

CITY OF DUMAS, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2016**



**CITY OF DUMAS, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION

CITY OF DUMAS, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2016

Pat L. Sims	Mayor
David M. Bonner	Mayor Pro-Tem
Justin Willis	Commissioner
Ben Maples	Commissioner
Bob Brinkman	Commissioner
Arbie Taylor	City Manager
Jay Patel	Director of Finance

FINANCIAL SECTION



To The Honorable Mayor and
Members of the City Commission
City of Dumas, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Dumas, Texas, as of and for the year ended September 30, 2016, 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 auditors' 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, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Dumas, Texas as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in conformity 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 required supplemental information (pages 42 – 44), as listed 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 and economic 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.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented by the Government 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Information

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 3, 2017, on our consideration of the City of Dumas, Texas's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in conjunction with this report in considering the results of our audit.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

June 3, 2017



BASIC FINANCIAL STATEMENTS

CITY OF DUMAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 1,219,824	\$ 172,049	\$ 1,391,873	\$ 206,780
Investments	-	113,346	113,346	-
Restricted cash - customer deposits	-	375,416	375,416	-
Receivables, net	702,134	1,029,083	1,731,217	316
Internal balances	(1,061,787)	1,061,787	-	-
Due from primary government	-	-	-	171,055
Intergovernmental receivables	508,670	-	508,670	-
Inventories	91,027	-	91,027	-
Prepaid items	44,424	-	44,424	1,368
Prepaid debt insurance costs (net of accumulated amortization)	-	224,130	224,130	-
Cash surrender value - Officer life insurance	-	-	-	11,396
Capital assets not being depreciated:				
Land	157,032	864,174	1,021,206	614,058
Capital assets				
Buildings	6,019,444	441,421	6,460,865	3,919,843
Vehicles	3,251,725	1,869,264	5,120,989	-
Furniture and equipment	2,966,287	3,443,613	6,409,900	20,953
Infrastructure	503,870	35,645,036	36,148,906	1,671,940
Water rights	-	1,696,884	1,696,884	-
Less: Accumulated depreciation	(8,279,125)	(17,266,688)	(25,545,813)	(760,008)
Total assets	<u>6,123,525</u>	<u>29,669,515</u>	<u>35,793,040</u>	<u>5,857,701</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding bonds	277,747	-	277,747	-
Pension contributions	175,906	76,237	252,143	9,243
Pension deficient earnings	625,012	270,875	895,887	33,560
Pension assumption changes	34,283	14,858	49,141	1,841
Total deferred outflows of resources	<u>1,112,948</u>	<u>361,970</u>	<u>1,474,918</u>	<u>44,644</u>
LIABILITIES				
Accounts payable	398,207	171,428	569,635	40,863
Accrued interest	13,960	65,855	79,815	5,660
Intergovernmental payable	56,252	21,559	77,811	-
Due to component unit	171,055	-	171,055	-
Customer deposits	-	375,416	375,416	-
Unearned revenues	-	-	-	1,500
Pension liability	1,058,911	458,925	1,517,836	56,858
Noncurrent liabilities:				
Due within one year	415,210	1,114,455	1,529,665	130,760
Due in more than one year	3,222,388	21,552,854	24,775,242	2,958,678
Total liabilities	<u>5,335,983</u>	<u>23,760,492</u>	<u>29,096,475</u>	<u>3,194,319</u>
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains	109,901	47,630	157,531	5,901
Total deferred inflows of resources	<u>109,901</u>	<u>47,630</u>	<u>157,531</u>	<u>5,901</u>
NET POSITION				
Net investment in capital assets	1,098,280	5,721,742	6,820,022	2,380,796
Restricted:				
By enabling legislation for special projects	917,240	-	917,240	-
Special projects	28,188	-	28,188	-
Debt service	207,408	-	207,408	-
Unrestricted (deficit)	(460,527)	501,621	41,094	321,329
Total net position	<u>\$ 1,790,589</u>	<u>\$ 6,223,363</u>	<u>\$ 8,013,952</u>	<u>\$ 2,702,125</u>

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

**CITY OF DUMAS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
City commission	\$ 35,550	\$ -	\$ -	\$ -	\$ (35,550)	\$ -	\$ (35,550)	\$ -
Administration	978,188	79,209	59,714	-	(839,265)	-	(839,265)	-
Information systems	136,288	-	-	-	(136,288)	-	(136,288)	-
Warehouse	297,708	-	-	-	(297,708)	-	(297,708)	-
Engineering	139,203	-	-	-	(139,203)	-	(139,203)	-
Purchasing	31,213	-	-	-	(31,213)	-	(31,213)	-
Communications	80,105	-	-	-	(80,105)	-	(80,105)	-
Fire	1,348,123	-	13,650	-	(1,334,473)	-	(1,334,473)	-
Police	2,529,341	626,659	2,197	-	(1,900,485)	-	(1,900,485)	-
Streets	605,492	-	-	-	(605,492)	-	(605,492)	-
Recreation and culture	520,888	2,041	-	-	(518,847)	-	(518,847)	-
Parks	675,618	73,077	-	-	(602,541)	-	(602,541)	-
Interest on long-term debt	140,220	-	-	-	(140,220)	-	(140,220)	-
Total governmental activities	7,517,937	780,986	75,561	-	(6,661,390)	-	(6,661,390)	-
Business-Type Activities:								
Waste management	2,182,615	2,412,657	22,181	-	-	252,223	252,223	-
Gas utility	2,242,552	3,528,919	-	-	-	1,286,367	1,286,367	-
Water utility	1,179,842	2,967,837	-	-	-	1,787,995	1,787,995	-
Wastewater utility	934,467	1,707,853	-	-	-	773,386	773,386	-
Pheasant Trails Golf Course	501,565	253,903	-	-	-	(247,662)	(247,662)	-
Total business-type activities	7,041,041	10,871,169	22,181	-	-	3,852,309	3,852,309	-
Total primary government	\$ 14,558,978	\$ 11,652,155	\$ 97,742	\$ -	(6,661,390)	3,852,309	(2,809,081)	-
Component Unit:								
Economic Development	\$ 863,202	\$ 89,078	\$ -	\$ -	-	-	-	(774,124)
General revenues:								
Property taxes					707,626	-	707,626	-
Property taxes, levied for debt service					905,310	-	905,310	-
Sales and use taxes					2,741,701	-	2,741,701	941,745
Franchise taxes					261,375	-	261,375	-
Hotel/Motel taxes					616,469	-	616,469	-
Alcoholic beverage taxes					16,139	-	16,139	-
Unrestricted investment earnings					4,129	369	4,498	140
Gain on disposal of assets					-	-	-	19,383
Miscellaneous					64,060	409,726	473,786	33
Transfers					1,591,114	(1,591,114)	-	-
Total general revenues					6,907,923	(1,181,019)	5,726,904	961,301
Change in net position					246,533	2,671,290	2,917,823	187,177
Net position - beginning					1,699,010	3,053,935	4,752,945	2,514,948
Prior period adjustment					(154,954)	498,138	343,184	-
Net position - beginning as restated					1,544,056	3,552,073	5,096,129	2,514,948
Net position - ending					\$ 1,790,589	\$ 6,223,363	\$ 8,013,952	\$ 2,702,125

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

**CITY OF DUMAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 29,140	\$ 207,408	\$ 979,699	\$ 1,216,247
Accounts receivables, net	483,395	-	203,962	687,357
Taxes receivable, net	14,777	-	-	14,777
Due from other governments	508,670	-	-	508,670
Inventories	91,027	-	-	91,027
Prepaid expenses	44,424	-	-	44,424
	<u>1,171,433</u>	<u>207,408</u>	<u>1,183,661</u>	<u>2,562,502</u>
Total assets	<u>\$ 1,171,433</u>	<u>\$ 207,408</u>	<u>\$ 1,183,661</u>	<u>\$ 2,562,502</u>
LIABILITIES				
Accounts payable	\$ 202,340	\$ -	\$ 172,637	\$ 374,977
Due to other funds	1,000,000	-	-	1,000,000
Payable to other governments	227,307	-	-	227,307
	<u>1,429,647</u>	<u>-</u>	<u>172,637</u>	<u>1,602,284</u>
Total liabilities	<u>1,429,647</u>	<u>-</u>	<u>172,637</u>	<u>1,602,284</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	11,676	-	-	11,676
Unavailable revenue - other receivables	378,660	-	-	378,660
	<u>390,336</u>	<u>-</u>	<u>-</u>	<u>390,336</u>
Total deferred inflows of resources	<u>390,336</u>	<u>-</u>	<u>-</u>	<u>390,336</u>
FUND BALANCES				
Nonspendable:				
Inventories	91,027	-	-	91,027
Prepaid expenses	44,424	-	-	44,424
Restricted:				
By enabling legislation for special projects	-	-	917,240	917,240
Special projects	-	-	28,188	28,188
Debt service	-	207,408	-	207,408
Assigned to:				
Special projects	-	-	65,596	65,596
Capital replacement	26,773	-	-	26,773
Unassigned (deficit)	(810,774)	-	-	(810,774)
	<u>(648,550)</u>	<u>207,408</u>	<u>1,011,024</u>	<u>569,882</u>
Total fund balances	<u>(648,550)</u>	<u>207,408</u>	<u>1,011,024</u>	<u>569,882</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,171,433</u>	<u>\$ 207,408</u>	<u>\$ 1,183,661</u>	<u>\$ 2,562,502</u>

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

CITY OF DUMAS, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	569,882
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		4,619,233
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		390,336
Pension losses and deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.		
Pension deficient earnings		625,012
Pension assumption changes		34,283
Pension contributions paid after the measurement date, December 31, 2015, and before September 30, 2016 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		175,906
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(109,901)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds, capital leases, and notes payable		(3,506,993)
Deferred loss on refunding		277,747
Accrued interest payable		(13,960)
Compensated absences		(130,605)
Net pension liability		(1,058,911)
The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (netted for capital assets reported above and the portion allocated to business-type activities)		(81,440)
Net position - governmental activities	\$	<u><u>1,790,589</u></u>

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

CITY OF DUMAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Total Governmental</u>
REVENUES				
Taxes:				
Property	\$ 719,076	\$ 905,310	\$ -	\$ 1,624,386
Sales	2,741,701	-	-	2,741,701
Franchise	261,375	-	-	261,375
Hotel/Motel	-	-	616,469	616,469
Mixed beverage	16,139	-	-	16,139
Licenses and fees	152,286	-	2,041	154,327
Fines and forfeitures	387,277	-	14,768	402,045
Intergovernmental	73,364	-	2,197	75,561
Investment earnings	4,125	-	4	4,129
Miscellaneous	61,579	-	2,481	64,060
	<u>4,416,922</u>	<u>905,310</u>	<u>637,960</u>	<u>5,960,192</u>
EXPENDITURES				
Current:				
City commission	35,787	-	-	35,787
Administration	917,405	3,310	-	920,715
Information systems	134,095	-	-	134,095
Warehouse	281,159	-	-	281,159
Engineering	133,757	-	-	133,757
Purchasing	30,804	-	-	30,804
Communications	76,517	-	-	76,517
Fire	1,300,213	-	-	1,300,213
Police	2,199,518	-	18,444	2,217,962
Streets	547,824	-	-	547,824
Recreation and culture	-	-	524,354	524,354
Parks	476,919	-	5,592	482,511
Debt Service:				
Principal	1,822,985	110,000	-	1,932,985
Interest and other charges	52,949	95,350	-	148,299
Capital Outlay	214,932	-	-	214,932
	<u>8,224,864</u>	<u>208,660</u>	<u>548,390</u>	<u>8,981,914</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(3,807,942)</u>	<u>696,650</u>	<u>89,570</u>	<u>(3,021,722)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable	208,158	-	-	208,158
Transfers in	2,301,664	-	-	2,301,664
Transfers out	-	(710,550)	-	(710,550)
	<u>2,509,822</u>	<u>(710,550)</u>	<u>-</u>	<u>1,799,272</u>
NET CHANGE IN FUND BALANCES				
	(1,298,120)	(13,900)	89,570	(1,222,450)
FUND BALANCES - BEGINNING				
	<u>649,570</u>	<u>221,308</u>	<u>921,454</u>	<u>1,792,332</u>
FUND BALANCES - ENDING (DEFICIT)				
	<u>\$ (648,550)</u>	<u>\$ 207,408</u>	<u>\$ 1,011,024</u>	<u>\$ 569,882</u>

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

CITY OF DUMAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$ (1,222,450)
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$214,932 were exceeded by depreciation, \$535,536 in the current period.</p>	
	(320,604)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>	
	213,164
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p>	
Debt issued or incurred:	(208,158)
Amortization of premiums on bonds issued	14,274
Amortization of deferred charge on bond refunding	(16,749)
Principal repayments	1,932,985
Accrued interest payable, net change	10,554
<p>Changes in pension related liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.</p>	
	(124,115)
<p>Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities.</p>	
	(80,769)
<p>Internal service funds are used by management to charge the costs of maintenance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. The total change in net position of the internal service fund (\$69,655) less the amount charged to business-type activities (\$21,254) is the amount of the internal service fund charged to governmental activities.</p>	
	48,401
Change in net position - governmental activities	\$ 246,533

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

**CITY OF DUMAS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

Business-Type Activities - Enterprise Funds

	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 209,532	\$ 5,829	\$ (72,403)	\$ 25,477	\$ 3,614
Investments	-	113,346	-	-	-
Restricted cash - customer deposits	1,150	178,646	195,620	-	-
Receivables, net	259,314	225,927	357,907	183,721	2,214
Due from other funds	660,000	70,000	340,000	270,000	-
Prepaid bond insurance costs, net of accumulated amortization	77,056	-	39,809	107,265	-
Total current assets	1,207,052	593,748	860,933	586,463	5,828
Noncurrent assets:					
Capital assets:					
Land	305,267	49,778	54,680	-	454,449
Vehicles	1,539,813	176,343	94,577	42,186	16,345
Buildings	10,194	84,076	59,130	5,711	282,310
Furniture and equipment	2,490,531	233,394	159,984	90,816	468,888
Infrastructure	6,440,090	2,560,373	13,249,950	13,003,621	391,002
Water rights	-	-	1,696,884	-	-
Less accumulated depreciation	(3,235,357)	(2,372,171)	(9,123,942)	(1,773,988)	(761,230)
Total noncurrent assets	7,550,538	731,793	6,191,263	11,368,346	851,764
Total assets	8,757,590	1,325,541	7,052,196	11,954,809	857,592
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions	33,409	17,092	13,824	3,053	8,859
Pension deficient earnings	118,707	60,728	49,117	10,846	31,477
Pension assumption changes	6,511	3,331	2,694	595	1,727
Total deferred outflows of resources	158,627	81,151	65,635	14,494	42,063
LIABILITIES					
Current liabilities:					
Accounts payable	43,438	97,228	21,228	2,734	6,800
Accrued interest	22,755	18	11,696	31,144	242
Due to other funds	-	-	-	-	270,000
Due to other governments	13,562	5,485	-	-	2,512
Customer deposits	1,150	178,646	195,620	-	-
Net pension liability	201,116	102,888	83,216	18,376	53,329
Compensated absences - current	2,000	1,000	-	-	-
Long-term debt obligations - current	368,791	13,309	192,042	504,698	32,615
Total current liabilities	652,812	398,574	503,802	556,952	365,498
Noncurrent liabilities:					
Accrued compensated absences	15,835	12,423	4,902	1,072	4,753
Landfill closure and post-closure costs	1,719,217	-	-	-	-
Long-term debt obligations	6,255,826	8,245	3,656,782	9,773,823	99,976
Total noncurrent liabilities	7,990,878	20,668	3,661,684	9,774,895	104,729
Total liabilities	8,643,690	419,242	4,165,486	10,331,847	470,227
DEFERRED INFLOWS OF RESOURCES					
Pension economic/demographic gains	20,873	10,678	8,637	1,907	5,535
NET POSITION					
Net investment in capital assets	903,166	710,221	2,330,743	1,058,681	718,931
Unrestricted (deficit)	(651,512)	266,551	612,965	576,868	(295,038)
Total net position	\$ 251,654	\$ 976,772	\$ 2,943,708	\$ 1,635,549	\$ 423,893

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time

Net Position of business-type activities

		Governmental Activities	
Total Enterprise Funds		Internal Service	
\$	172,049	\$	3,577
	113,346		-
	375,416		-
	1,029,083		-
	1,340,000		-
	224,130		-
	<u>3,254,024</u>		<u>3,577</u>
	864,174		-
	1,869,264		-
	441,421		-
	3,443,613		-
	35,645,036		-
	1,696,884		-
	<u>(17,266,688)</u>		<u>-</u>
	<u>26,693,704</u>		<u>-</u>
	<u>29,947,728</u>		<u>3,577</u>
	76,237		-
	270,875		-
	<u>14,858</u>		<u>-</u>
	<u>361,970</u>		<u>-</u>
	171,428	23,230	
	65,855	-	
	270,000	70,000	
	21,559	-	
	375,416	-	
	458,925	-	
	3,000	-	
	<u>1,111,455</u>	<u>-</u>	
	<u>2,477,638</u>	<u>93,230</u>	
	38,985	-	
	1,719,217	-	
	<u>19,794,652</u>	<u>-</u>	
	<u>21,552,854</u>	<u>-</u>	
	<u>24,030,492</u>	<u>93,230</u>	
	<u>47,630</u>	<u>-</u>	
	5,721,742	-	
	<u>509,834</u>	<u>(89,653)</u>	
	6,231,576	<u>\$ (89,653)</u>	
	<u>(8,213)</u>		
\$	<u>6,223,363</u>		

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

CITY OF DUMAS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds				
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
OPERATING REVENUES:					
Charges for Sales and Services:					
Charges for services	\$ 2,412,657	\$ 3,528,919	\$ 2,967,837	\$ 1,707,853	\$ 253,903
Lease and other income	38,627	136,200	178,960	28,386	27,553
Total operating revenues	<u>2,451,284</u>	<u>3,665,119</u>	<u>3,146,797</u>	<u>1,736,239</u>	<u>281,456</u>
OPERATING EXPENSES:					
Personnel costs	926,060	470,866	383,481	82,397	255,963
Departmental operations	442,045	226,158	459,041	174,435	191,722
Depreciation	447,979	83,748	225,528	364,395	50,629
Landfill closure costs	139,756	-	-	-	-
Gas purchase for re-sale	-	1,465,546	-	-	-
Insurance claims and premiums	-	-	-	-	-
Total operating expenses	<u>1,955,840</u>	<u>2,246,318</u>	<u>1,068,050</u>	<u>621,227</u>	<u>498,314</u>
OPERATING INCOME (LOSS)	<u>495,444</u>	<u>1,418,801</u>	<u>2,078,747</u>	<u>1,115,012</u>	<u>(216,858)</u>
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	22,181	-	-	-	-
Investment earnings	-	369	-	-	-
Interest and fiscal charges	(236,019)	(983)	(115,608)	(314,079)	(5,857)
Total nonoperating revenues (expenses)	<u>(213,838)</u>	<u>(614)</u>	<u>(115,608)</u>	<u>(314,079)</u>	<u>(5,857)</u>
INCOME (LOSS) BEFORE TRANSFERS	281,606	1,418,187	1,963,139	800,933	(222,715)
TRANSFERS, net	<u>189,626</u>	<u>(620,136)</u>	<u>(752,305)</u>	<u>(408,299)</u>	<u>-</u>
CHANGE IN NET POSTION	471,232	798,051	1,210,834	392,634	(222,715)
NET POSITION - BEGINNING (DEFICIT)	(348,328)	173,943	1,732,874	914,415	610,498
PRIOR PERIOD ADJUSTMENT	<u>128,750</u>	<u>4,778</u>	<u>-</u>	<u>328,500</u>	<u>36,110</u>
NET POSITION - BEGINNING, AS RESTATED (DEFICIT)	<u>(219,578)</u>	<u>178,721</u>	<u>1,732,874</u>	<u>1,242,915</u>	<u>646,608</u>
NET POSITION - ENDING (DEFICIT)	<u>\$ 251,654</u>	<u>\$ 976,772</u>	<u>\$ 2,943,708</u>	<u>\$ 1,635,549</u>	<u>\$ 423,893</u>
Change in Net Position	<u>\$ 471,232</u>	<u>\$ 798,051</u>	<u>\$ 1,210,834</u>	<u>\$ 392,634</u>	<u>\$ (222,715)</u>
Adjustment for the net effect of the current year activity between the internal service fund and the business-type activity - enterprise funds					
Changes in Net Position of business-type activities					

	Governmental Activities
Total Enterprise Funds	Internal Service
\$ 10,871,169	\$ 901,621
409,726	-
11,280,895	901,621
2,118,767	-
1,493,401	-
1,172,279	-
139,756	-
1,465,546	-
-	831,966
6,389,749	831,966
4,891,146	69,655
22,181	-
369	-
(672,546)	-
(649,996)	-
4,241,150	69,655
(1,591,114)	-
2,650,036	69,655
3,083,402	(159,308)
498,138	-
3,581,540	(159,308)
\$ 6,231,576	\$ (89,653)
\$ 2,650,036	
21,254	
\$ 2,671,290	

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

**CITY OF DUMAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Business-Type Activities - Enterprise Funds

	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,474,187	\$ 3,624,242	\$ 3,147,492	\$ 1,771,111	\$ 279,242
Receipts for internal service charges	-	-	-	-	-
Payments to employees for salaries and benefits	(819,616)	(416,183)	(339,670)	(72,869)	(230,104)
Payments to suppliers and service providers	(403,415)	(1,673,010)	(442,697)	(172,951)	(189,363)
Payments for interfund services used	(98,040)	(48,544)	(40,453)	(7,615)	(24,748)
Net cash provided (used) by operating activities	<u>1,153,116</u>	<u>1,486,505</u>	<u>2,324,672</u>	<u>1,517,676</u>	<u>(164,973)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	189,626	(620,136)	(752,305)	(408,299)	-
Changes in interfund receivables/payables	(456,334)	(585,681)	(910,973)	(318,081)	213,291
Operating grants	22,181	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(244,527)</u>	<u>(1,205,817)</u>	<u>(1,663,278)</u>	<u>(726,380)</u>	<u>213,291</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(471,017)	(27,386)	(410,657)	(462,242)	(39,089)
Interest paid on capital debt	(226,890)	(965)	(112,395)	(303,577)	(5,615)
Proceeds from long-term debt	-	-	48,537	-	-
Acquisition or construction of capital assets	-	(67,862)	(63,662)	-	-
Net cash used for capital and related financing activities	<u>(697,907)</u>	<u>(96,213)</u>	<u>(538,177)</u>	<u>(765,819)</u>	<u>(44,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	369	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	210,682	184,844	123,217	25,477	3,614
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>-</u>	<u>112,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	<u>\$ 210,682</u>	<u>\$ 297,821</u>	<u>\$ 123,217</u>	<u>\$ 25,477</u>	<u>\$ 3,614</u>

		Governmental Activities	
Total Enterprise Funds		Internal Service	
\$ 11,296,274	\$	-	
-		936,703	
(1,878,442)		-	
(2,881,436)		(985,802)	
(219,400)		-	
<u>6,316,996</u>		<u>(49,099)</u>	
(1,591,114)		-	
(2,057,778)		52,676	
22,181		-	
<u>(3,626,711)</u>		<u>52,676</u>	
(1,410,391)		-	
(649,442)		-	
48,537		-	
(131,524)		-	
<u>(2,142,820)</u>		<u>-</u>	
<u>369</u>		<u>-</u>	
<u>369</u>		<u>-</u>	
547,834		3,577	
<u>112,977</u>		<u>-</u>	
<u>\$ 660,811</u>	\$	<u>3,577</u>	

Continued

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

**CITY OF DUMAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Business-Type Activities - Enterprise Funds

Continuation

RECONCILIATION OF OPERATING INCOME

(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
Operating income (loss)	\$ 495,444	\$ 1,418,801	\$ 2,078,747	\$ 1,115,012	\$ (216,858)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	447,979	83,748	225,528	364,395	50,629
Change in landfill closure cost liability	139,756	-	-	-	-
Change in allowance for doubtful accounts	-	(11,673)	(2,094)	(1,860)	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	21,753	(31,112)	(2,742)	36,732	(2,214)
(Increase) decrease in prepaids	-	14,381	14,381	-	-
(Increase) decrease in deferred outflows of pension	(107,493)	(55,332)	(44,657)	(9,780)	(29,824)
Increase (decrease) in accounts payable	38,630	4,313	1,963	1,484	2,359
Increase (decrease) in accrued expenses	(16,316)	(6,764)	(7,007)	(313)	(6,442)
Increase (decrease) in pension liability	113,522	58,659	47,280	10,300	32,364
Increase (decrease) in customer deposits	1,150	1,908	5,531	-	-
Increase (decrease) in deferred inflows of pension	18,691	9,576	7,742	1,706	5,013
Net cash provided (used) by operating activities	<u>\$ 1,153,116</u>	<u>\$ 1,486,505</u>	<u>\$ 2,324,672</u>	<u>\$ 1,517,676</u>	<u>\$ (164,973)</u>

SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:

Amortization of prepaid debt insurance costs	\$ 6,478	\$ -	\$ 2,469	\$ 6,655	\$ -
Amortization of deferred bond premiums	(15,133)	-	(10,500)	(24,033)	-
	<u>\$ (8,655)</u>	<u>\$ -</u>	<u>\$ (8,031)</u>	<u>\$ (17,378)</u>	<u>\$ -</u>

<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service</u>
\$ 4,891,146	\$ 69,655
1,172,279	-
139,756	-
(15,627)	-
22,417	35,082
28,762	-
(247,086)	-
48,749	(153,836)
(36,842)	-
262,125	-
8,589	-
42,728	-
<u>\$ 6,316,996</u>	<u>\$ (49,099)</u>
\$ 15,602	\$ -
(49,666)	-
<u>\$ (34,064)</u>	<u>\$ -</u>

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

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of Reporting Entity

The City of Dumas, Texas (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. It is governed by a five member City Commission (the “Commission”) elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board; and it complies with the requirements of contracts and grants of agencies from which it receives funds. The City provides the following services: police and fire protection, streets, culture and recreation, conservation and development, code enforcement, and general administrative services. In addition, the City maintains a waste management operation, as well as gas, water and wastewater utility systems and operates a municipal golf course. The more significant of the City’s accounting policies are described below.

The Commission is elected by the public and it has the authority to make decisions, appoint administrators and management, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 61, *“The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.”*

Discretely Presented Component Unit: The Dumas Economic Development Corporation (DEDC) is a component unit due to the fact that the Commission appoints the DEDC board and also approves the annual budget. The DEDC has issued separately audited financial statements. Copies of the DEDC audit report for the fiscal year ended September 30, 2016 may be obtained by contacting the management of the DEDC at the following address:

Dumas Economic Development Corporation
900 N. Dumas Ave
Dumas, Texas 79029

B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are inter-related. The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, and the internal service fund, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Basis of Presentation – Government Wide Financial Statements

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.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category, governmental and proprietary. 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 non-major funds.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, fees, fines, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The City reports the following major governmental fund:

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

The Debt Service Fund accounts for the accumulation and disbursement of resources associated with the City's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

The City reports the following major proprietary funds:

The Waste Management Fund accounts for the billing, collection, transportation, and disposal of garbage, refuse, and other waste products of the City.

The Gas Utility Fund accounts for the gas supply, distribution, billing and maintenance activities of the City.

The Water Utility Fund accounts for the water supply, distribution, billing, and maintenance activities of the City.

The Wastewater Utility Fund accounts for the wastewater billings, collections, and maintenance activities of the City.

The Pheasant Trails Golf Course Fund accounts for the operation of the municipal golf course.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Basis of Presentation – Fund Financial Statements – Continuation

In addition, the City reports the following fund types:

Internal Service Fund: This fund is used to account for revenues and expenses related to services provided to parties inside the City. This fund facilitates the distribution of costs to the users of self-insured health insurance coverage on a cost-reimbursement basis. Because the principal users of the internal services are the City’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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

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

D. Measurement Focus and Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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. Property taxes are recognized in the fiscal year for which the taxes are levied. Grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting – Continuation

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both 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 generally are 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 are due. 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.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and all of the Enterprise Funds.

The appropriate budget is prepared by fund and function, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

For the fiscal year, expenditures exceeded appropriations for public safety (fire), conservation and development, capital outlay (street improvements), and debt service interest functions (budgeted with principal) in the General Fund. These overspendings were covered by utilizing a carryover of prior year fund balance and transfers from other funds.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Investments

Investments in certificate of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

c. Receivable and Payable Balances

Receivables include trade, delinquent taxes, and municipal court fees and fines, all of which are shown net of an allowance for estimated uncollectible amounts.

Payables consist of vendor obligations for goods and services and funds payable to others when the criteria for their release have been met.

d. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies in the water and sewer fund and goods for sale in the golf course fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. 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. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Land is not depreciated. Buildings, improvements, equipment, and infrastructure assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15 - 50 years
Vehicles	3 - 15 years
Furniture and equipment	3 - 15 years
Infrastructure	10 - 50 years
Water rights	40 years

f. Inter-fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund 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 benefitting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net position.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs withheld from the actual debt proceeds received are reported as debt service expenditures.

i. Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding is reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports the applicable amounts as deferred outflows as they relate to the implementation of GASB 68 for contributions paid to the pension plan after the measurement date, and the deficiency of earnings in the plans after the measurement date of the pension plans.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has an item of this type, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *unavailable revenue* is reported only in the governmental funds balance sheet. The City reports unavailable revenues from property taxes and municipal court receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

j. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Plan and the Texas Emergency Services Retirement System, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

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

l. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance – Continuation

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the Commission in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Fund balance flow assumptions:

When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the Commission, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

G. Revenues and Expenditures/Expenses

a. Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

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.

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.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses

c. **Compensated Absences**

Employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on full-time status, length of service greater than 6 months, and other factors. After five years of employment, an employee shall be awarded twelve days of vacation, after ten years fifteen days of vacation, and after twenty years twenty days of vacation. A maximum accrual for sick leave of 90 days can be carried over each year. However, employees shall be allowed to receive reimbursement for a portion of any unused sick leave in excess of the 90 days at the beginning of the new year. Employees are eligible for payment of one-third of their accrued sick leave upon termination or retirement only upon completion of eight years of service.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

H. Compliance and Accountability

a. **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:

Violation

Expenditures exceeded the budget in various functional areas in the General Fund

Action Taken

A combination of underspending in other functional categories, and excess revenues over budget, have covered such overspendings.

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2016:

Cash and deposit balances consist of:

Petty cash funds	\$	2,639
Bank deposits		1,971,431
Total	\$	1,974,070

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	1,391,874
Restricted for customer deposits		375,416
Component unit - unrestricted		206,780
Total	\$	1,974,070

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2016 the City’s deposits (cash, interest bearing accounts and certificates of deposit) with financial institutions was \$1,932,475, and \$277,089 of that amount was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,655,387 was collateralized with securities held by the pledging of institution’s agent in the City’s name.

Following is a reconciliation of the City’s investment balances as of September 30, 2016:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Certificates of deposit		
Business-Type activities (interest rates at .40%)	\$ 113,346	
Total fair value	\$ 113,346	
Portfolio weighted average maturity		365

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2016 the carrying amount of the City’s investments (certificates of deposit) with financial institutions was \$113,346, and \$ - was insured by the Federal Depository Insurance Corporation (FDIC) and \$113,346 was collateralized with securities held by the pledging of institution’s agent in the City’s name. The depository makes no distinction between the City and its component unit when pledging securities.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated to no lower than AAA or an equivalent rating by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2016, 100% of the City's funds were being held at the City's depository and were adequately secured as described above.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating 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 the other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of ninety days or less at time of purchase. The term "nonparticipating" means that the investments value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The City's investments include certificates of deposit.

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

Primary Government:

<u>Governmental activities:</u>	Beginning Balances As restated	Increases	Decreases	Transfers / Reclassifications	Ending Balances
Capital assets not being depreciated:					
Land	\$ 157,032	\$ -	\$ -	\$ -	\$ 157,032
Total capital assets not being depreciated	<u>157,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,032</u>
Capital assets being depreciated:					
Buildings	6,019,444	-	-	-	6,019,444
Vehicles	3,251,725	-	-	-	3,251,725
Furniture and equipment	2,751,355	214,932	-	-	2,966,287
Infrastructure	503,870	-	-	-	503,870
Total capital assets being depreciated	<u>12,526,395</u>	<u>214,932</u>	<u>-</u>	<u>-</u>	<u>12,741,327</u>
Less accumulated depreciating for:					
Buildings	(2,361,637)	(240,486)	-	-	(2,602,123)
Vehicles	(2,173,389)	(129,890)	-	-	(2,303,279)
Furniture and equipment	(2,811,402)	(158,673)	-	-	(2,970,075)
Infrastructure	(397,162)	(6,487)	-	-	(403,649)
Total accumulated depreciation	<u>(7,743,590)</u>	<u>(535,536)</u>	<u>-</u>	<u>-</u>	<u>(8,279,126)</u>
Total capital assets being depreciated, net	<u>4,782,805</u>	<u>(320,604)</u>	<u>-</u>	<u>-</u>	<u>4,462,201</u>
Governmental activities capital assets, net	<u>\$ 4,939,837</u>	<u>\$ (320,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,619,233</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
Administration	\$ 41,606
Police	259,075
Streets	47,617
Parks	<u>187,237</u>
Total depreciation expense-governmental activities	<u>\$ 535,536</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – CAPITAL ASSETS – Continuation

	Beginning Balances As restated	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 864,174	\$ -	\$ -	\$ -	\$ 864,174
Total capital assets not being depreciated	<u>864,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864,174</u>
Capital assets being depreciated:					
Buildings	441,421	-	-	-	441,421
Vehicles	1,869,264	-	-	-	1,869,264
Furniture and equipment	3,312,088	131,525	-	-	3,443,613
Infrastructure	35,645,036	-	-	-	35,645,036
Water rights	1,696,884	-	-	-	1,696,884
Total capital assets being depreciated	<u>42,964,693</u>	<u>131,525</u>	<u>-</u>	<u>-</u>	<u>43,096,218</u>
Less accumulated depreciation for:					
Buildings	(190,974)	(10,270)	-	-	(201,244)
Vehicles	(1,499,866)	(178,070)	-	-	(1,677,936)
Furniture and equipment	(2,034,846)	(221,490)	-	-	(2,256,336)
Infrastructure	(11,394,894)	(720,027)	-	-	(12,114,921)
Water rights	(973,829)	(42,422)	-	-	(1,016,251)
Total accumulated depreciation	<u>(16,094,409)</u>	<u>(1,172,279)</u>	<u>-</u>	<u>-</u>	<u>(17,266,688)</u>
Total capital assets being depreciated, net	<u>26,870,284</u>	<u>(1,040,754)</u>	<u>-</u>	<u>-</u>	<u>25,829,530</u>
Business-type activities capital assets, net	<u>\$ 27,734,458</u>	<u>\$ (1,040,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,693,704</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

<u>Business-type activities:</u>	
Waste management	\$ 447,979
Gas utility	83,748
Water utility	225,528
Sewer utility	364,395
Pheasant Trails Golf Course	<u>50,629</u>
Total depreciation expense-business-type activities	<u>\$ 1,172,279</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – CAPITAL ASSETS – Continuation

Component Unit:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets not being depreciated:					
Land	\$ 616,475	\$ -	\$ (2,417)	\$ -	\$ 614,058
Total capital assets not being depreciated	616,475	-	(2,417)	-	614,058
Capital assets being depreciated:					
Buildings	\$ 1,624,040	\$ -	\$ -	\$ -	\$ 1,624,040
Furniture and equipment	3,919,844	47,900	-	-	3,967,744
Infrastructure	20,952	-	-	-	20,952
Total capital assets being depreciated	5,564,836	47,900	-	-	5,612,736
Less accumulated depreciation for:					
Buildings	(319,989)	(54,700)	-	-	(374,689)
Furniture and equipment	(264,411)	(99,956)	-	-	(364,367)
Infrastructure	(20,952)	-	-	-	(20,952)
Total accumulated depreciation	(605,352)	(154,656)	-	-	(760,008)
Total capital assets being depreciated, net	4,959,484	(106,756)	-	-	4,852,728
Component unit capital assets, net	<u>\$ 5,575,959</u>	<u>\$ (106,756)</u>	<u>\$ (2,417)</u>	<u>\$ -</u>	<u>\$ 5,466,786</u>

The only function of the component unit is the economic development and all depreciation was charged to that function.

NOTE 4 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ -	\$ 1,000,000
Waste Management	660,000	-
Gas Utility	70,000	-
Water Utility	340,000	-
Waste Water Utility	270,000	-
Pheasant Trails Golf Course	-	270,000
Internal Service Fund	-	70,000
	<u>\$ 1,340,000</u>	<u>\$ 1,340,000</u>

The primary purpose of inter-fund receivables and payables is for the purpose of eliminating deficit cash balances and recording short-term inter-fund borrowings.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 2,301,664	\$ -
Debt Service Fund	-	710,550
Waste Management	547,575	357,949
Gas Utility	2,864	623,000
Water Utility	40,695	793,000
Waste Water Utility	128,701	537,000
	<u>\$ 3,021,499</u>	<u>\$ 3,021,499</u>

The primary purpose of inter-fund transfers is to move resources necessary for the payment of long-term debt to the funds where the debt is recorded.

NOTE 5 – LONG-TERM DEBT

1. Long-Term Debt Activity

In September 2008, the City issued \$3,000,000 of Certificates of Obligation, Series 2008, (the “2008 Obligations”), that are to be used for construction of a new swimming pool and other municipal park improvements. The 2008 Obligations are due and payable between March 1, 2009 and March 1, 2018, and carry variable interest rates between 4.75% and 5.50%. As of September 30, 2016 the outstanding balance on the 2008 Obligations was \$195,000.

In November 2011, the City issued \$5,800,000 of Tax and Solid Waste System Surplus Revenue Certificates of Obligation, Series 2011, (the “2011 Obligations”). Proceeds from the sale of the 2011 Obligations will be used to pay contractual obligations to be incurred for the construction of solid waste disposal system improvements. The 2011 Obligations are due and payable between September 1, 2012 and September 1, 2031, and carry variable interest rates between 2.00% and 4.00%. As of September 30, 2016 the outstanding balance on the 2011 Obligations was \$4,000,000.

In August 2012, the City issued \$8,500,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2012, (the “2012 Obligations”). Proceeds from the sale of the 2012 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2012 Obligations are due and payable between March 1, 2013 and September 1, 2032, and carry variable interest rates between 2.25% and 4.25%. As of September 30, 2016 the outstanding balance on the 2012 Obligations was \$7,135,000.

In 2013, the City issued \$5,255,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2013, (the “2013 Obligations”). Proceeds from the sale of the 2013 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2013 Obligations are due and payable between March 1, 2014 and September 1, 2033, and carry variable interest rates between 2.00% and 4.00%. As of September 30, 2016 the outstanding balance on the 2013 Obligations was \$4,640,000.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – LONG-TERM DEBT – Continuation

In March 2014, the City issued \$4,250,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2014, (the “2014 Obligations”). Proceeds from the sale of the 2014 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2012 Obligations are due and payable between March 1, 2015 and September 1, 2034, and carry variable interest rates between 2.00% and 4.50%. As of September 30, 2016 the outstanding balance on the 2014 Obligations was \$4,150,000.

Advance Refunding

During the year September 30, 2015, the City issued \$2,375,000 of General Obligation Refunding Bonds, Series 2015 with an interest rates ranging between 2.00% and 3.00%. The City issued the bonds to advance refund a portion of the outstanding series 2008 Certificates of Obligation with interest rates ranging between 3.00% and 4.75%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Certificates of Obligation, Series 2008 are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price was less than the net carrying amount of the old debt by \$256,921. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City advanced refunded the Certificates of Obligation, Series 2008 to reduce its total debt service payments over 14 years by \$184,861 and to obtain an economic gain.

Changes in long-term obligations for the year ended September 30, 2016, are as follows:

Primary Government:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
2008 Certificates of Obligation	\$ 285,000	\$ -	\$ (90,000)	\$ 195,000	\$ 95,000
2015 Certificates of Obligation	2,350,000	-	(20,000)	2,330,000	20,000
Unamortized Bond Premium	250,974	-	(14,274)	236,700	-
Capital Leases	860,120	208,158	(322,985)	745,293	287,210
Notes payable	1,500,000	-	(1,500,000)	-	-
Compensated Absences	180,230	211,335	(260,960)	130,605	13,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 5,426,324</u>	<u>\$ 419,493</u>	<u>\$ (2,208,219)</u>	<u>\$ 3,637,598</u>	<u>\$ 415,210</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – LONG-TERM DEBT – Continuation

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
2011 Certificates of Obligation	\$ 4,390,000	\$ -	\$ (390,000)	\$ 4,000,000	\$ 285,000
2012 Certificates of Obligation	7,490,000	-	(355,000)	7,135,000	360,000
2013 Certificates of Obligation	4,850,000	-	(210,000)	4,640,000	215,000
2014 Certificates of Obligation	4,250,000	-	(100,000)	4,150,000	180,000
Unamortized Bond Premiums	813,588	-	(49,666)	763,922	-
Capital Leases	253,260	48,537	(84,612)	217,185	71,455
Notes payable	221,113	-	(221,113)	-	-
Landfill closure costs	1,579,461	139,756	-	1,719,217	-
Compensated Absences	38,609	73,428	(70,052)	41,985	3,000
Business-Type Activities					
Long-Term Liabilities	<u>\$ 23,886,031</u>	<u>\$ 261,721</u>	<u>\$ (1,480,443)</u>	<u>\$ 22,667,309</u>	<u>\$ 1,114,455</u>
Component Unit:					
DEDC	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 3,224,553</u>	<u>\$ -</u>	<u>\$ (144,223)</u>	<u>\$ 3,080,330</u>	<u>\$ 130,760</u>
Total Component Unit					
Long-Term Liabilities	<u>\$ 3,224,553</u>	<u>\$ -</u>	<u>\$ (144,223)</u>	<u>\$ 3,080,330</u>	<u>\$ 130,760</u>

During prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business-type activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2016, are as follows:

Business-Type Activities

Fiscal year ending September 30	2011 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 285,000	\$ 149,775	\$ 434,775
2018	295,000	142,650	437,650
2019	300,000	133,800	433,800
2020	310,000	124,800	434,800
2021	325,000	112,400	437,400
2022-2026	1,125,000	411,000	1,536,000
2027-2031	1,360,000	167,800	1,527,800
Total	<u>\$ 4,000,000</u>	<u>\$ 1,242,225</u>	<u>\$ 5,242,225</u>

Fiscal year ending September 30	2012 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 360,000	\$ 216,556	\$ 576,556
2018	370,000	208,456	578,456
2019	375,000	200,131	575,131
2020	385,000	191,694	576,694
2021	395,000	182,069	577,069
2022-2026	2,145,000	744,119	2,889,119
2027-2031	2,545,000	339,756	2,884,756
2032	560,000	17,500	577,500
Total	<u>\$ 7,135,000</u>	<u>\$ 2,100,281</u>	<u>\$ 9,235,281</u>

Fiscal year ending September 30	2013 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 215,000	\$ 160,825	\$ 375,825
2018	220,000	156,525	376,525
2019	220,000	152,125	372,125
2020	225,000	147,725	372,725
2021	230,000	142,100	372,100
2022-2026	1,280,000	599,900	1,879,900
2027-2031	1,545,000	331,400	1,876,400
2032-2033	705,000	42,600	747,600
Total	<u>\$ 4,640,000</u>	<u>\$ 1,733,200</u>	<u>\$ 6,373,200</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2016, are as follows:

Fiscal year ending September 30	2014 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 180,000	\$ 142,275	\$ 322,275
2018	185,000	138,675	323,675
2019	190,000	134,975	324,975
2020	190,000	131,175	321,175
2021	195,000	127,375	322,375
2022-2026	1,060,000	558,625	1,618,625
2027-2031	1,260,000	354,850	1,614,850
2032-2034	890,000	81,225	971,225
Total	<u>\$ 4,150,000</u>	<u>\$ 1,669,175</u>	<u>\$ 5,819,175</u>

Governmental Activities:

Fiscal year ending September 30	2008 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 95,000	\$ 9,263	\$ 104,263
2018	100,000	4,750	104,750
Total	<u>\$ 195,000</u>	<u>\$ 14,013</u>	<u>\$ 209,013</u>

Fiscal year ending September 30	2015 Certificates of Obligation		
	Principal	Interest	Total
2017	\$ 20,000	\$ 81,413	\$ 101,413
2018	20,000	81,013	101,013
2019	120,000	80,613	200,613
2020	125,000	78,213	203,213
2021	125,000	75,713	200,713
2022-2026	700,000	317,802	1,017,802
2027-2031	835,000	179,800	1,014,800
2032-2033	385,000	23,200	408,200
Total	<u>\$ 2,330,000</u>	<u>\$ 917,767</u>	<u>\$ 3,247,767</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2016, are as follows:

Component Unit:

Fiscal year ending September 30	Notes Payable		
	Principal	Interest	Total
2017	\$ 130,760	\$ 96,456	\$ 227,216
2018	134,997	92,219	227,216
2019	139,372	87,844	227,216
2020	143,656	83,560	227,216
2021	148,544	78,672	227,216
2022-2026	817,942	318,138	1,136,080
2027-2031	959,423	176,657	1,136,080
2032-2036	905,636	28,187	933,823
Total	<u>\$ 3,380,330</u>	<u>\$ 961,733</u>	<u>\$ 4,342,063</u>

3. Current year interest expense was recorded as follows:

	Accrued Interest Payable October 1, 2015	Interest Paid during the Year	Amortization of Bond Premium and Deferred Loss on Refunding	Accrued Interest Payable September 30, 2016	Interest Expense
Waste management	\$ 20,104	\$ 226,890	\$ 6,478	\$ 22,755	\$ 236,019
Gas utility	-	965	-	18	983
Water utility	10,952	112,395	2,469	11,696	115,608
Sewer utility	27,297	303,577	6,655	31,144	314,079
Pheasant Trails Golf	-	5,615	-	242	5,857
Total	<u>\$ 58,353</u>	<u>\$ 649,442</u>	<u>\$ 15,602</u>	<u>\$ 65,855</u>	<u>\$ 672,546</u>

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – LEASE OBLIGATIONS

Capital Leases

The City has leased certain equipment under non-cancellable capital leases for various pieces of equipment. The interest rates range between 1.29% and 6.70% with maturity dates ranging from fiscal year ending 2017 to the fiscal year ending in 2021. The following summarizes the City’s obligations under capital leases:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2017	\$ 309,572	\$ 77,744
2018	203,704	70,659
2019	123,767	80,268
2020	103,012	-
2021	51,506	-
Total	791,561	228,671
Less amounts representing interest	46,268	11,486
	<u>\$ 745,293</u>	<u>\$ 217,185</u>
The following summarized the assets acquired under capital lease:		
Equipment	\$ 1,243,559	\$ 759,330
Accumulated Depreciation	683,627	392,174
Net Leased Equipment	<u>\$ 559,932</u>	<u>\$ 367,156</u>

NOTE 7 – 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 the fiscal year ended 2016, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded in any of the past three fiscal years.

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS

A. AGENT MULTIPLE – EMPLOYER PLAN

Plan Description:

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

Employees Covered by Benefit Terms:

At September 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	115
Active employees	120

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

The City contributed using the actuarially determined rate of 6.48% for the months of the accounting year in 2015 and 6.40% for the months of the accounting year in 2016. The contribution rate payable by the employee members is 5.0% for fiscal year 2016 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.00%.

Changes in the Net Pension Liability / (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2014	\$ 15,654,580	\$ 14,947,820	\$ 706,760
Changes for the year:			
Service cost	528,412	-	528,412
Interest on total pension liability	1,089,367	-	1,089,367
Difference between expected and actual experience	(197,149)	-	(197,149)
Changes of assumptions	66,338	-	66,338
Benefit payments/refunds of employee contributions	(712,789)	(712,789)	-
Contributions - employee	-	270,149	(270,149)
Contributions - employer	-	340,926	(340,926)
Net investment income	-	22,057	(22,057)
Administrative expenses	-	(13,435)	13,435
Other	-	(663)	663
	<u>\$ 16,428,759</u>	<u>\$ 14,854,065</u>	<u>\$ 1,574,694</u>
Balances as of December 31, 2015	<u>\$ 16,428,759</u>	<u>\$ 14,854,065</u>	<u>\$ 1,574,694</u>
Plan fiduciary net position as a percentage of the total pension liability:			90.42%
Covered employee payroll:			\$ 5,402,983
Net pension liability as a percentage of covered employee payroll:			29.14%

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

Sensitivity of the Net Pension Liability / (Asset) to changes in the discount rate:

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ 3,910,597	\$ 1,574,694	\$ (334,049)

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS financial report.

Pension Expense / (Income):

	January 1, 2015 to December 31, 2015
Total service cost	\$ 528,412
Interest on total pension liability	1,089,367
Employee contributions (reduction of expenses)	(270,149)
Projected earnings on plan investments (reduction of expenses)	(1,046,347)
Administrative expenses	13,435
Other changes in fiduciary net position	663
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(30,280)
Recognition of current year deferred (inflows)/outflows of resources - assets	204,858
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(5,686)
Amortization of prior year deferred (inflows)/outflows of resources - assets	36,671
Total pension expense	\$ 520,944

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

Deferred Inflows / Outflows of Resources:

As of December 31, 2015, the deferred inflows and outflows - current and future expenses are as follows:

	<u>Recognition or Amortization Period in Years</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Recognized in Current Pension Expense</u>	<u>Deferred (Inflow)/Outflow in Future Expense</u>
Due to Liabilities:				
Differences in expected and actual experience	4.3200	\$ (214,754)	\$ (51,322)	\$ (163,432)
Differences in assumption changes	4.3200	\$ 66,338	15,357	50,981
Due to Assets:				
Difference in projected and actual earnings	5.0000	\$ 1,170,976	\$ 241,530	<u>\$ 929,446</u>
Net Deferred Outflows (Inflows) of Resources				<u><u>\$ 816,995</u></u>

Deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

Year ended December 31:	
2016	\$ 205,563
2017	205,563
2018	210,703
2109	195,166
2020	-
Thereafter	<u>-</u>
Total	<u><u>\$ 816,995</u></u>

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require that most cities place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under Subtitle D.

The City has three landfill sites permitted as follows: MSW 2279, MSW 2285, and MSW 211B. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on estimated future closure and post closure care costs that will be incurred near or after the date that the landfills no longer accepts solid waste. The estimated total current cost of the landfill closure and post closure care of \$1,719,217 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2016. The recognition of the estimate total current cost is based on the amount of the landfills used during the year. The estimated liability for closure and post closure cost accrued on the City’s books for the year ended September 30, 2016 was \$139,756, which is based on accumulated usage of landfill area. It is estimated that an additional \$1,853,602 will be recognized as closure and post closure expenses between the balance sheet date and the date that the landfills are filled to capacity. As of September 30, 2016, the City has used approximately 24.25% of the available landfill capacity for the permit MSW 2279, and 89.97% of the permits MSW 2285. MSW 211B was closed during the fiscal year 2014. No post-closure charges were charged against the closure and post-closure care cost accrued liability for MSW 211B during the fiscal year 2016. The City expects to close MSW 2279 in the year 2200, and MSW 2285 in the year 2043. However, the actual cost of closure and post closure care is subject to change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Dumas has demonstrated financial assurance for closure post closure care cost associated with the landfill by satisfying the financial test specified in Sub-chapter K of 31 Texas Administrative Code 330,285(g).

NOTE 10 – INSURANCE FUND

The City has established the Insurance Fund (a proprietary fund type; internal service fund) to account for its health insurance program. The purpose of this fund is to finance and pay for the uninsured medical claims of the City employees and their covered dependents and minimize the total costs of insurance to the City and its employees. Dependent coverage is funded by charges to employees. The City’s liability is limited to \$65,000 per covered person per year under the present 12/12 plan. The City has obtained insurance through a private insurance carrier for claims in excess of the above coverage. The carrier processes all the claims and bills the City for processed claims that are within the coverage of the fund. Settlement amounts have not exceeded insurance coverage for the current year.

The premium amounts were based on calculations by the insurance carrier using experience factors to estimate what would be needed to cover claims and to establish a reserve for losses. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the City’s claims liability amount were:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
For Year Ended:				
September 30, 2016	\$ 158,682	\$ 850,983	\$ (985,802)	\$ 23,863

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 11 – COMPONENT UNIT TRANSACTIONS

DEDC Projects:

Economic Development Project expenses are as follows:

2015 Alimentos Integrados, LLC	\$	20,000
2016 Leading EDG, LLC		39,000
2016 Dumas Noon Lions Club		13,400
2016 Talon Point		4,700
2016 Moore County 4H		500
2016 American Legion		6,000
2016 Safe Place		1,400
2016 Cecy's Daycare		6,746
2016 Quality Air Repair, LLC		2,300
2016 A&A Electric		9,000
2016 Cowboy Classic Rodeo Association		1,500
2016 Panhandle Children's Foundation		843
2016 Dumas/Moore County Chamber of Commerce		5,000
2016 Moore County Health Foundation		1,000
2016 Other Projects		<u>4,490</u>
 Total Economic Development Projects	 \$	 <u><u>119,879</u></u>

NOTE 12 – PRIOR PERIOD RESTATEMENT

	<u>Government Wide Statement</u>		<u>Fund Level Statements</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Waste Management Fund</u>	<u>Gas Utility Fund</u>	<u>Wastewater Utility Fund</u>	<u>Pheasant Trails Gold Course</u>
Net position/fund balance as of						
September 30, 2015, as previously reported	\$ 1,699,010	\$ 3,053,935	\$ (348,328)	\$ 173,943	\$ 914,415	\$ 610,498
To remove capital assets recorded twice	(157,032)	-	-	-	-	-
To correct prior year depreciation expense	15,740	498,138	128,750	4,778	328,500	36,110
Correct recognition of prior year deferred revenues	<u>(13,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total net restatement	<u>(154,954)</u>	<u>498,138</u>	<u>128,750</u>	<u>4,778</u>	<u>328,500</u>	<u>36,110</u>
 Net position/fund balance as of						
October 1, 2015, as restated	<u>\$ 1,544,056</u>	<u>\$ 3,552,073</u>	<u>\$ (219,578)</u>	<u>\$ 178,721</u>	<u>\$ 1,242,915</u>	<u>\$ 646,608</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DUMAS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 699,771	\$ 699,771	\$ 719,076	\$ 19,305
Sales	2,357,699	2,357,699	2,741,701	384,002
Franchise	300,000	300,000	261,375	(38,625)
Mixed beverage	14,000	14,000	16,139	2,139
Licenses and fees	133,836	133,836	152,286	18,450
Fines and forfeitures	462,000	462,000	387,277	(74,723)
Intergovernmental	4,000	4,000	73,364	69,364
Interest earnings	500	500	4,125	3,625
Miscellaneous	58,870	58,870	61,579	2,709
	<u>4,030,676</u>	<u>4,030,676</u>	<u>4,416,922</u>	<u>386,246</u>
Total revenues				
EXPENDITURES				
Current:				
City commission	35,804	35,804	35,787	17
Administration	932,264	932,264	917,405	14,859
Information systems	183,909	183,909	134,095	49,814
Warehouse	308,398	308,398	281,159	27,239
Engineering	139,026	139,026	133,757	5,269
Purchasing	31,627	31,627	30,804	823
Communications	123,253	123,253	76,517	46,736
Fire	1,287,338	1,287,338	1,300,213	(12,875)
Police	2,398,956	2,398,956	2,199,518	199,438
Streets	563,981	563,981	547,824	16,157
Parks	494,365	494,365	476,919	17,446
Debt Service:				
Principal	1,751,539	1,751,539	1,822,985	(71,446)
Interest and other charges	61,981	61,981.00	52,949	9,032
Capital outlay	274,603	274,603	214,932	59,671
	<u>8,587,044</u>	<u>8,587,044</u>	<u>8,224,864</u>	<u>362,180</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(4,556,368)</u>	<u>(4,556,368)</u>	<u>(3,807,942)</u>	<u>748,426</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable	250,603	250,603	208,158	(42,445)
Proceeds from sale of capital assets	4,120	4,120	-	(4,120)
Transfers in	3,105,511	3,105,511	2,301,664	(803,847)
	<u>3,329,756</u>	<u>3,329,756</u>	<u>2,509,822</u>	<u>(819,934)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	(1,222,492)	(1,222,492)	(1,298,120)	(75,628)
FUND BALANCES - BEGINNING	<u>649,570</u>	<u>649,570</u>	<u>649,570</u>	<u>-</u>
FUND BALANCES - ENDING (DEFICIT)	<u>\$ (572,922)</u>	<u>\$ (572,922)</u>	<u>\$ (648,550)</u>	<u>\$ (75,628)</u>

CITY OF DUMAS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2015	2014	2013	2012
Total Pension Liability:				
Service cost	\$ 528,412	\$ 471,299	\$ N/A	\$ N/A
Interest on total pension liability	1,089,367	1,034,728	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A
Difference between expected and actual experience	(197,149)	(23,291)	N/A	N/A
Changes of assumptions	66,338	-	N/A	N/A
Benefit payments/refunds of contributions	(712,789)	(748,682)	N/A	N/A
Net change in total pension liability	774,179	734,054	N/A	N/A
Total pension liability, beginning	15,654,580	14,920,526	N/A	N/A
Total pension liability, ending (a)	<u>\$ 16,428,759</u>	<u>\$ 15,654,580</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 340,926	\$ 300,942	\$ N/A	\$ N/A
Employee contributions	270,149	258,987	N/A	N/A
Net investment income	22,057	819,488	N/A	N/A
Benefit payments/refunds of contributions	(712,789)	(748,682)	N/A	N/A
Administrative expenses	(13,435)	(8,557)	N/A	N/A
Other	(663)	(703)	N/A	N/A
Net change in fiduciary net position	(93,755)	621,475	N/A	N/A
Fiduciary net position, beginning	14,947,820	14,326,345	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 14,854,065</u>	<u>\$ 14,947,820</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,574,694</u>	<u>\$ 706,760</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	90.42%	95.49%	N/A	N/A
Pensionable covered payroll	\$ 5,402,983	\$ 5,179,743	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	29.14%	13.64%	N/A	N/A

**CITY OF DUMAS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years**

Year Ending December 31:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	Not Available	Not Available	Not Available	Not Available	Not Available
2007	Not Available	Not Available	Not Available	Not Available	Not Available
2008	Not Available	Not Available	Not Available	Not Available	Not Available
2009	Not Available	Not Available	Not Available	Not Available	Not Available
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	Not Available	Not Available	Not Available	Not Available	Not Available
2012	Not Available	Not Available	Not Available	Not Available	Not Available
2013	Not Available	Not Available	Not Available	Not Available	Not Available
2014	\$ 338,406	\$ 341,044	\$ (2,638)	\$ 5,363,015	6.4%
2015	333,064	333,064	-	5,188,510	6.4%

Following are the key assumptions and methods used in this GASB analysis.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% - 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report specific revenues that are legally restricted to expenditures for particular purposes.

Fire Safety Grants – This fund accounts for the proceeds received from various grants for the specific purpose of providing safety training and equipment to the City's Fire Fighters.

Park Improvement – This fund accounts for fees collected by the City which are committed by the City Commission to be used for park improvements.

Court Technology – This fund is used to account for the fees paid in the municipal court designed for the purpose of financing the purchase of technological enhancements for the use of the office.

Police Seizure – This fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by the City's Police Department. These funds are dedicated by law to be used solely for law enforcement purposes.

Special Revenue Training – This fund accounts for the proceeds received from various grants for the specific purpose of providing training to the City's Police Officers.

Court Security – This fund is used to account for the fees paid in the municipal court designed for the purpose of financing and maintaining the security of the office.

Hotel/Motel – This fund is used to account for and report hotel/motel taxes that are legally restricted to the promotion of tourism for the City.

**CITY OF DUMAS, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>Special Revenue</u>						Total Non- major Governmental Funds	
	<u>Fire Safety Grants</u>	<u>Park Improvement</u>	<u>Court Technology</u>	<u>Police Seizure</u>	<u>Special Revenue Training</u>	<u>Court Security</u>		<u>Hotel / Motel</u>
ASSETS								
Cash and cash equivalents	\$ 26,078	\$ 65,596	\$ 112,657	\$ 5,445	\$ 2,110	\$ 107,711	\$ 660,102	\$ 979,699
Accounts receivable, net	-	-	-	-	-	-	203,962	203,962
Total assets	<u>\$ 26,078</u>	<u>\$ 65,596</u>	<u>\$ 112,657</u>	<u>\$ 5,445</u>	<u>\$ 2,110</u>	<u>\$ 107,711</u>	<u>\$ 864,064</u>	<u>\$ 1,183,661</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,637	\$ 172,637
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,637</u>	<u>172,637</u>
FUND BALANCES								
Restricted:								
By enabling legislation for special projects	-	-	112,657	5,445	-	107,711	691,427	917,240
Special projects	26,078	-	-	-	2,110	-	-	28,188
Committed:								
Special projects	-	65,596	-	-	-	-	-	65,596
Total fund balances	<u>26,078</u>	<u>65,596</u>	<u>112,657</u>	<u>5,445</u>	<u>2,110</u>	<u>107,711</u>	<u>691,427</u>	<u>1,011,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,078</u>	<u>\$ 65,596</u>	<u>\$ 112,657</u>	<u>\$ 5,445</u>	<u>\$ 2,110</u>	<u>\$ 107,711</u>	<u>\$ 864,064</u>	<u>\$ 1,183,661</u>

CITY OF DUMAS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Special Revenue</u>							Total Non- major Governmental Funds
	<u>Fire Safety Grants</u>	<u>Park Improvement</u>	<u>Court Technology</u>	<u>Police Seizure</u>	<u>Special Revenue Training</u>	<u>Court Security</u>	<u>Hotel / Motel</u>	
REVENUES								
Taxes:								
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616,469	\$ 616,469
Licenses and fees	-	-	-	-	-	-	2,041	2,041
Fines and forfeitures	-	-	8,542	-	-	6,226	-	14,768
Intergovernmental	-	-	-	-	2,197	-	-	2,197
Investment earnings	-	-	-	4	-	-	-	4
Miscellaneous	-	-	-	2,481	-	-	-	2,481
Total revenues	<u>-</u>	<u>-</u>	<u>8,542</u>	<u>2,485</u>	<u>2,197</u>	<u>6,226</u>	<u>618,510</u>	<u>637,960</u>
EXPENDITURES								
Current:								
Police	-	-	-	5,527	1,607	11,310	-	18,444
Recreation and culture	-	-	-	-	-	-	524,354	524,354
Parks	-	5,592	-	-	-	-	-	5,592
Total expenditures	<u>-</u>	<u>5,592</u>	<u>-</u>	<u>5,527</u>	<u>1,607</u>	<u>11,310</u>	<u>524,354</u>	<u>548,390</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,592)	8,542	(3,042)	590	(5,084)	94,156	89,570
FUND BALANCES - BEGINNING	<u>26,078</u>	<u>71,188</u>	<u>104,115</u>	<u>8,487</u>	<u>1,520</u>	<u>112,795</u>	<u>597,271</u>	<u>921,454</u>
FUND BALANCES - ENDING	<u>\$ 26,078</u>	<u>\$ 65,596</u>	<u>\$ 112,657</u>	<u>\$ 5,445</u>	<u>\$ 2,110</u>	<u>\$ 107,711</u>	<u>\$ 691,427</u>	<u>\$ 1,011,024</u>

COMPLIANCE AND INTERNAL CONTROL



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

To The Honorable Mayor and City Commission
City of Dumas, Texas

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, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the City of DUMAS, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

June 3, 2017