

**CITY OF DAWSON**

***ANNUAL FINANCIAL REPORT***

***FOR THE YEAR ENDED APRIL 30, 2017***

City of Dawson  
Annual Financial Report  
For The Year Ended April 30, 2017

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## **Independent Auditors' Report**

To the City Council  
City of Dawson  
P. O. Box 400  
Dawson, Texas 76639

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dawson ("the City") as of and for the year ended April 30, 2017, 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**

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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City'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 City'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, each major fund, and the aggregate remaining fund information of City of Dawson as of April 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2017, City of Dawson adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, City of Dawson adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, City of Dawson adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2017, City of Dawson adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 79, *Investment Pools*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information identified as Required Supplementary Information in the table of contents 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 of Dawson's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017 on our consideration of City of Dawson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dawson's internal control over financial reporting and compliance.

Respectfully submitted,



Anderson, Marx, & Bohl, P.C.

Corsicana, Texas  
August 30, 2017

**CITY OF DAWSON**  
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 DAWSON, TEXAS 76639

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of City of Dawson's annual financial report presents our discussion and analysis of the City's financial performance during the year ended April 30, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The City's total combined net position on financial statement exhibit A-1 was \$2,150,824 at April 30, 2017.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$38,623 less than the \$855,880 generated in taxes and other revenues for all activities.
- The total cost of the City's expenditures on financial statement exhibit A-5 increased \$73,947 from last year. This was due to an increase in Highway & Street and Municipal Court expenditures.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$153,558. The City began the current year with a fund balance in the amount of \$176,909.

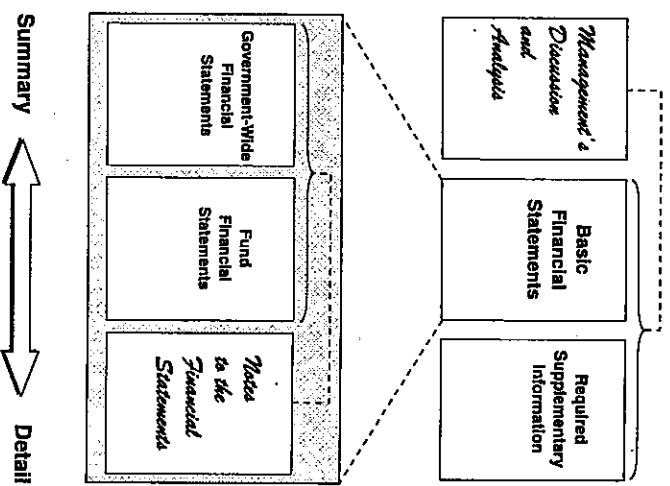
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about for-profit activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the City's Annual Financial Report



*Financial Section*

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities and business-type activities*. Most of the City's basic services are included here, such as public safety, library activities, park services, street maintenance and rehabilitation and general administration. Taxes finance most of these activities. The City also provides water and sewer services to its residents.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- **Proprietary funds**—The City provides water and sewer services to its citizens and charges fees to pay for this service. These activities are accounted for on the accrual basis of accounting.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$2.151 million at April 30, 2017. (See Table A-1).



**Table A-1**  
**City of Dawson's Net Position**  
*(in million dollars)*

	<u>2017</u>	<u>2016</u>	<u>Total</u> <u>Percentage</u> <u>Change</u> <u>2017-2016</u>
<b>Current assets:</b>			
Cash and cash equivalents	.5	.4	25
Investments	.0	.0	**
Due from other governments	.0	.0	**
Due from other funds	.0	.0	**
Other	.1	.1	0
Unamortized debt issuance costs	.0	.0	**
<b>Total current assets:</b>	<u>.6</u>	<u>.5</u>	20
<b>Noncurrent assets:</b>			
Land, furniture and equipment	4.0	3.9	3
Less accumulated depreciation	(2.2)	(2.0)	-10
Other assets	.0	.0	**
<b>Total noncurrent assets</b>	<u>1.8</u>	<u>1.9</u>	-5
<b>Total Assets</b>	<u>2.4</u>	<u>2.4</u>	0
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	.1	.1	0
Consumer deposits	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	0	0	**
<b>Total current liabilities</b>	<u>.1</u>	<u>.1</u>	0
<b>Long-term liabilities:</b>			
Noncurrent liabilities due in one year	.0	.0	**
Noncurrent liabilities due more than 1 yr	.2	.2	0
<b>Total Liabilities</b>	<u>.3</u>	<u>.3</u>	0
<b>Net Position:</b>			
Net investment in capital assets	1.6	1.7	-6
Restricted	.0	.0	**
Unrestricted	.5	.4	25
<b>Total Net Position</b>	<u>2.1</u>	<u>2.1</u>	0

The City has \$12,795 in restricted net position that represents proceeds for other purposes. The \$544,800 of unrestricted net position represents resources to be available to fund the programs of the City next year.

**Changes in net position.** The City's total revenues were \$855,880. A significant portion, 22 percent, of the City's revenue comes from taxes, while 72 percent relates to charges for services and 3 percent from a grant.

The total cost of all programs and services was \$817,257, 38 percent of these costs are for governmental activities.

**Governmental Activities**

- Property tax revenues increased to \$89,429.

**Table A-2**  
Changes in City of Dawson's Net Position  
*(In million dollars)*

	<u>2017</u>	<u>2016</u>	<u>%</u> <u>Ch</u>
Program Revenues:			
Charges for Services	.6	.5	20
Operating Grants and Contributions	.0	.0	**
Other Revenue	.0	.0	**
General Revenues			
Taxes	.2	.2	0
Grant	.0	.0	**
Other	.0	.0	**
Total Revenues	<u>.8</u>	<u>.7</u>	14
General Government	.1	.1	0
Public Safety	.0	.0	**
Highways and Streets	.1	.1	0
Culture and Recreation	.0	.0	**
Municipal Court	.1	.0	**
Economic Development Assistance	.0	.0	**
Water & Sewer	.5	.5	0
Total Expenses	<u>.8</u>	<u>.7</u>	14
Excess (Deficiency) Before Other Resources, Uses and Transfers:			
Unauthorized expenditures	.0	.0	**
Transfers In (Out)	0	0	**
Increase (Decrease) In Net Position	<u>.0</u>	<u>.0</u>	**

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$.314 million.
- However, the amount that our taxpayers paid for these activities through taxes was only \$.19 million.
- Some of the cost was paid by those who directly benefited from the programs \$.078 million.

**Table A-3**  
Net Cost of Selected City Functions  
*(in millions of dollars)*

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
General Government	.1	.1	0	.1	.1	0
Public Safety	.0	.0	**	.0	.0	**
Highways and Streets	.1	.1	0	.1	.1	0

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$295 million, while the previous year it was \$230 million. The increase was due to fine and intergovernmental revenues. Revenues from business-type activities totaled \$542,274, while the previous year it was \$488,101. This was due to an increase in utility rates.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were \$29,310 below final budget amounts.

On the other hand, resources available were \$12,901 above the final budgeted amount due to an increase in tax revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2017, the City had invested \$3,984,322 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a change (including additions and deductions) over last year of \$27,910 or 0.7%.

**Table A-4**  
City's Capital Assets  
(in millions of dollars)

	<u>2017</u>	<u>2016</u>	Total Percentage Change <u>2017-2016</u>
Land	.0	.0	**
Construction in Progress	.1	.1	0
Buildings and Improvements	.1	.1	0
Water and sewer system	3.6	3.6	0
Equipment	.2	.2	0
Leased assets	.0	.0	**
Totals at historical cost	4.0	4.0	0
Total accumulated depreciation	<u>(2.2)</u>	<u>(2.0)</u>	-10
Net capital assets	<u>1.8</u>	<u>2.0</u>	-10

The City's fiscal year 2018 capital budget projects spending do not reflect any major projects except for grant expenditures. More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

At year-end, the City had \$233 million in bonds and leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

**Table A-5**  
**City's Long-Term Debt**  
 (in millions of dollars)

	<u>2017</u>	<u>2016</u>	Total Percentage Change <u>2017-2016</u>
Leases payable	.00	.00	**
Bonds payable	.18	.20	-10
Notes payable	.05	.07	-29
Less deferred amount			
On refundings	<u>(0)</u>	<u>(0)</u>	**
Total bonds & notes payable	<u>.23</u>	<u>.27</u>	-15

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's budgetary general fund fund balance is not expected to change appreciably by the close of fiscal year 2018.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Dawson's Business Services Department at P. O. Box 400, Dawson, Texas 76639 or phone number 254-578-1515.

## *Basic Financial Statements*

**CITY OF DAWSON**  
**STATEMENT OF NET POSITION**  
**APRIL 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Cash and Cash Equivalents</i>	\$ 192,178	\$ 363,241	\$ 555,419
<i>Receivables ( net of allowances for uncollectibles)</i>	19,196	44,848	64,044
<i>Internal Balances</i>	(20,914)	20,914	--
<i>Capital Assets ( net of accumulated depreciation):</i>			
<i>Land</i>	13,295	1,800	15,095
<i>Buildings &amp; Equipment, net</i>	72,445	1,664,078	1,736,523
<i>Construction in Progress</i>	--	78,879	78,879
<i>Total Assets</i>	<u>276,200</u>	<u>2,173,760</u>	<u>2,449,960</u>
<b>LIABILITIES</b>			
<i>Accounts Payable and Other Current Liabilities</i>	4,911	18,431	23,342
<i>Consumer Deposits</i>	--	38,526	38,526
<i>Accrued Interest Payable</i>	--	4,169	4,169
<i>Noncurrent Liabilities-</i>			
<i>Due within one year</i>	--	34,736	34,736
<i>Due in more than one year</i>	--	198,363	198,363
<i>Total Liabilities</i>	<u>4,911</u>	<u>294,225</u>	<u>299,136</u>
<b>NET POSITION:</b>			
<i>Net Investment in Capital Assets</i>	85,740	1,507,489	1,593,229
<i>Restricted For:</i>			
<i>Other Purposes</i>	12,795	--	12,795
<i>Unrestricted</i>	172,754	372,046	544,800
<i>Total Net Position</i>	<u>\$ 271,289</u>	<u>\$ 1,879,535</u>	<u>\$ 2,150,824</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Expenses	Program Revenues	Operating Grants and Contributions
Functions/Programs			
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:		Charges for Services	
General Government	\$ 110,083	\$ --	\$ --
Public Safety	35,835	--	24,075
Highways & Streets	113,718	--	--
Municipal Court	54,310	78,177	--
Interest and Fiscal Charges	33	--	--
Total Governmental Activities	<u>313,979</u>	<u>78,177</u>	<u>24,075</u>
Business-type Activities:			
Water & Sewer	503,278	542,274	--
Total Business-type Activities	<u>503,278</u>	<u>542,274</u>	<u>--</u>
Total Primary Government	<u>\$ 817,257</u>	<u>\$ 620,451</u>	<u>\$ 24,075</u>
General Revenues:			
Property Taxes			
Sales Taxes			
Franchise Taxes			
Intergovernmental Revenue			
Investment Earnings			
Miscellaneous			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (110,083)		\$ (110,083)
(11,760)		(11,760)
(113,718)		(113,718)
23,867		23,867
(33)		(33)
<u>(211,727)</u>		<u>(211,727)</u>
	\$ 38,996	38,996
	<u>38,996</u>	<u>38,996</u>
		<u>(172,731)</u>
89,429	--	89,429
70,073	--	70,073
31,741	--	31,741
--	15,910	15,910
386	1,001	1,387
2,814	--	2,814
--	--	--
<u>194,443</u>	<u>16,911</u>	<u>211,354</u>
(17,284)	55,907	38,623
288,573	1,823,628	2,112,201
<u>\$ 271,289</u>	<u>\$ 1,879,535</u>	<u>\$ 2,150,824</u>



**CITY OF DAWSON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**APRIL 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
<b>Assets:</b>			
<i>Cash and Cash Equivalents</i>	\$ 179,383	\$ 12,795	\$ 192,178
<i>Receivables ( net of allowances for uncollectibles)</i>	19,196	--	19,196
<b>Total Assets</b>	<u>\$ 198,579</u>	<u>\$ 12,795</u>	<u>\$ 211,374</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
<i>Accounts Payable</i>	\$ 4,911	\$ --	\$ 4,911
<i>Due to Other Funds</i>	20,914	--	20,914
<b>Total Liabilities</b>	<u>25,825</u>	<u>--</u>	<u>25,825</u>
<b>Deferred Inflows of Resources:</b>			
<i>Unavailable Resources-Property Taxes</i>	19,196	--	19,196
<b>Total Deferred Inflows of Resources</b>	<u>19,196</u>	<u>--</u>	<u>17,192</u>
<b>Fund Balances:</b>			
<i>Restricted Fund Balances:</i>			
<i>  Restricted for Other Purposes</i>	--	12,795	12,795
<i>  Unassigned</i>	153,558	--	153,558
<b>Total Fund Balance</b>	<u>153,558</u>	<u>12,795</u>	<u>166,353</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 198,579</u>	<u>\$ 12,795</u>	<u>\$ 211,374</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**APRIL 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 166,353
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	85,740
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>19,196</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 271,289</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>			
General Property Taxes	\$ 87,425	\$ --	\$ 87,425
General Sales and Use Taxes	56,058	14,015	70,073
Franchise Taxes	31,741	--	31,741
Intergovernmental	24,075	--	24,075
Fines	78,177	--	78,177
Investment Earnings	386	--	386
Miscellaneous	2,814	--	2,814
Total revenues	<u>280,676</u>	<u>14,015</u>	<u>294,691</u>
<b>Expenditures:</b>			
General Government	107,511	--	107,511
Public Safety	34,998	--	34,998
Highway & Streets	85,386	25,675	111,061
Municipal Court	53,040	--	53,040
Debt Service:			
Principal	3,059	--	3,059
Interest and Fiscal Charges	33	--	33
Total Expenditures	<u>284,027</u>	<u>25,675</u>	<u>309,702</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,351)</u>	<u>(11,660)</u>	<u>(15,011)</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	--	20,000	20,000
Operating Transfers Out	<u>(20,000)</u>	<u>--</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>20,000</u>	<u>--</u>
Net Change in Fund Balances	<u>(23,351)</u>	<u>8,340</u>	<u>(15,011)</u>
<b>Fund Balances - Beginning</b>	<u>\$ 176,909</u>	<u>\$ 4,455</u>	<u>\$ 181,364</u>
<b>Fund Balances - Ending</b>	<u>\$ 153,558</u>	<u>\$ 12,795</u>	<u>\$ 166,353</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2017**

Net change in fund balances - total governmental funds	\$ (15,011)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,336)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,004
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	3,059
Change in net position of governmental activities - Statement of Activities	<u>\$ (17,284)</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**APRIL 30, 2017**

	Enterprise Fund	Water and Sewer Fund
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 363,241	
Receivables (net of allowances for uncollectibles)	44,848	
Due from other funds	20,914	
Total Current Assets	<u>429,003</u>	
Noncurrent Assets:		
Restricted Cash, Cash Equivalents and Investments-		
Capital Assets:		
Land	1,800	
Property, Plant and Equipment-Net	1,664,078	
Construction in Progress	78,879	
Total Noncurrent Assets	<u>1,744,757</u>	
Total Assets	<u>2,173,760</u>	
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	18,431	
Consumer deposits	38,526	
Accrued interest payable	4,169	
Current Liabilities	<u>16,736</u>	
Notes payable	18,000	
Revenue bonds payable		
Long Term Liabilities	<u>35,363</u>	
Notes Payable	163,000	
Revenue Bonds Payable	<u>294,225</u>	
Total Liabilities		
<b>NET POSITION:</b>		
Net Investment in Capital Assets	1,507,489	
Unrestricted Net Position	372,046	
Total Net Position	<u>\$ 1,879,535</u>	

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Enterprise Fund Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Water	\$ 360,528
Sewer	72,649
Sanitation	59,145
Other Services	38,379
Miscellaneous	11,573
Total Operating Revenues	<u>542,274</u>
<b>OPERATING EXPENSES:</b>	
Personal Services	73,209
Contractual Services	46,463
Supplies and Materials	90,816
Other Expenses	16,890
Depreciation	118,391
Water Purchases	146,693
Total Operating Expenses	<u>492,462</u>
Operating Income	<u>49,812</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Intergovernmental Revenue	15,910
Interest Revenue	1,001
Interest Expense & Fees	(10,816)
Total Non-operating Revenues (Expenses)	<u>6,095</u>
Income before Transfers	<u>55,907</u>
<i>Operating Transfers In</i>	--
<i>Operating Transfers Out</i>	--
Change in Net Position	<u>55,907</u>
Total Net Position - Beginning	1,823,628
Total Net Position - Ending	<u>\$ 1,879,535</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Enterprise Funds
	Water And Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 540,941
<i>Cash Payments to Employees for Services</i>	(73,209)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(300,653)
Net Cash Provided (Used) by Operating Activities	<u>167,079</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers From (To) Other Funds</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Principal Paid</i>	(36,194)
<i>Interest Paid</i>	(10,816)
<i>Acquisition or Construction of Capital Assets</i>	(27,910)
<i>Capital Grants Received</i>	15,910
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(59,010)</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Interest and Dividends on Investments</i>	1,001
Net Cash Provided (Used) for Investing Activities	<u>1,001</u>
Net Increase (Decrease) in Cash and Cash Equivalents	109,070
Cash and Cash Equivalents at Beginning of Year	254,171
Cash and Cash Equivalents at End of Year	<u>\$ 363,241</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 49,812
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	118,391
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(1,333)
<i>Increase (Decrease) in Accounts Payable</i>	21
<i>Increase (Decrease) in Accrued Expenses</i>	(1,087)
<i>Increase (Decrease) in Consumer Deposits</i>	1,275
Total Adjustments	117,267
Net Cash Provided (Used) by Operating Activities	<u>\$ 167,079</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

A. Summary of Significant Accounting Policies

The combined financial statements of City of Dawson (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City.
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, 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 City's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.



**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Water and Sewer Fund. This is the City's primary enterprise operating fund and accounts for all customers and financial resources of the enterprise fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The City does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both 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.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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 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. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There is an allowance for uncollectible taxes of \$5,255.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

On retirement or death of certain employees, the City pays any accrued vacation leave in a lump case payment to such employee or his/her estate. The expense is recorded when paid.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as Inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

j. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary statements of net position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

5. Change in Accounting Policies

In fiscal year 2017, the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the City's investments was such that their carrying amount was not affected.
- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

- c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the City or any other government which affect the City's tax revenue.
- d. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

**B. Compliance and Accountability**

- 1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable
2. <u>Deficit Fund Balance or Fund Net Position of Individual Funds</u>	

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit</u>	<u>Remarks</u>
<u>None reported</u>	<u>Amount</u>	<u>Not applicable</u>

**C. Deposits and Investments**

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At April 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$555,419 and the bank balance was \$583,654. The City's cash deposits at April 30, 2017 and during the year ended April 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at April 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ --
Total Investments		\$ <u>          </u>

**Analysis of Specific Deposit and Investment Risks:**

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. **Credit Risk**  
 Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
  
- b. **Custodial Credit Risk**  
 Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.  
 Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.  
 At year end, the City was not exposed to custodial credit risk.
  
- c. **Concentration of Credit Risk**  
 This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.
  
- d. **Interest Rate Risk**  
 This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.
  
- e. **Foreign Currency Risk**  
 This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**D. Capital Assets**

Capital asset activity for the year ended April 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,295	\$ --	\$ --	\$ 13,295
Total capital assets not being depreciated	<u>13,295</u>	<u>--</u>	<u>--</u>	<u>13,295</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	17,310	--	--	17,310
Buildings and Improvements	92,309	--	--	92,309
Equipment	73,376	33,375	--	106,751
Leased Assets	33,375	--	33,375	--
Total capital assets being depreciated	<u>216,370</u>	<u>33,375</u>	<u>33,375</u>	<u>216,370</u>
Less accumulated depreciation for:				
Infrastructure	(6,924)	(577)	--	(7,501)
Buildings and improvements	(50,491)	(1,846)	--	(52,337)
Equipment	(62,489)	(4,913)	16,685	(84,087)
Leased Assets	(16,685)	--	(16,685)	--
Total accumulated depreciation	<u>(136,589)</u>	<u>(7,336)</u>	<u>--</u>	<u>(143,925)</u>
Total capital assets being depreciated, net	<u>79,781</u>	<u>26,039</u>	<u>33,375</u>	<u>72,445</u>
Governmental activities capital assets, net	<u>\$ 93,076</u>	<u>\$ 26,039</u>	<u>\$ 33,375</u>	<u>\$ 85,740</u>

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,800	\$ --	\$ --	\$ 1,800
Construction in progress	50,969	27,910	--	78,879
Total capital assets not being depreciated	<u>52,769</u>	<u>27,910</u>	<u>--</u>	<u>80,679</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	3,000	--	--	3,000
Equipment	249,837	--	--	249,837
Water and Sewer System	3,387,766	33,375	--	3,421,141
Leased Assets	33,375	--	33,375	--
Total capital assets being depreciated	<u>3,673,978</u>	<u>33,375</u>	<u>33,375</u>	<u>3,673,978</u>
Less accumulated depreciation for:				
Buildings and Improvements	(3,000)	--	--	(3,000)
Equipment	(123,347)	(2,129)	--	(125,476)
Water and Sewer System	(1,748,477)	(116,262)	16,685	(1,881,424)
Leased Assets	(16,685)	--	(16,685)	--
Total accumulated depreciation	<u>(1,891,509)</u>	<u>(118,391)</u>	<u>--</u>	<u>(2,009,900)</u>
Total capital assets being depreciated, net	<u>1,782,469</u>	<u>(85,016)</u>	<u>33,375</u>	<u>1,664,078</u>
Business-type activities capital assets, net	<u>\$ 1,835,238</u>	<u>\$ (57,106)</u>	<u>\$ 33,375</u>	<u>\$ 1,744,757</u>
Depreciation was charged to functions as follows:				
General Government	\$ 2,572			
Public Safety	837			
Highways and Streets	2,657			
Municipal Court	1,270			
	<u>\$ 7,336</u>			

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at April 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Water & Sewer Fund	General Fund	\$ 20,914	Short-term loans
	Total	<u>\$ 20,914</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at April 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	\$ 20,000	Supplement other funds sources
	Total	<u>\$ 20,000</u>	



**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended April 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 3,059	\$ --	\$ (3,059)	\$ --	\$ --
Total governmental activities	\$ 3,059	\$ --	\$ (3,059)	\$ --	\$ --

A lease on 1/2 Backhoe/loader in the amount of \$93,375 issued in September 2011 at the rate of 4.25% due in monthly payments of \$618 over 5 years. The balance at April 30, 2017 is \$0.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type activities:</b>					
Revenue bonds	\$ 198,000	\$ --	\$ (17,000)	\$ 181,000	\$ 18,000
Capital leases	3,059	--	(3,059)	--	--
Notes	68,234	--	(16,135)	52,099	16,736
Total business-type activities	\$ 269,293	\$ --	\$ (36,194)	\$ 233,099	\$ 34,736

The City borrowed \$300,000 in 2006 to improve its water and sewer facilities. This amount is repayable in yearly amounts between \$6,600 and \$31,500 at the rate of 4.85% maturing July 2023. The balance at April 30, 2017 is \$181,000.

A lease on 1/2 Backhoe/loader in the amount of \$33,375 issued in September 2011 at the rate of 4.25% due in monthly payments of \$618 over 5 years. The balance at April 30, 2017 is \$0.

The City borrowed \$84,625 in 2015 to purchase an aerator. This amount is repayable in yearly amounts of \$18,674 at the rate of 3.72% maturing May 2019. The balance at April 30, 2017 is \$52,099.

2. Debt Service Requirements

Debt service requirements on long-term debt at April 30, 2017, are as follows:

Year Ending April 30,	Business-type Activities		
	Principal	Interest	Total
2018	\$ 34,736	\$ 10,304	\$ 45,040
2019	36,358	10,101	46,459
2020	38,004	8,366	46,370
2021	21,000	7,226	28,226
2022	21,000	6,038	27,038
2023-2027	82,001	11,202	93,203
Totals	\$ 233,099	\$ 53,237	\$ 286,336

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**G. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**H. Health Care Coverage**

During the year ended April 30, 2017, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$459 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable May 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Bule Cross/Blue Shield are available for the year ended December 31, 2016, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**I. Commitments and Contingencies.**

**1. Contingencies**

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the City at April 30, 2017.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF DAWSON**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**EXHIBIT B-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenue:</b>				
General Property Taxes	\$ 82,000	\$ 82,000	\$ 87,425	\$ 5,425
General Sales and Use Taxes	49,000	49,000	56,058	7,058
Franchise Taxes	33,000	33,000	31,741	(1,259)
Intergovernmental	--	24,075	24,075	--
Fines	78,000	78,000	78,177	177
Investment Earnings	--	--	386	386
Miscellaneous	1,700	1,700	2,814	1,114
Total revenues	<u>243,700</u>	<u>267,775</u>	<u>280,676</u>	<u>12,901</u>
<b>Expenditures:</b>				
General Government	179,960	130,489	107,511	22,978
Public Safety	37,230	35,100	34,998	102
Highway & Streets	53,254	85,838	85,386	452
Municipal Court	58,800	58,800	53,040	5,760
Principal	--	3,060	3,059	1
Interest and Fiscal Charges	--	50	33	17
Total Expenditures	<u>329,244</u>	<u>313,337</u>	<u>284,027</u>	<u>29,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,544)	(45,562)	(3,351)	42,211
<b>Other Financing Sources (Uses):</b>				
Operating Transfers Out	--	(20,000)	(20,000)	--
Total Other Financing Sources (Uses)	--	(20,000)	(20,000)	--
Net Change in Fund Balances	(85,544)	(65,562)	(23,351)	42,211
<b>Fund Balances - Beginning</b>	<u>176,909</u>	<u>176,909</u>	<u>176,909</u>	<u>--</u>
<b>Fund Balances - Ending</b>	<u>\$ 91,365</u>	<u>\$ 111,347</u>	<u>\$ 153,558</u>	<u>\$ 42,211</u>

## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

City Council  
City of Dawson  
P. O. Box 400  
Dawson, Texas 76639

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dawson, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise City of Dawson's basic financial statements, and have issued our report thereon dated August 30, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

Respectfully submitted,



Anderson, Marx, & Bohl, P.C.

Corsicana, Texas

August 30, 2017

**CITY OF DAWSON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

**A. Summary of Auditors' Results**

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

     Yes

  X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?

     Yes

  X   None Reported

Noncompliance material to financial statements noted?

     Yes

  X   No

**B. Financial Statement Findings**

None noted



**CITY OF DAWSON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED APRIL 30, 2017**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None noted		

**CITY OF DAWSON**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED APRIL 30, 2017**

None noted, so none required