

CITY OF DAWSON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED APRIL 30, 2020

City of Dawson
Annual Financial Report
For The Year Ended April 30, 2020

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Financial Section

ANDERSON, MARX & BOHL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE

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, 2020, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 February 1, 2021 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 solely 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 the effectiveness of the City's 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.

Anderson, Marx, & Bohl, P.C.

Corsicana, Texas
February 1, 2021

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, 2020. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

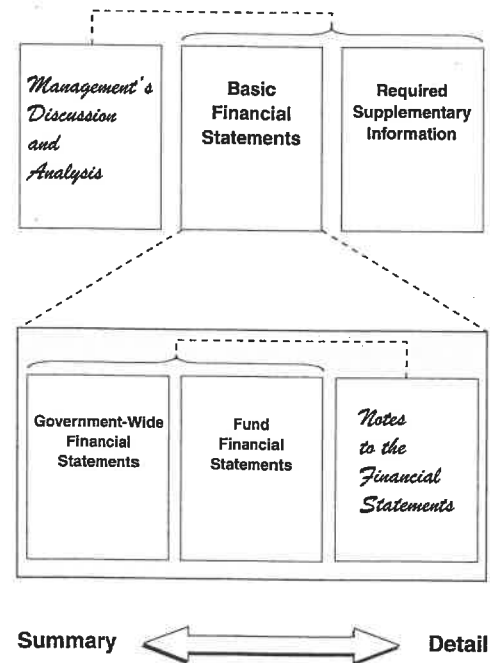
- The City’s total combined net position on financial statement exhibit A-1 was \$3,272,364 at April 30, 2020.
- During the year, the City’s primary government expenses on financial statement exhibit A-2 were \$631,311 less than the \$1,566,767 generated in taxes and other revenues for all activities.
- The total cost of the City’s expenditures on financial statement exhibit A-5 increased \$523,370 from last year. This was due primarily to an increase in capital outlay expenditures.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$205,841. The City began the current year with a fund balance in the amount of \$174,453.

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.

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



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.

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 \$3.272 million at April 30, 2020. (See Table A-1).

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

	<u>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Current assets:			
Cash and cash equivalents	.7	.7	0
Investments	.0	.0	**
Due from other governments	.0	.0	**
Due from other funds	.0	.0	**
Other	.1	.0	**
Unamortized debt issuance costs	.0	.0	**
Total current assets:	<u>.8</u>	<u>.7</u>	14
Noncurrent assets:			
Land, furniture, and equipment	5.2	4.5	16
Less accumulated depreciation	(2.6)	(2.4)	-8
Other assets	.0	.0	**
Total noncurrent assets	<u>2.6</u>	<u>2.1</u>	24
Total Assets	<u>3.4</u>	<u>2.8</u>	21
Current liabilities:			
Accounts payable and accrued liabilities	.0	.0	**
Consumer deposits	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	0	0	**
Total current liabilities	<u>.0</u>	<u>.0</u>	**
Long-term liabilities:			
Noncurrent liabilities due in one year	.0	.1	**
Noncurrent liabilities due more than 1 yr	.1	.1	0
Total Liabilities	<u>.1</u>	<u>.2</u>	-50
Net Position:			
Net investment in capital assets	2.6	1.9	37
Restricted	.0	.0	**
Unrestricted	.7	.7	0
Total Net Position	<u>3.3</u>	<u>2.6</u>	27

The City has \$10,768 in restricted net position that represents proceeds for streets. The \$686,354 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 \$1,566,767. A significant portion, 14 percent, of the City's revenue comes from taxes, while 43 percent relates to charges for services.

The total cost of all programs and services was \$935,456; 33 percent of these costs are for governmental activities.

Governmental Activities

- Property tax revenues increased to \$115,027.

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

	<u>2020</u>	<u>2019</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.7	.6	17
Operating Grants and Contributions	.0	.0	**
Other Revenue	.0	.0	**
General Revenues			
Taxes	.2	.2	0
Grant	.0	.0	**
Other	.7	.3	133
Total Revenues	<u>1.6</u>	<u>1.1</u>	45
General Government	.1	.1	0
Public Safety	.0	.1	**
Highways and Streets	.1	.0	**
Culture and Recreation	.0	.0	**
Municipal Court	.1	.1	0
Economic Development Assistance	.0	.0	**
Water & Sewer	.6	.5	20
Total Expenses	<u>.9</u>	<u>.8</u>	13
Excess (Deficiency) Before Other Resources, Uses and Transfers:	.7	.3	133
Transfers In (Out)	<u>0</u>	<u>0</u>	0
Increase (Decrease) in Net Position	<u>.7</u>	<u>.3</u>	133

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 \$.310 million.
- However, the amount that our taxpayers paid for these activities through taxes was only \$.225 million.
- Some of the cost was paid by those who directly benefited from the programs \$.109 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>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
General Government	.1	.1	0	.1	.1	0
Public Safety	.0	.1	**	.0	.0	**
Highways and Streets	.1	.0	**	.1	.0	**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.868 million, while the previous year it was \$.369 million. The increase was due primarily to intergovernmental revenues. Revenues from proprietary funds totaled \$559,032, while the previous year it was \$518,838. This was due to an increase in utility revenues.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were \$20,406 below final budget amounts.

On the other hand, resources available were \$23,507 above the final budgeted amount due primarily to increases in fine and miscellaneous revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the City had invested \$5,249,421 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase (including additions and deductions) from last year of \$715,161 or 16%.

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

	<u>2020</u>	<u>2019</u>	<u>Total Percentage Change 2020-2019</u>
Land	.0	.0	**
Construction in Progress	.5	.6	-17
Buildings and improvements	.1	.1	0
Water and sewer system	4.4	3.6	22
Equipment	.2	.2	0
Leased assets	.0	.0	**
Totals at historical cost	<u>5.2</u>	<u>4.5</u>	16
Total accumulated depreciation	<u>(2.6)</u>	<u>(2.4)</u>	-8
Net capital assets	<u>2.6</u>	<u>2.1</u>	24

The City's fiscal year 2021 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 \$.103 million in bonds and notes 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>2020</u>	<u>2019</u>	<u>Total Percentage Change 2020-2019</u>
Leases payable	.00	.00	**
Bonds payable	.08	.11	-27
Notes payable	.02	.04	-50
Less deferred amount			
On refundings	(.00)	(.00)	**
Total bonds & notes payable	<u>.10</u>	<u>.15</u>	-33

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 2021. However, the COVID-19 pandemic has resulted in widespread closures of many businesses worldwide. The economic effects of those closures and related workforce layoffs are still unknown and could potentially affect future revenues.

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 243,604	\$ 453,794	\$ 697,398
<i>Receivables - Taxes (net of allowances for uncollectibles)</i>	21,999	--	21,999
<i>Receivables - Other (net of allowances for uncollectibles)</i>	--	42,742	42,742
<i>Internal Balances</i>	(23,001)	23,001	--
Capital Assets (net of accumulated depreciation):			
<i>Land</i>	13,295	1,800	15,095
<i>Buildings & Equipment, net</i>	106,521	2,022,654	2,129,175
<i>Construction in Progress</i>	535,163	--	535,163
Total Assets	<u>897,581</u>	<u>2,543,991</u>	<u>3,441,572</u>
LIABILITIES			
<i>Accounts Payable and Other Current Liabilities</i>	3,994	17,306	21,300
<i>Consumer Deposits</i>	--	43,717	43,717
<i>Accrued Interest Payable</i>	--	811	811
Noncurrent Liabilities-			
<i>Due within one year</i>	8,774	27,000	35,774
<i>Due in more than one year</i>	9,106	58,500	67,606
Total Liabilities	<u>21,874</u>	<u>147,334</u>	<u>169,208</u>
NET POSITION:			
Net Investment in Capital Assets	637,099	1,938,143	2,575,242
Restricted For:			
Other Purposes-Streets	10,768	--	10,768
Unrestricted	227,840	458,514	686,354
Total Net Position	<u>\$ 875,707</u>	<u>\$ 2,396,657</u>	<u>\$ 3,272,364</u>

The accompanying notes are an integral part of this statement.

CITY OF DAWSON
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED APRIL 30, 2020

Functions/Programs	Expenses	Program Revenues
PRIMARY GOVERNMENT:		Charges for Services
Governmental Activities:		
<i>General Government</i>	\$ 100,409	\$ --
<i>Public Safety</i>	57,809	--
<i>Highways & Streets</i>	76,498	--
<i>Municipal Court</i>	74,747	108,650
<i>Interest and Fiscal Charges</i>	1,000	--
Total Governmental Activities	<u>310,463</u>	<u>108,650</u>
Business-type Activities:		
Water & Sewer	624,993	559,032
Total Business-type Activities	<u>624,993</u>	<u>559,032</u>
Total Primary Government	<u>\$ 935,456</u>	<u>\$ 667,682</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Intergovernmental Revenue
Investment Earnings
Miscellaneous
 Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning
 Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (100,409)		\$ (100,409)
(57,809)		(57,809)
(76,498)		(76,498)
33,903		33,903
(1,000)		(1,000)
<u>(201,813)</u>		<u>(201,813)</u>
--	\$ (65,961)	(65,961)
--	(65,961)	(65,961)
<u>(201,813)</u>	<u>(65,961)</u>	<u>(267,774)</u>
115,027	--	115,027
76,551	--	76,551
33,891	--	33,891
525,198	134,687	659,885
486	1,706	2,192
11,539	--	11,539
--	--	--
<u>762,692</u>	<u>136,393</u>	<u>899,085</u>
560,879	70,432	631,311
314,828	2,326,225	2,641,053
<u>\$ 875,707</u>	<u>\$ 2,396,657</u>	<u>\$ 3,272,364</u>

CITY OF DAWSONBALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 231,936	\$ 11,668	\$ 243,604
<i>Receivables (net of allowances for uncollectibles)</i>	21,999	--	21,999
Total Assets	<u>\$ 253,935</u>	<u>\$ 11,668</u>	<u>\$ 265,603</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
<i>Accounts Payable</i>	\$ 3,094	\$ 900	\$ 3,994
<i>Due to Other Funds</i>	23,001	--	23,001
Total Liabilities	<u>26,095</u>	<u>900</u>	<u>26,995</u>
Deferred Inflows of Resources:			
<i>Unavailable Resources-Property Taxes</i>	21,999	--	21,999
Total Deferred Inflows of Resources	<u>21,999</u>	<u>--</u>	<u>21,999</u>
Fund Balances:			
Restricted Fund Balances:			
<i>Restricted for Other Purposes-Streets</i>	--	10,768	10,768
Unassigned	205,841	--	205,841
Total Fund Balance	<u>205,841</u>	<u>10,768</u>	<u>216,609</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 253,935</u>	<u>\$ 11,668</u>	<u>\$ 265,603</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, 2020*

Total fund balances - governmental funds balance sheet	\$ 216,609
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.	654,979
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	21,999
Payables for notes which are not due in the current period are not reported in the funds.	<u>(17,880)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 875,707</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, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
<i>General Property Taxes</i>	\$ 111,258	\$ --	\$ 111,258
<i>General Sales and Use Taxes</i>	60,985	15,566	76,551
<i>Franchise Taxes</i>	33,891	--	33,891
<i>Intergovernmental</i>	525,198	--	525,198
<i>Fines</i>	108,650	--	108,650
<i>Investment Earnings</i>	486	--	486
<i>Miscellaneous</i>	11,539	--	11,539
Total revenues	<u>852,007</u>	<u>15,566</u>	<u>867,573</u>
Expenditures:			
Current			
<i>General Government</i>	95,574	--	95,574
<i>Public Safety</i>	54,219	--	54,219
<i>Highway & Streets</i>	54,152	18,753	72,905
<i>Municipal Court</i>	72,058	--	72,058
Debt Service			
<i>Principal</i>	8,453	--	8,453
<i>Interest and Fiscal Charges</i>	1,000	--	1,000
Capital Outlay			
<i>Infrastructure-Grant</i>	535,163	--	535,163
Total Expenditures	<u>820,619</u>	<u>18,753</u>	<u>839,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,388</u>	<u>(3,187)</u>	<u>28,201</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	31,388	(3,187)	28,201
Fund Balances - Beginning	174,453	13,955	188,408
Fund Balances - Ending	<u>\$ 205,841</u>	<u>\$ 10,768</u>	<u>\$ 216,609</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, 2020*

Net change in fund balances - total governmental funds	\$ 28,201
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	535,163
The depreciation of capital assets used in governmental activities is not reported in the funds.	(14,707)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,769
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	<u>8,453</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 560,879</u>

The accompanying notes are an integral part of this statement.

CITY OF DAWSON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2020

	Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 453,794
<i>Receivables (net of allowances for uncollectibles)</i>	42,742
<i>Due from other funds</i>	23,001
Total Current Assets	<u>519,537</u>
Noncurrent Assets:	
Capital Assets:	
<i>Land</i>	1,800
<i>Property, Plant and Equipment-Net</i>	2,022,654
Total Noncurrent Assets	<u>2,024,454</u>
Total Assets	<u>2,543,991</u>
LIABILITIES:	
Current Liabilities:	
<i>Accounts payable</i>	17,306
<i>Consumer deposits</i>	43,717
<i>Accrued interest payable</i>	811
Current Portion Long-Term Debt:	
<i>Revenue bonds payable</i>	27,000
Long-Term Portion Debt:	
<i>Revenue bonds payable</i>	58,500
Total Liabilities	<u>147,334</u>
NET ASSETS:	
<i>Net Investment in Capital Assets</i>	1,938,143
<i>Unrestricted Net Assets</i>	458,514
Total Net Assets	<u>\$ 2,396,657</u>

The accompanying notes are an integral part of this statement.

CITY OF DAWSONSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2020

	Enterprise Fund <u>Water and Sewer Fund</u>
OPERATING REVENUES:	
<i>Water</i>	\$ 375,877
<i>Sewer</i>	76,163
<i>Sanitation</i>	63,072
<i>Other Services</i>	40,088
<i>Miscellaneous</i>	3,832
Total Operating Revenues	<u>559,032</u>
OPERATING EXPENSES:	
<i>Personal Services</i>	128,175
<i>Contractual Services</i>	55,380
<i>Supplies and Materials</i>	113,663
<i>Other Expenses</i>	14,367
<i>Depreciation</i>	139,786
<i>Water Purchases</i>	172,008
Total Operating Expenses	<u>623,379</u>
Operating Income	<u>(64,347)</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Intergovernmental Revenue</i>	134,687
<i>Interest Revenue</i>	1,706
<i>Interest Expense & Fees</i>	(1,614)
Total Non-operating Revenues (Expenses)	<u>134,779</u>
Income before Transfers	70,432
<i>Operating Transfers In</i>	--
<i>Operating Transfers Out</i>	--
Change in Net Assets	<u>70,432</u>
Total Net Position - Beginning	2,326,225
Total Net Position - Ending	<u>\$ 2,396,657</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, 2020

	Enterprise Fund Water And Sewer Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 557,475
<i>Cash Payments to Employees for Services</i>	(128,175)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(353,317)
Net Cash Provided (Used) by Operating Activities	<u>75,983</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Principal Paid</i>	(44,005)
<i>Interest Paid</i>	(1,614)
<i>Capital Grants Received</i>	134,687
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>89,068</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	1,706
<i>Acquisition or Construction of Capital Assets</i>	(179,998)
Net Cash Provided (Used) for Investing Activities	<u>(178,292)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,241)
Cash and Cash Equivalents at Beginning of Year	467,035
Cash and Cash Equivalents at End of Year	<u>\$ 453,794</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (64,347)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	139,786
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(1,557)
<i>Increase (Decrease) in Accounts Payable</i>	4,016
<i>Increase (Decrease) in Accrued Expenses</i>	(4,106)
<i>Increase (Decrease) in Consumer Deposits</i>	2,191
Total Adjustments	<u>140,330</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 75,983</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, 2020

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 GASB Statements.

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, 2020

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 related to water and sewer services.

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, 2020

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 acquisition 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 \$6,025.

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, 2020

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 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 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.

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.

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

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. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

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. Deficit Fund Balance or Fund Net Position of Individual Funds

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 Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

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.

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

Cash Deposits:

At April 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$697,398 and the bank balance was \$704,200. The City's cash deposits at April 30, 2020 and during the year ended April 30, 2020, 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.

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, 2020 are shown below.

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

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.

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

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.

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, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,295	\$ --	\$ --	\$ 13,295
Construction in Progress	--	535,163	--	535,163
Total capital assets not being depreciated	13,295	535,163	--	548,458
<i>Capital assets being depreciated:</i>				
Infrastructure	17,310	--	--	17,310
Buildings and improvements	92,309	--	--	92,309
Equipment	180,422	--	--	180,422
Total capital assets being depreciated	290,041	--	--	290,041
Less accumulated depreciation for:				
Infrastructure	(8,655)	(577)	30	(9,262)
Buildings and improvements	(56,029)	(1,846)	--	(57,875)
Equipment	(104,129)	(12,284)	(30)	(116,383)
Total accumulated depreciation	(168,813)	(14,707)	--	(183,520)
Total capital assets being depreciated, net	121,228	(14,707)	--	106,521
Governmental activities capital assets, net	\$ 134,523	\$ 520,456	\$ --	\$ 654,979

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,800	\$ --	\$ --	\$ 1,800
Construction in progress	555,146	141,153	696,299	--
Total capital assets not being depreciated	<u>556,946</u>	<u>141,153</u>	<u>696,299</u>	<u>1,800</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	3,000	--	--	3,000
Equipment	249,837	38,845	112,575	176,107
Water and Sewer System	3,421,141	--	(808,874)	4,230,015
Total capital assets being depreciated	<u>3,673,978</u>	<u>38,845</u>	<u>(696,299)</u>	<u>4,409,122</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,000)	--	--	(3,000)
Equipment	(129,734)	(5,280)	849	(135,863)
Water and Sewer System	(2,113,948)	(134,506)	(849)	(2,247,605)
Total accumulated depreciation	<u>(2,246,682)</u>	<u>(139,786)</u>	<u>--</u>	<u>(2,386,468)</u>
Total capital assets being depreciated, net	<u>1,427,296</u>	<u>(100,941)</u>	<u>(696,299)</u>	<u>2,022,654</u>
Business-type activities capital assets, net	<u>\$ 1,984,242</u>	<u>\$ 40,212</u>	<u>\$ --</u>	<u>\$ 2,024,454</u>

Governmental depreciation was charged to functions as follows:

General Government	\$ 4,835
Public Safety	2,689
Highways and Streets	3,590
Municipal Court	3,593
	<u>\$ 14,707</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at April 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Water & Sewer Fund	General Fund	\$ 23,001	Short-term loans
	Total	<u>\$ 23,001</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at April 30, 2020.

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Notes from Direct Borrowings and Placements	\$ 26,333	\$ --	\$ (8,453)	\$ 17,880	\$ 8,774
Total governmental activities	\$ 26,333	\$ --	\$ (8,453)	\$ 17,880	\$ 8,774

Bank Notes from Direct Borrowings and Direct Placements

A note on a police car in the amount of \$43,507 issued in May 2018 at the rate of 3.80% due in yearly payments of \$9,453 over 5 years. The balance at April 30, 2020 is \$17,880. The vehicle serves as collateral and in the event of default, the remaining balance on the note plus any accrued interest will become immediately due and payable.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Revenue bonds	\$ 111,500	\$ --	\$ (26,000)	\$ 85,500	\$ 27,000
Notes from Direct Borrowings and Placements	18,005	--	(18,005)	--	--
Total business-type activities	\$ 129,505	\$ --	\$ (44,005)	\$ 85,500	\$ 27,000

Revenue Bonds

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, 2020 is \$85,500.

Bank Notes from Direct Borrowings and Direct Placements

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, 2020 is \$0.

2. Debt Service Requirements

Debt service requirements on long-term debt at April 30, 2020, are as follows:

Year Ending April 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 8,774	\$ 679	\$ 9,453
2022	9,106	346	9,452
Totals	\$ 17,880	\$ 1,025	\$ 18,905

CITY OF DAWSON
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2020

<u>Year Ending April 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,000	\$ 3,516	\$ 30,516
2022	29,000	2,158	31,158
2023	29,500	727	30,227
Totals	\$ 85,500	\$ 6,401	\$ 91,901

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 2020, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

H. Health Care Coverage

During the year ended April 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$531 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 June 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Texas Health Benefits Pool are available for the year ended December 31, 2019, 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, 2020.

3. Commitments

The City received a grant for drainage improvements for \$996,500 in fiscal 2019. As of April 30, 2020, \$597,590 has been spent. The remainder is anticipated to be spent during fiscal year 2021.

J. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses, resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect future revenues of the City.

CITY OF DAWSON

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED APRIL 30, 2020

K. Recent Accounting Pronouncements

In May, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of several statement provisions that were originally scheduled to be effective for periods beginning after June 15, 2018. The City will evaluate the potential effects of all postponed statements once the statements are closer to implementation.

L. Fraudulent Activity

During the year several of the City's bank accounts were fraudulently accessed and subsequently closed by the City to prevent any additional unauthorized activity on the accounts. To date the City has not suffered any losses from these attacks.

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, 2020

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>General Property Taxes</i>	\$ 110,000	\$ 110,000	\$ 111,258	\$ 1,258
<i>General Sales and Use Taxes</i>	55,000	55,000	60,985	5,985
<i>Franchise Taxes</i>	32,000	32,000	33,891	1,891
<i>Intergovernmental</i>	533,500	531,500	525,198	(6,302)
<i>Fines</i>	100,000	100,000	108,650	8,650
<i>Investment Earnings</i>	--	--	486	486
<i>Miscellaneous</i>	--	--	11,539	11,539
Total revenues	<u>830,500</u>	<u>828,500</u>	<u>852,007</u>	<u>23,507</u>
Expenditures:				
<i>General Government</i>	119,542	109,042	95,574	13,468
<i>Public Safety</i>	60,237	60,237	54,219	6,018
<i>Highway & Streets</i>	45,568	54,568	54,152	416
<i>Municipal Court</i>	70,720	72,220	72,058	162
<i>Principal</i>	8,458	8,458	8,453	5
<i>Interest and Fiscal Charges</i>	1,000	1,000	1,000	--
<i>Infrastructure-Grant</i>	533,500	535,500	535,163	337
Total Expenditures	<u>839,025</u>	<u>841,025</u>	<u>820,619</u>	<u>20,406</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,525)</u>	<u>(12,525)</u>	<u>31,388</u>	<u>43,913</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>(8,525)</u>	<u>(12,525)</u>	<u>31,388</u>	<u>43,913</u>
Fund Balances - Beginning	174,453	174,453	174,453	--
Fund Balances - Ending	<u>\$ 165,928</u>	<u>\$ 161,928</u>	<u>\$ 205,841</u>	<u>\$ 43,913</u>

CITY OF DAWSON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED APRIL 30, 2020

Budget

The official budget was prepared for adoption for the General Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to April 30 of the proceeding 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 Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Council.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Council. Amendments are presented to the Board at its regular meetings.

Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at April 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

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.

ANDERSON, MARX & BOHL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE

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, 2020, 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 February 1, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-01 to be a material weakness.

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*.

City of Dawson's Response to Findings

City of Dawson's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Dawson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
February 1, 2021

CITY OF DAWSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2020

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? X Yes 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

2020-01

Condition: The City failed to post material adjustments.

Criteria: The City is required to maintain proper records that accurately reflect the condition of the City.

Effect: The City's financial statements did not reflect the proper amounts.

Cause: The City failed to adjust its records to the correct amounts.

Recommendation: The City should post all required adjustments.

City's Response: The City will post all necessary adjustments.

CITY OF DAWSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED APRIL 30, 2020

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

CITY OF DAWSON
PO BOX 400
DAWSON, TEXAS 76639

Phone (254) 578-1515

Fax (254) 578-1975

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED APRIL 30, 2020

Ronda Franks at phone number 254-578-1515 will be responsible for posting all necessary adjusting entries. This will be done by April 30, 2021.