

**CITY OF DAWSON**  
*ANNUAL FINANCIAL REPORT*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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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, TX 76639

**Report on the Audit of the Financial Statements**

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise City of Dawson's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Dawson and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

City of Dawson's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Dawson's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Dawson's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Dawson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Dawson's basic financial statements. The other supplementary information is presented for purposes of additional analysis and are 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 July 22, 2022 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 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, TX

July 22, 2022

**CITY OF DAWSON**  
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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, 2022. 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 \$3,528,964 at April 30, 2022.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$100,175 less than the \$1,152,410 generated in taxes and other revenues for all activities.
- The total cost of the City's expenditures on financial statement exhibit A-5 decreased \$228,625 from last year. This was due primarily to a decrease in capital outlay expenditures.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$275,901. The City began the current year with a fund balance in the amount of \$221,502.

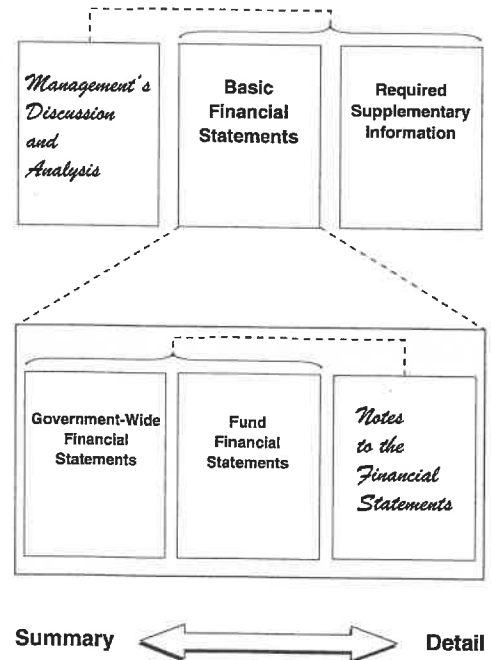
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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**



## 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 \$3.529 million at April 30, 2022. (See Table A-1).



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

	<u>2022</u>	<u>2021</u>	Total Percentage Change <u>2022-2021</u>
<b>Current assets:</b>			
Cash and cash equivalents	.8	.8	0
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	**
Total current assets:	<u>.9</u>	<u>.9</u>	0
<b>Noncurrent assets:</b>			
Land, furniture, and equipment	5.7	5.4	6
Less accumulated depreciation	(2.9)	(2.7)	-7
Other assets	.0	.0	**
Total noncurrent assets	<u>2.8</u>	<u>2.7</u>	4
Total Assets	<u>3.7</u>	<u>3.6</u>	3
<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	**
Total current liabilities	<u>.1</u>	<u>.1</u>	0
<b>Long-term liabilities:</b>			
Noncurrent liabilities due in one year	.0	.1	**
Noncurrent liabilities due more than 1 yr	.1	.0	**
Total Liabilities	<u>.2</u>	<u>.2</u>	0
<b>Net Position:</b>			
Net investment in capital assets	2.7	2.7	0
Restricted	.1	.0	**
Unrestricted	.7	.7	0
Total Net Position	<u>3.5</u>	<u>3.4</u>	3

The City has \$20,929 in restricted net position that represents proceeds for streets and \$99,434 for state and federal programs. The \$663,783 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 \$1,152,410. A significant portion, 24 percent, of the City's revenue comes from taxes, while 56 percent relates to charges for services.

The total cost of all programs and services was \$1,052,235; 27 percent of these costs are for governmental activities.

**Governmental Activities**

- Property tax revenues increased to \$134,566.

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

	<u>2022</u>	<u>2021</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.6	.7	-14
Operating Grants and Contributions	.0	.0	**
Other Revenue	.0	.0	**
General Revenues			
Taxes	.3	.3	0
Grant	.0	.0	**
Other	.2	.2	0
Total Revenues	<u>1.1</u>	<u>1.2</u>	-8
General Government	.1	.1	0
Public Safety	.0	.1	**
Highways and Streets	.1	.1	0
Culture and Recreation	.0	.0	**
Municipal Court	.1	.1	0
Economic Development Assistance	.0	.0	**
Water & Sewer	.7	.7	0
Total Expenses	<u>1.0</u>	<u>1.1</u>	-9
Excess (Deficiency) Before Other Resources, Uses and Transfers:			
	.1	.1	0
Transfers In (Out)	0	0	**
Increase (Decrease) in Net Position	<u>.1</u>	<u>.1</u>	0

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 \$.283 million.
- However, the amount that our taxpayers paid for these activities through taxes was only \$.276 million.
- Some of the cost was paid by those who directly benefited from the programs \$.050 million.

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

	Total Cost of Services			Net Cost of Services		
	<u>2022</u>	<u>2021</u>	% Change	<u>2022</u>	<u>2021</u>	% Change
General Government	.1	.1	0	.1	.1	0
Public Safety	.0	.1	**	.0	.1	**
Highways and Streets	.1	.1	0	.1	.1	0

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

Revenues from governmental fund types totaled \$.454 million, while the previous year it was \$.636 million. The decrease was due primarily to intergovernmental revenues. Revenues from proprietary funds totaled \$597,408, while the previous year it was \$590,442. 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 \$97,912 below final budget amounts.

On the other hand, resources available were \$38,532 below the final budgeted amount due primarily to a decrease in fine revenue.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2022, the City had invested \$5,753,637 in a broad range of capital assets, including land, equipment, buildings, and infrastructure. (See Table A-4.) This amount represents an increase (including additions and deductions) over last year of \$255,565 or 5%.

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

	<u>2022</u>	<u>2021</u>	<u>Total Percentage Change 2022-2021</u>
Land	.015	.015	0
Construction in Progress	.867	.777	12
Buildings and improvements	.110	.110	0
Water and sewer system	4.539	4.409	3
Equipment	.222	.187	19
Leased assets	.000	.000	**
Totals at historical cost	<u>5.753</u>	<u>5.498</u>	5
Total accumulated depreciation	<u>(2.911)</u>	<u>(2.737)</u>	-6
Net capital assets	<u>2.842</u>	<u>2.761</u>	3

The City's fiscal year 2023 capital budget projects spending the remainder of 2019 grant funds for drainage improvements. The City also anticipates spending the proceeds of the 2022 bond issue for streets and drainage. 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 \$.096 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>2022</u>	<u>2021</u>	Total Percentage Change <u>2022-2021</u>
Leases payable	.000	.000	**
Bonds payable	.032	.059	-46
Notes payable	.064	.009	611
Less deferred amount			
On refundings	<u>(.000)</u>	<u>(.000)</u>	**
Total bonds & notes payable	<u>.096</u>	<u>.068</u>	41

The City passed a bond issue in fiscal year 2022 for \$2,500,000 for streets and drainage. The issue is expected to be funded in fiscal year 2023.

**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 2023.

**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, 2022**

**EXHIBIT A-1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<i>Cash and Cash Equivalents</i>	\$ 302,458	\$ 515,090	\$ 817,548
<i>Receivables ( net of allowances for uncollectibles)</i>	-	52,737	52,737
<i>Receivables - Property Taxes, net</i>	22,145	-	22,145
Capital Assets ( net of accumulated depreciation):			
<i>Land</i>	13,295	1,800	15,095
<i>Buildings &amp; Equipment, net</i>	110,688	1,842,349	1,953,037
<i>Infrastructure</i>	6,894	-	6,894
<i>Construction in Progress</i>	867,297	-	867,297
<b>Total Assets</b>	<b>1,322,777</b>	<b>2,411,976</b>	<b>3,734,753</b>
<b>LIABILITIES</b>			
<i>Accounts Payable and Other Current Liabilities</i>	5,628	50,344	55,972
<i>Accrued Interest Payable</i>	-	1,676	1,676
<i>Consumer Deposits</i>	-	52,312	52,312
Noncurrent Liabilities-			
<i>Due within one year</i>	-	43,577	43,577
<i>Due in more than one year</i>	-	52,252	52,252
<b>Total Liabilities</b>	<b>5,628</b>	<b>200,161</b>	<b>205,789</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	998,174	1,746,644	2,744,818
Restricted For:			
Streets	20,929	-	20,929
State and Federal Programs	-	99,434	99,434
Unrestricted	298,046	365,737	663,783
<b>Total Net Position</b>	<b>\$ 1,317,149</b>	<b>\$ 2,211,815</b>	<b>\$ 3,528,964</b>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED APRIL 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Services</u>
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
<i>General Government</i>	\$ 118,721	\$ -
<i>Public Safety</i>	47,714	-
<i>Highways &amp; Streets</i>	64,231	-
<i>Municipal Court</i>	51,931	50,018
<i>Interest and Fiscal Charges</i>	352	-
Total Governmental Activities	<u>282,949</u>	<u>50,018</u>
Business-type Activities:		
Water & Sewer	<u>769,286</u>	<u>597,408</u>
Total Business-type Activities	<u>769,286</u>	<u>597,408</u>
Total Primary Government	<u>\$ 1,052,235</u>	<u>\$ 647,426</u>

General Revenues:  
*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Intergovernmental Revenue*  
*Investment Earnings*  
*Miscellaneous*  
Total General Revenues  
Change in Net Position  
Net Position - Beginning  
Net Position - Ending

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (118,721)		\$ (118,721)
(47,714)		(47,714)
(64,231)		(64,231)
(1,913)		(1,913)
(352)		(352)
<u>(232,931)</u>		<u>(232,931)</u>
-	\$ (171,878)	(171,878)
-	(171,878)	(171,878)
<u>(232,931)</u>	<u>(171,878)</u>	<u>(404,809)</u>
134,566	-	134,566
108,945	-	108,945
32,018	-	32,018
90,577	99,434	190,011
271	1,280	1,551
37,893	-	37,893
<u>404,270</u>	<u>100,714</u>	<u>504,984</u>
171,339	(71,164)	100,175
1,145,810	2,282,979	3,428,789
\$ <u>1,317,149</u>	\$ <u>2,211,815</u>	\$ <u>3,528,964</u>



**CITY OF DAWSON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**APRIL 30, 2022**

EXHIBIT A-3

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 279,734	\$ 22,724	\$ 302,458
<i>Receivables - Property Taxes, net</i>	22,145	-	22,145
Total Assets	<u>\$ 301,879</u>	<u>\$ 22,724</u>	<u>\$ 324,603</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
<i>Accounts Payable</i>	\$ 3,833	\$ 1,795	\$ 5,628
Total Liabilities	<u>3,833</u>	<u>1,795</u>	<u>5,628</u>
Deferred Inflows of Resources:			
Unavailable Revenue-Property Taxes	22,145	-	22,145
Total Deferred Inflows of Resources	<u>22,145</u>	<u>-</u>	<u>22,145</u>
Fund Balances:			
Restricted Fund Balances:			
Restricted for Streets	-	20,929	20,929
Unassigned	275,901	-	275,901
Total Fund Balance	<u>275,901</u>	<u>20,929</u>	<u>296,830</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 301,879</u>	<u>\$ 22,724</u>	<u>\$ 324,603</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**

**EXHIBIT A-4**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
APRIL 30, 2022*

Total fund balances - governmental funds balance sheet	\$	296,830
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.		998,174
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		22,145
Net position of governmental activities - Statement of Net Position	\$	<u>1,317,149</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**

**EXHIBIT A-5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED APRIL 30, 2022**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
<i>General Property Taxes</i>	\$ 134,252	\$ -	\$ 134,252
<i>General Sales and Use Taxes</i>	87,156	21,789	108,945
<i>Franchise Taxes</i>	32,018	-	32,018
<i>Intergovernmental</i>	90,577	-	90,577
<i>Fines</i>	50,018	-	50,018
<i>Investment Earnings</i>	271	-	271
<i>Miscellaneous</i>	37,893	-	37,893
Total revenues	<u>432,185</u>	<u>21,789</u>	<u>453,974</u>
Expenditures:			
Current			
<i>General Government</i>	112,346	-	112,346
<i>Public Safety</i>	45,081	-	45,081
<i>Highway &amp; Streets</i>	36,612	24,171	60,783
<i>Municipal Court</i>	49,143	-	49,143
Debt Service			
<i>Principal</i>	9,106	-	9,106
<i>Interest and Fiscal Charges</i>	352	-	352
Capital Outlay			
<i>Equipment &amp; Buildings</i>	34,569	-	34,569
<i>Infrastructure-Grant</i>	90,577	-	90,577
Total Expenditures	<u>377,786</u>	<u>24,171</u>	<u>401,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,399</u>	<u>(2,382)</u>	<u>52,017</u>
Net Change in Fund Balances	54,399	(2,382)	52,017
Fund Balances - Beginning	221,502	23,311	244,813
Fund Balances - Ending	<u>\$ 275,901</u>	<u>\$ 20,929</u>	<u>\$ 296,830</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**

**EXHIBIT A-6**

*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, 2022*

Net change in fund balances - total governmental funds	\$	52,017
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		125,146
The depreciation of capital assets used in governmental activities is not reported in the funds.		(15,244)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		314
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		9,106
Change in net position of governmental activities - Statement of Activities	\$	<u>171,339</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**APRIL 30, 2022**

**EXHIBIT A-7**

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>ASSETS:</b>	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 515,090
<i>Receivables ( net of allowances for uncollectibles)</i>	<u>52,737</u>
Total Current Assets	<u>567,827</u>
Noncurrent Assets:	
Capital Assets:	
<i>Land</i>	1,800
<i>Property, Plant and Equipment-Net</i>	<u>1,842,349</u>
Total Noncurrent Assets	<u>1,844,149</u>
Total Assets	<u>2,411,976</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	50,344
<i>Accrued interest payable</i>	1,676
<i>Consumer deposits</i>	52,312
Current Portion of Long Term Debt	
<i>Revenue bonds payable</i>	31,500
<i>Notes Payable</i>	12,077
Long Term Portion of Debt	
<i>Revenue bonds payable</i>	-
<i>Notes Payable</i>	<u>52,252</u>
Total Liabilities	<u>200,161</u>
<b>NET POSITION:</b>	
<i>Net Investment in Capital Assets</i>	1,746,644
<i>Restricted for State and Federal Programs</i>	99,434
<i>Unrestricted</i>	<u>365,737</u>
Total Net Position	<u>\$ 2,211,815</u>

The accompanying notes are an integral part of this statement.

**CITY OF DAWSON**

EXHIBIT A-8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED APRIL 30, 2022**

	Enterprise Fund <u>Water and Sewer Fund</u>
OPERATING REVENUES:	
<i>Water</i>	\$ 401,301
<i>Sewer</i>	82,139
<i>Sanitation</i>	71,663
<i>Other Services</i>	42,305
<i>Miscellaneous</i>	-
Total Operating Revenues	<u>597,408</u>
OPERATING EXPENSES:	
<i>Personal Services</i>	175,257
<i>Contractual Services</i>	73,580
<i>Supplies &amp; Materials</i>	136,484
<i>Other Expenses</i>	35,069
<i>Depreciation</i>	158,601
<i>Water Purchased</i>	187,989
Total Operating Expenses	<u>766,980</u>
Operating Income	<u>(169,572)</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Intergovernmental Revenue</i>	99,434
<i>Interest Revenue</i>	1,280
<i>Interest Expense &amp; Fees</i>	<u>(2,306)</u>
Total Non-operating Revenues (Expenses)	98,408
Change in Net Position	<u>(71,164)</u>
Total Net Position - Beginning	<u>2,282,979</u>
Total Net Position - Ending	<u>\$ 2,211,815</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, 2022**

EXHIBIT A-9

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 591,327
<i>Cash Payments to Employees for Services</i>	(175,257)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(335,348)
Net Cash Provided (Used) by Operating Activities	<u>80,722</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Interest Paid</i>	(2,306)
<i>Principal Paid</i>	(27,000)
<i>Capital Grants Received</i>	99,434
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>70,128</u>
Cash Flows from Investing Activities:	
<i>Acquisition or Construction of Capital Assets</i>	(130,419)
<i>Interest and Dividends on Investments</i>	1,280
Net Cash Provided (Used) for Investing Activities	<u>(129,139)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,711
Cash and Cash Equivalents at Beginning of Year	493,379
Cash and Cash Equivalents at End of Year	<u>\$ 515,090</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (169,572)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	158,601
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(6,081)
<i>Increase (Decrease) in Accounts Payable</i>	28,437
<i>Increase (Decrease) in Notes Payable</i>	64,329
<i>Increase (Decrease) in Accrued Interest Payable</i>	133
<i>Increase (Decrease) in Consumer Deposits</i>	4,875
Total Adjustments	<u>250,294</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 80,722</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, 2022*

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, as set forth in GASB 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
- 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.



**CITY OF DAWSON**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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.

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 fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

**CITY OF DAWSON**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

**CITY OF DAWSON**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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 \$6,065.

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.

h. 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 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

**CITY OF DAWSON**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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.

i. Net Position

Net position in the government-wide financial statements is classified as Net Investment in Capital Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consists of assets, net of any related liabilities, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws and regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

j. 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.

k. 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

**CITY OF DAWSON**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED APRIL 30, 2022

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. Implementation of New Standards

In the current fiscal year, the City did not implement any new standards.

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.

Cash Deposits:

At April 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$817,548 and the bank balance was \$818,302. The City's cash deposits at April 30, 2022 and during the year ended April 30, 2022, 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

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2022**

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, 2022 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.

At April 30, 2022, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no 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, 2022**

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, 2022, 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	776,720	90,577	-	867,297
Total capital assets not being depreciated	<u>790,015</u>	<u>90,577</u>	<u>-</u>	<u>880,592</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	17,310	-	-	17,310
Buildings and improvements	92,309	-	-	92,309
Equipment	187,516	34,569	-	222,085
Total capital assets being depreciated	<u>297,135</u>	<u>34,569</u>	<u>-</u>	<u>331,704</u>
Less accumulated depreciation for:				
Infrastructure	(9,839)	(577)	-	(10,416)
Buildings and improvements	(59,721)	(1,846)	-	(61,567)
Equipment	(129,318)	(12,821)	-	(142,139)
Total accumulated depreciation	<u>(198,878)</u>	<u>(15,244)</u>	<u>-</u>	<u>(214,122)</u>
Total capital assets being depreciated, net	<u>98,257</u>	<u>19,325</u>	<u>-</u>	<u>117,582</u>
Governmental activities capital assets, net	<u>\$ 888,272</u>	<u>\$ 109,902</u>	<u>\$ -</u>	<u>\$ 998,174</u>

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2022**

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,800	\$ -	\$ -	\$ 1,800
Total capital assets not being depreciated	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	3,000	-	-	3,000
Equipment	176,107	38,770	-	214,877
Water and Sewer System	4,230,015	91,649	-	4,321,664
Total capital assets being depreciated	<u>4,409,122</u>	<u>130,419</u>	<u>-</u>	<u>4,539,541</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,000)	-	-	(3,000)
Equipment	(143,086)	(6,325)	-	(149,411)
Water and Sewer Systems	(2,392,505)	(152,276)	-	(2,544,781)
Total accumulated depreciation	<u>(2,538,591)</u>	<u>(158,601)</u>	<u>-</u>	<u>(2,697,192)</u>
Total capital assets being depreciated, net	<u>1,870,531</u>	<u>(28,182)</u>	<u>-</u>	<u>1,842,349</u>
Business-type activities capital assets, net	\$ <u>1,872,331</u>	\$ <u>(28,182)</u>	\$ <u>-</u>	\$ <u>1,844,149</u>

Governmental depreciation was charged to functions as follows:

General Government	\$ 6,375
Public Safety	2,632
Highways and Streets	3,449
Municipal Court	<u>2,788</u>
	\$ <u>15,244</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

There were no balances due to and due from other funds at April 30, 2022.

2. Transfers To and From Other Funds

There were no transfers to and from other funds for fiscal year ending April 30, 2022.



**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2022**

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, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Notes from direct borrowings and direct placements	\$ 9,106	\$ -	\$ (9,106)	\$ -	\$ -
Total governmental activities	<u>\$ 9,106</u>	<u>\$ -</u>	<u>\$ (9,106)</u>	<u>\$ -</u>	<u>\$ -</u>

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 3.8% due in yearly payments of \$9,543 over 5 years. The balance at April 30, 2022 is \$0.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Business-type activities:</u>					
Revenue bonds	\$ 58,500	\$ -	\$ (27,000)	\$ 31,500	\$ 31,500
Notes from direct borrowing and placements	-	64,329	-	64,329	12,077
Total business-type activities	<u>\$ 58,500</u>	<u>\$ 64,329</u>	<u>\$ (27,000)</u>	<u>\$ 95,829</u>	<u>\$ 43,577</u>

Revenue Bonds

The City borrowed \$300,000 in 2006 to improve the 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, 2022 is \$31,500.

Bank Notes from Direct Borrowings and Direct Placements

The City borrowed money for a dump truck in the amount of \$26,368 issued in November 2021 at the rate of 3.332% due in yearly payments of \$5,812 over 5 years beginning November 2022. The dump truck serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable. The balance at April 30, 2022 is \$26,368.

The City borrowed money for a backhoe and a side by side in the amount of \$37,961 issued in August 2021 at the rate of 3.047% due in yearly payments of \$8,300 over 5 years beginning August 2022. The backhoe and side by side serve as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable. The balance at April 30, 2022 is \$37,961.

**CITY OF DAWSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2022**

2. Debt Service Requirements

Debt service requirements on long term debt at April 30, 2022, are as follows:

Year Ending April 30,	Business-type Activities-Bonds		
	Principal	Interest	Total
2023	\$ 31,500	\$ 1,455	\$ 32,955
Totals	\$ 31,500	\$ 1,455	\$ 32,955

Year Ending April 30,	Business-type Activities-Direct Borrowings		
	Principal	Interest	Total
2023	\$ 12,077	\$ 2,035	\$ 14,112
2024	12,459	1,653	14,112
2025	12,853	1,259	14,112
2026	13,260	852	14,112
2027	13,680	433	14,112
Totals	\$ 64,329	\$ 6,233	\$ 70,562

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 2022, 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, 2022, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$549 per month per employee and dependents 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, 2022, 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, 2021, 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 collectability of any related receivable may be impaired. In the opinion of the City, there are no

**CITY OF DAWSON**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED APRIL 30, 2022*

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, 2022.

3. **Commitments**

The City received a grant for drainage improvements for \$996,500 in fiscal year 2019. As of April 30, 2022, \$929,724 has been spent. The remainder is anticipated to be spent during fiscal year 2023.

The City passed a bond issue for streets and drainage in fiscal 2022 for \$2,500,000 and anticipates funding of the bonds to take place during fiscal year 2023.

J. **Future 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.

K. **Budget Overages**

The City failed to properly budget Highways and Streets expenditures of \$13,201, or 56%, during the current year.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by 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, 2022

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>General Property Taxes</i>	\$ 115,593	\$ 115,593	\$ 134,252	\$ 18,659
<i>General Sales and Use Taxes</i>	98,850	98,850	87,156	(11,694)
<i>Franchise Taxes</i>	33,322	33,322	32,018	(1,304)
<i>Intergovernmental</i>	-	90,577	90,577	-
<i>Fines</i>	128,436	128,436	50,018	(78,418)
<i>Investment Earnings</i>	366	366	271	(95)
<i>Miscellaneous</i>	3,572	3,572	37,893	34,321
Total revenues	<u>380,140</u>	<u>470,717</u>	<u>432,185</u>	<u>(38,532)</u>
Expenditures:				
<i>General Government</i>	125,593	125,593	112,346	13,247
<i>Public Safety</i>	107,018	107,018	45,081	61,937
<i>Highway &amp; Streets</i>	23,411	23,411	36,612	(13,201)
<i>Municipal Court</i>	85,073	85,073	49,143	35,930
<i>Principal</i>	-	9,106	9,106	-
<i>Interest and Fiscal Charges</i>	-	352	352	-
<i>Equipment and Buildings</i>	-	34,569	34,569	-
<i>Infrastructure-Grant</i>	-	90,577	90,577	-
Total Expenditures	<u>341,094</u>	<u>475,698</u>	<u>377,786</u>	<u>97,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,046</u>	<u>(4,981)</u>	<u>54,399</u>	<u>59,380</u>
Net Change in Fund Balances	39,046	(4,981)	54,399	59,380
Fund Balances - Beginning	<u>318,691</u>	<u>318,691</u>	<u>221,502</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 357,737</u>	<u>\$ 313,710</u>	<u>\$ 275,901</u>	<u>\$ 59,380</u>

## **CITY OF DAWSON**

### *NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED APRIL 30, 2022*

#### **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 INTERENAL 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 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, 2022, 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 July 22, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Dawson's internal control over financial reporting (internal control) as a basis for designing 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 City of Dawson's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 and 2022-2 that we consider to be material weaknesses.



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 financial statements. 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.*

Anderson, Marx & Bohl P.C.

July 22, 2022

**CITY OF DAWSON**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED APRIL 30, 2022*

A. Summary of Auditors' Results

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

2022-1

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.

2022-2

Condition: The City exceeded its budget in Highway & Streets by \$13,201, or 56%.

Criteria: The City is required to not spend funds in excess of its budget.

Effect: The City's expenditures exceeded its budget.

Cause: The City's payments for utilities were not properly budgeted.

Recommendation: The City should amend its budget before making disbursements that would exceed the budget.

City's Response: The City will amend its budget as needed, to prevent overspending.

**CITY OF DAWSON**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED APRIL 30, 2022*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The City failed to post material adjustments	Not corrected	Not all adjustments were posted.

**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, 2022**

Ronda Franks at phone number 254-578-1515 will be responsible for posting all necessary adjusting entries. This will be accomplished by April 30, 2023.

Ronda Franks at phone number 254-578-1515 will be responsible for posting all necessary budget amendments. This will be accomplished by April 30, 2023.