Revenue Over (Under) Expenditures	(3,500)	8,515	16,159	7,644
Other Financing Sources (Uses)				
Appropriated Fund Balance (Reserve for Future Expenditures)	<u>3,500</u>	<u>(8,515)</u>	<u>-</u>	<u>8,515</u>
Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	16,159	<u>16,159</u>
Fund Balance - Beginning of Year			<u>162,941</u>	
Fund Balance - End of Year			<u>179,100</u>	

The notes to the financial statements are an integral part of this statement.

Town of Danbury, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Danbury conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Danbury is a municipal corporation which is governed by an elected mayor and four-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activity.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Town has no non major funds.

The Town maintains only one Governmental Fund – The General Fund.

The Town uses the following fund categories (further divided by fund types).

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government, street maintenance and construction, and sanitation services.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The budget is amended by the governing body on a periodic basis as required by changing conditions. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Revenues, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town's Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Cash

Powell Bill Funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Capital Assets

Capital assets are recorded by the government as assets when the Town administration determines that the value of the improved internal controls by recording the asset exceeds the cost of maintaining the capital asset records and the asset has an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Effective July 1, 2003 general infrastructure assets are recorded at cost.

Other assets of the Town are depreciated on a class Life basis at the following rate:

Infrastructure	2%
Computer & Electronic equipment	20%
Furniture & Equipment	10%
Building	2%
Fence	20%

7. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only one item that meets the criterion for this category – property taxes receivable

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs are expensed in the reporting period in which they are incurred. Prepaid insurance cost are expensed over the life of the debt.

9. Compensated Absences

The Town employs only two part time employees, and there is no accrued vacation pay or sick pay recorded in the governmental activities statement.

10. Net Position/Fund Balances/Pensions

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of two classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The government fund types classify fund balances as follows:

Restricted Fund Balance – this classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Danbury has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 50% of budgeted expenditures.

Pensions

The Town employs only two part-time employees and there are no pension benefits.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits for the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the name of the Town. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial

stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2019 the Town's deposits had a carrying amount of \$176,155 and a bank balance of \$178,416. The entire bank balance of \$178,416 was covered by federal depository insurance. The Town's petty cash totaled \$25.

2. Receivables -- Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<u>6-30-19</u>
General Fund	
Allowance for Uncollectible	
Property Taxes Receivable	<u>\$1,816</u>

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	22,518			22,518
Construction in Progress	15,900	1,800		17,700
	<u>38,418</u>	<u>1,800</u>	<u>-</u>	<u>40,218</u>
 Capital assets being depreciated:				
Building	40,103			40,103
Furniture & Equipment	21,926			21,926
Sidewalks	62,900			62,900
Total capital assets being depreciated	<u>124,929</u>	<u>-</u>	<u>-</u>	<u>124,929</u>
 Less accumulated depreciation for:				
Building	17,152	1,109		18,261
Furniture & Equipment	19,675	619		20,294
Sidewalks	8,806	1,258		10,064
Total accumulated depreciation	<u>45,633</u>	<u>2,986</u>	<u>-</u>	<u>48,619</u>
Total capital assets being depreciated, net	<u>79,296</u>			<u>76,310</u>
 Governmental activity capital assets, net	<u>117,714</u>			<u>116,528</u>

Depreciation expense was charged to functions/programs of the Town as follows:

General government	<u>2,986</u>
--------------------	--------------

B. Liabilities

1. Pension Plan Obligation or Postemployment Benefits

The Town employs only two part-time employees, and there is no pension plan obligation or post employment benefit obligation.

2. Deferred Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>
Taxes receivable (General Fund)	<u>\$549</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability up to \$2,000,000 per occurrence and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000 and the tax collector is individually bonded for \$10,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not own any property in a flood plain and does not own any flood insurance.

4. Long-Term Obligations

a. General Obligation Indebtedness

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Danbury is \$978,459. The town has no authorized but unissued bonds at June 30, 2019.

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	<u>\$179,100</u>
Less:	
Stabilization by State Statute	3,881
Streets-Powell Bill	20,680
Working Capital/Fund Balance Policy	<u>33,758</u>
Remaining Fund Balance	<u>120,781</u>

Town of Danbury, North Carolina
Comparative General Fund Balance Sheets
June 30, 2019 and June 30, 2018

Exhibit A-1

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets:		
Cash and Investments	155,500	139,782
Restricted Cash	20,680	21,806
Taxes Receivable (Net)	549	981
Due from Other Governmental Units	<u>3,881</u>	<u>2,523</u>
Total Assets and Other Debits	<u><u>180,610</u></u>	<u><u>165,092</u></u>
Liabilities:		
Accounts Payable and Accrued Liabilities	<u>961</u>	<u>869</u>
Unearned Revenue	<u>0</u>	<u>301</u>
Deferred Inflows of Resources		
Property Taxes Receivable	<u>549</u>	<u>981</u>
Fund Balance:		
Restricted:		
Stabilization by State Statute	3,881	2,523
Streets	20,680	21,806
Unassigned	<u>154,539</u>	<u>138,612</u>
Total Fund Balances	<u>179,100</u>	<u>162,941</u>
Total Liabilities, Deferred Inflows Of Resources & Fund Balances	<u><u>180,610</u></u>	<u><u>165,092</u></u>

Town of Danbury, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit A-2

	2019			
	Budget	Actual	Variance Favorable (Unfavorable)	2018 Actual
Revenues:				
Ad Valorem Taxes:				
Current Year	29,600	29,917	317	37,200
DMV Taxes	2,000	2,599	599	2,625
	31,600	32,516	916	39,825
Prior Year	1,300	1,211	(89)	1,228
Interest	-	225	225	683
Total	32,900	33,952	1,052	41,736
Other Taxes:				
Local Option Sales Tax	17,400	19,607	2,207	13,969
Unrestricted Inter-Governmental Transfers:				
Beer and Wine	780	784	4	794
Franchise	16,800	16,886	86	16,732
Cable Franchise	200	201	1	209
Solid Waste Disposal Tax	120	128	8	125
Total	17,900	17,999	99	17,860
Interest on Investments	1,000	1,031	31	548
Restricted Inter-Governmental Revenues:				
Powell Bill	6,295	6,296	1	6,504
Other Restricted Revenue:				
Zoning Permits	445	445	0	425
Total	445	445	0	425
Other Unrestricted Revenue				
Sales Tax Refund	90	98	8	139
	90	98	8	139
Total Revenue	76,030	79,428	3,398	81,181

Town of Danbury, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit A-2

	2019			
	Budget	Actual	Variance Favorable (Unfavorable)	2018 Actual
Expenditures:				
General Government:				
Salaries - Town Clerk	5,000	4,864	136	4,668
Salaries - Town Administrator	6,000	6,000	-	6,000
FICA Tax Expense - Town Clerk	550	376	174	357
FICA Tax Expense - Town Administrator	550	459	91	459
Collection Expense	480	435	45	518
Office Supplies and Expense	1,200	1,151	49	813
Postage	80	36	44	32
Elections	-	0	0	1,272
Advertising	100	92	8	434
Telephone	1,800	1,635	165	1,729
Dues and Fees	1,550	1,520	30	1,517
Power	2,700	2,280	420	2,347
Insurance	3,200	3,137	63	3,063
Financial Administration Audit	6,200	6,195	5	6,045
Legal	2,200	1,935	265	2,150
Pest Control	200	195	5	195
Repairs and Maintenance	1,600	1,500	100	390
Penalty Expense	-	-	-	0
Refunds	5	2	3	0
Miscellaneous	3,000	2,932	68	701
	<u>36,415</u>	<u>34,744</u>	<u>1,671</u>	<u>32,690</u>
Public Safety:				
Fire:				
Danbury Voluntary Fire department	700	700	-	700
	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Transportation:				
Streets:				
Lights	3,100	2,757	343	2,906
Maintenance and Paving	7,600	7,422	178	5,179
	<u>10,700</u>	<u>10,179</u>	<u>521</u>	<u>8,085</u>
Planning, Zoning & Beautification:				
Beautification Expenses	500	456	44	1,103
Maintenance of Town Lot	2,300	2,045	255	1,735
	<u>2,800</u>	<u>2,501</u>	<u>299</u>	<u>2,838</u>
Sanitation:				
Garbage Service	9,000	8,759	241	7,998
Recycling Service and Containers	3,400	3,136	264	3,090
	<u>12,400</u>	<u>11,895</u>	<u>505</u>	<u>11,088</u>
Cultural and Recreational:				
Contributions	1,500	1,450	50	1,100
Capital Outlay	3,000	1,800	1,200	7,500
	<u>67,515</u>	<u>63,269</u>	<u>4,246</u>	<u>64,001</u>
Revenues Over (Under) Expenditures	<u>8,515</u>	<u>16,159</u>	<u>7,644</u>	<u>17,180</u>

Town of Danbury, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Exhibit A-2

	2019			
	Budget	Actual	Variance Favorable (Unfavorable)	2018 Actual
Other Financing Sources (Uses)				
Reserve for Future Expenditures	(8,515)	-	8,515	-
	(8,515)	-	8,515	-
Revenues and Other Sources				
Over (Under) Expenditures	-	16,159	16,159	17,180
Fund Balance - Beginning of Year		162,941		145,761
Fund Balance - End of Year		179,100		162,941

Town of Danbury, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Exhibit B-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Discoveries, Releases and Discounts</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		33,114	32,516	(91)	507
2017-2018	400		276	(1)	123
2016-2017	388		337	1	52
2015-2016	388		337	1	52
2014-2015	313		261		52
2013-2014	403				403
2012-2013	414				414
2011-2012	42				42
2010-2011	47				47
2009-2010	59				59
2008-2009	8				8
2007-2008	28			(28)	-
2006-2007	95			(95)	-
2005-2006	24			(24)	-
2004-2005	11			(11)	-
2003-2004	8			(8)	-
2002-2003	9			(9)	-
2001-2002	109			(109)	-
2000-2001	51			(51)	-
	<u>2,797</u>	<u>33,114</u>	<u>33,727</u>	<u>(425)</u>	<u>1,759</u>
Less: Allowance for Uncollectible Ad Valorem Taxes Receivable					<u>1,210</u>
Ad Valorem Taxes Receivable - Net					<u>549</u>
Reconciliation with Revenues:					
Ad Valorem Taxes - General Fund					33,952
Less: Interest					<u>(225)</u>
Net Tax Revenue					<u>33,727</u>

Town of Danbury, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

Exhibit B-2

	<u>Total Property Valuation</u>	<u>Rate Per \$100.00</u>	<u>Amount Of Levy (Combined)</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy	12,264,444	0.27	33,114	30,515	2,599
Releases	(33,704)	0.27	(91)	(91)	-
	<u>12,230,740</u>	0.27	<u>33,023</u>	<u>30,424</u>	<u>2,599</u>
Less: Uncollected Tax at June 30, 2019			<u>507</u>	<u>507</u>	<u>-</u>
Current Year's Taxes Collected			<u>32,516</u>	<u>29,917</u>	<u>2,599</u>
Percent Current Year Collected			<u>98.46%</u>	<u>98.33%</u>	<u>100.00%</u>