

CITY OF DUMAS, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2017**



**CITY OF DUMAS, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2017**

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INTRODUCTORY SECTION

CITY OF DUMAS, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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 February 16, 2018, 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
February 16, 2018



BASIC FINANCIAL STATEMENTS

CITY OF DUMAS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 1,501,468	\$ 2,057,600	\$ 3,559,068	\$ 173,245
Investments	-	113,497	113,497	-
Restricted cash - customer deposits	-	369,718	369,718	-
Receivables, net	472,874	1,010,525	1,483,399	1,686
Internal balances	(893)	893	-	-
Due from primary government	-	-	-	143,561
Intergovernmental receivables	430,683	-	430,683	-
Inventories	55,294	-	55,294	-
Prepaid items	39,741	-	39,741	2,657
Prepaid debt insurance costs (net of accumulated amortization)	-	209,946	209,946	-
Cash surrender value - Officer life insurance	-	-	-	26,075
Capital assets not being depreciated:				
Land	157,032	864,174	1,021,206	614,058
Construction in progress	23,183	-	23,183	-
Capital assets				
Buildings	6,074,396	441,421	6,515,817	3,942,532
Vehicles	3,221,701	1,680,552	4,902,253	-
Furniture and equipment	3,106,836	3,697,854	6,804,690	14,651
Infrastructure	503,870	35,645,036	36,148,906	1,814,147
Water rights	-	1,696,884	1,696,884	-
Less: Accumulated depreciation	(8,546,672)	(18,071,994)	(26,618,666)	(916,327)
Total assets	7,039,513	29,716,106	36,755,619	5,816,285
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding bonds	260,998	-	260,998	-
Pension contributions	165,588	71,806	237,394	11,915
Pension deficient earnings	458,598	198,871	657,469	29,858
Pension assumption changes	23,770	10,308	34,078	1,548
Total deferred outflows of resources	908,954	280,985	1,189,939	43,321
LIABILITIES				
Accounts payable	577,137	419,986	997,123	64,520
Accrued interest	10,062	50,397	60,459	5,677
Intergovernmental payable	96,945	24,694	121,639	-
Due to component unit	143,561	-	143,561	-
Customer deposits	-	369,718	369,718	-
Unearned revenues	-	40,000	40,000	9,200
Noncurrent liabilities:				
Due within one year	327,245	1,140,449	1,467,694	134,997
Due in more than one year	2,929,820	18,644,408	21,574,228	2,822,936
Landfill closure and post-closure costs	-	2,217,880	2,217,880	-
Net pension liability	988,404	428,620	1,417,024	64,353
Total liabilities	5,073,174	23,336,152	28,409,326	3,101,683
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains	138,383	60,009	198,392	9,010
Total deferred inflows of resources	138,383	60,009	198,392	9,010
NET POSITION				
Net investment in capital assets	1,700,975	6,366,506	8,067,481	2,514,088
Restricted:				
By enabling legislation for special projects	1,024,625	-	1,024,625	-
Special projects	27,688	-	27,688	-
Debt service	159,837	-	159,837	-
Unrestricted (deficit)	(176,215)	234,424	58,209	234,825
Total net position	\$ 2,736,910	\$ 6,600,930	\$ 9,337,840	\$ 2,748,913

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, 2017**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
Primary Government:								
Governmental activities:								
City commission	\$ 7,774	\$ -	\$ -	\$ -	\$ (7,774)	\$ -	\$ (7,774)	\$ -
Administration	298,545	97,175	-	-	(201,370)	-	(201,370)	-
Information systems	25,311	-	-	-	(25,311)	-	(25,311)	-
Warehouse	74,576	-	-	-	(74,576)	-	(74,576)	-
Engineering	27,284	-	-	-	(27,284)	-	(27,284)	-
Purchasing	7,224	-	-	-	(7,224)	-	(7,224)	-
Communications	17,519	-	-	-	(17,519)	-	(17,519)	-
Fire	1,408,320	-	6,190	-	(1,402,130)	-	(1,402,130)	-
Police	2,591,541	153,814	2,151	-	(2,435,576)	-	(2,435,576)	-
Streets	752,176	-	-	-	(752,176)	-	(752,176)	-
Recreation and culture	512,205	-	-	-	(512,205)	-	(512,205)	-
Parks	767,328	56,977	-	-	(710,351)	-	(710,351)	-
Interest on long-term debt	113,126	-	-	-	(113,126)	-	(113,126)	-
Total governmental activities	6,602,929	307,966	8,341	-	(6,286,622)	-	(6,286,622)	-
Business-Type Activities:								
Waste management	2,841,368	2,437,886	1,092	-	-	(402,390)	(402,390)	-
Gas utility	2,543,151	3,480,141	-	-	-	936,990	936,990	-
Water utility	1,599,319	2,934,618	-	-	-	1,335,299	1,335,299	-
Wastewater utility	1,421,535	1,705,767	-	-	-	284,232	284,232	-
Pheasant Trails Golf Course	522,362	240,453	-	-	-	(281,909)	(281,909)	-
Total business-type activities	8,927,735	10,798,865	1,092	-	-	1,872,222	1,872,222	-
Total primary government	\$ 15,530,664	\$ 11,106,831	\$ 9,433	\$ -	(6,286,622)	1,872,222	(4,414,400)	-
Component Unit:								
Economic Development	\$ 959,698	\$ 113,453	\$ -	\$ -	-	-	-	(846,245)
General revenues:								
Property taxes					743,404	-	743,404	-
Property taxes, levied for debt service					909,453	-	909,453	-
Sales and use taxes					2,577,546	-	2,577,546	859,182
Franchise taxes					269,361	-	269,361	-
Hotel/Motel taxes					606,980	-	606,980	-
Alcoholic beverage taxes					12,642	-	12,642	-
Unrestricted investment earnings					2,191	113	2,304	126
Gain on disposal of assets					22,330	-	22,330	-
Miscellaneous					305,670	288,599	594,269	33,725
Transfers					1,783,367	(1,783,367)	-	-
Total general revenues					7,232,944	(1,494,655)	5,738,289	893,033
Change in net position					946,322	377,567	1,323,889	46,788
Net position - beginning					1,790,588	6,223,363	8,013,951	2,702,125
Net position - ending					\$ 2,736,910	\$ 6,600,930	\$ 9,337,840	\$ 2,748,913

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

**CITY OF DUMAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 243,448	\$ 159,837	\$ 1,098,183	\$ 1,501,468
Accounts receivables, net	252,258	-	203,458	455,716
Taxes receivable, net	17,158	-	-	17,158
Due from other funds	25,261	-	-	25,261
Due from other governments	430,683	-	-	430,683
Inventories	55,294	-	-	55,294
Prepaid expenses	39,741	-	-	39,741
	<u>1,063,843</u>	<u>159,837</u>	<u>1,301,641</u>	<u>2,525,321</u>
Total assets	<u>\$ 1,063,843</u>	<u>\$ 159,837</u>	<u>\$ 1,301,641</u>	<u>\$ 2,525,321</u>
LIABILITIES				
Accounts payable	\$ 366,949	\$ -	\$ 176,345	\$ 543,294
Payable to other governments	240,506	-	-	240,506
	<u>607,455</u>	<u>-</u>	<u>176,345</u>	<u>783,800</u>
Total liabilities	<u>607,455</u>	<u>-</u>	<u>176,345</u>	<u>783,800</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	11,329	-	-	11,329
Unavailable revenue - other receivables	139,587	-	-	139,587
	<u>150,916</u>	<u>-</u>	<u>-</u>	<u>150,916</u>
Total deferred inflows of resources	<u>150,916</u>	<u>-</u>	<u>-</u>	<u>150,916</u>
FUND BALANCES				
Nonspendable:				
Inventories	55,294	-	-	55,294
Prepaid expenses	39,741	-	-	39,741
Restricted:				
By enabling legislation for special projects	-	-	1,024,625	1,024,625
Special projects	-	-	27,688	27,688
Debt service	-	159,837	-	159,837
Assigned to:				
Special projects	-	-	72,983	72,983
Capital replacement	26,773	-	-	26,773
Unassigned	183,664	-	-	183,664
	<u>305,472</u>	<u>159,837</u>	<u>1,125,296</u>	<u>1,590,605</u>
Total fund balances	<u>305,472</u>	<u>159,837</u>	<u>1,125,296</u>	<u>1,590,605</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,063,843</u>	<u>\$ 159,837</u>	<u>\$ 1,301,641</u>	<u>\$ 2,525,321</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, 2017

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

Total fund balance - governmental funds	\$ 1,590,605
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.	4,540,346
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements	150,916
Pension losses and deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.	
Pension deficient earnings	458,598
Pension assumption changes	23,770
Pension contributions paid after the measurement date, December 31, 2016, and before September 30, 2017 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.	
Pension contributions	165,588
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.	
Pension economic/demographic gains	(138,383)
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	(3,090,307)
Deferred loss on refunding	260,998
Accrued interest payable	(10,062)
Compensated absences	(166,758)
Net pension liability	(988,404)
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)	<u>(59,997)</u>
Net position - governmental activities	<u><u>\$ 2,736,910</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, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Governmental</u>	<u>Total Governmental</u>
REVENUES				
Taxes:				
Property	\$ 743,751	\$ 909,453	\$ -	\$ 1,653,204
Sales	2,577,546	-	-	2,577,546
Franchise	269,361	-	-	269,361
Hotel/Motel	-	-	606,980	606,980
Mixed beverage	12,642	-	-	12,642
Licenses and fees	154,152	-	-	154,152
Fines and forfeitures	378,469	-	14,416	392,885
Intergovernmental	6,190	-	2,151	8,341
Investment earnings	2,190	-	1	2,191
Miscellaneous	303,745	-	1,925	305,670
	<u>4,448,046</u>	<u>909,453</u>	<u>625,473</u>	<u>5,982,972</u>
Total revenues				
EXPENDITURES				
Current:				
City commission	7,800	-	-	7,800
Administration	238,333	3,400	-	241,733
Information systems	23,264	-	-	23,264
Warehouse	66,130	-	-	66,130
Engineering	22,065	-	-	22,065
Purchasing	6,463	-	-	6,463
Communications	16,562	-	-	16,562
Fire	1,364,865	-	-	1,364,865
Police	2,306,447	-	4,690	2,311,137
Streets	696,973	-	-	696,973
Recreation and culture	-	-	513,898	513,898
Parks	549,256	-	22,613	571,869
Debt Service:				
Principal	287,411	115,000	-	402,411
Interest and other charges	23,873	90,675	-	114,548
Capital Outlay	408,228	-	-	408,228
	<u>6,017,670</u>	<u>209,075</u>	<u>541,201</u>	<u>6,767,946</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(1,569,624)</u>	<u>700,378</u>	<u>84,272</u>	<u>(784,974)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	22,330	-	-	22,330
Transfers in	3,165,414	-	30,000	3,195,414
Transfers out	(664,098)	(747,949)	-	(1,412,047)
	<u>2,523,646</u>	<u>(747,949)</u>	<u>30,000</u>	<u>1,805,697</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES				
	954,022	(47,571)	114,272	1,020,723
FUND BALANCES - BEGINNING (DEFICIT)				
	<u>(648,550)</u>	<u>207,408</u>	<u>1,011,024</u>	<u>569,882</u>
FUND BALANCES - ENDING				
	<u>\$ 305,472</u>	<u>\$ 159,837</u>	<u>\$ 1,125,296</u>	<u>\$ 1,590,605</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, 2017

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

Net change in fund balances - total governmental funds: \$ 1,020,723

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.

This is the amount by which capital outlays, \$408,228 were exceeded by depreciation, \$487,114 in the current period. (78,886)

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. (239,420)

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.

Amortization of premiums on bonds issued	14,275
Amortization of deferred charge on bond refunding	(16,749)
Principal repayments	402,411
Accrued interest payable, net change	3,898

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. (145,220)

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. (36,153)

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 (\$30,549) less the amount charged to business-type activities (\$9,106) is the amount of the internal service fund charged to governmental activities. 21,443

Change in net position - governmental activities \$ 946,322

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, 2017

Business-Type Activities - Enterprise Funds

	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,194,187	\$ 390,892	\$ 441,888	\$ 24,250	\$ 6,383
Investments	-	113,497	-	-	-
Restricted cash - customer deposits	1,150	181,825	186,743	-	-
Receivables, net	241,376	234,777	339,776	192,382	2,214
Prepaid bond insurance costs, net of accumulated amortization	71,996	-	37,340	100,610	-
Total current assets	1,508,709	920,991	1,005,747	317,242	8,597
Noncurrent assets:					
Capital assets:					
Land	305,267	49,778	54,680	-	454,449
Vehicles	1,309,539	156,018	156,464	42,186	16,345
Buildings	10,194	84,076	59,130	5,711	282,310
Furniture and equipment	2,609,775	233,394	214,734	171,063	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	(3,321,820)	(2,437,840)	(9,356,074)	(2,144,401)	(811,859)
Total noncurrent assets	7,353,045	645,799	6,075,768	11,078,180	801,135
Total assets	8,861,754	1,566,790	7,081,515	11,395,422	809,732
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions	30,267	16,284	12,737	4,236	8,282
Pension deficient earnings	83,824	45,100	35,277	11,732	22,938
Pension assumption changes	4,345	2,338	1,828	608	1,189
Total deferred outflows of resources	118,436	63,722	49,842	16,576	32,409
LIABILITIES					
Current liabilities:					
Accounts payable	101,316	242,015	35,527	24,099	17,029
Accrued interest	17,351	-	8,988	23,954	104
Due to other funds	-	-	-	-	-
Due to other governments	16,890	6,569	-	-	1,235
Unearned revenues	40,000	-	-	-	-
Customer deposits	1,150	181,825	186,743	-	-
Compensated absences - current	1,700	1,000	500	200	300
Long-term debt obligations - current	410,739	8,183	195,967	488,000	33,860
Total current liabilities	589,146	439,592	427,725	536,253	52,528
Noncurrent liabilities:					
Accrued compensated absences	15,360	9,277	4,999	1,619	2,932
Net pension liability	180,664	97,203	76,031	25,285	49,437
Landfill closure and post-closure costs	2,217,880	-	-	-	-
Long-term debt obligations	5,803,502	-	3,450,315	9,290,288	66,116
Total noncurrent liabilities	8,217,406	106,480	3,531,345	9,317,192	118,485
Total liabilities	8,806,552	546,072	3,959,070	9,853,445	171,013
DEFERRED INFLOWS OF RESOURCES					
Pension economic/demographic gains	25,294	13,609	10,645	3,540	6,921
NET POSITION					
Net investment in capital assets	1,193,449	637,616	2,457,838	1,376,548	701,055
Unrestricted (deficit)	(1,045,105)	433,215	703,804	178,465	(36,848)
Total net position	\$ 148,344	\$ 1,070,831	\$ 3,161,642	\$ 1,555,013	\$ 664,207

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	
\$	2,057,600	\$	-
	113,497		-
	369,718		-
	1,010,525		-
	209,946		-
	<u>3,761,286</u>		<u>-</u>
	864,174		-
	1,680,552		-
	441,421		-
	3,697,854		-
	35,645,036		-
	1,696,884		-
	(18,071,994)		-
	<u>25,953,927</u>		<u>-</u>
	<u>29,715,213</u>		<u>-</u>
	71,806		-
	198,871		-
	10,308		-
	<u>280,985</u>		<u>-</u>
	419,986	33,843	
	50,397	-	
	-	25,261	
	24,694	-	
	40,000	-	
	369,718	-	
	3,700	-	
	1,136,749	-	
	<u>2,045,244</u>	<u>59,104</u>	
	34,187	-	
	428,620	-	
	2,217,880	-	
	18,610,221	-	
	<u>21,290,908</u>	<u>-</u>	
	<u>23,336,152</u>	<u>59,104</u>	
	<u>60,009</u>	<u>-</u>	
	6,366,506	-	
	233,531	(59,104)	
	6,600,037	<u>\$ (59,104)</u>	
	<u>893</u>		
\$	<u>6,600,930</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, 2017

	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	\$ 2,461,258	\$ 3,510,189	\$ 2,934,619	\$ 1,705,767	\$ 240,453
Lease and other income	44,330	93,546	63,550	30,534	3,218
Total operating revenues	<u>2,505,588</u>	<u>3,603,735</u>	<u>2,998,169</u>	<u>1,736,301</u>	<u>243,671</u>
OPERATING EXPENSES:					
Personnel costs	921,014	487,500	385,758	131,220	260,175
Departmental operations	846,760	701,443	874,061	626,841	208,374
Depreciation	359,133	85,994	232,132	370,413	50,629
Landfill closure costs	498,663	-	-	-	-
Gas purchase for re-sale	-	1,269,872	-	-	-
Insurance claims and premiums	-	-	-	-	-
Total operating expenses	<u>2,625,570</u>	<u>2,544,809</u>	<u>1,491,951</u>	<u>1,128,474</u>	<u>519,178</u>
OPERATING INCOME (LOSS)	<u>(119,982)</u>	<u>1,058,926</u>	<u>1,506,218</u>	<u>607,827</u>	<u>(275,507)</u>
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	1,092	-	-	-	-
Investment earnings	-	113	-	-	-
Interest and fiscal charges	(219,627)	(375)	(108,974)	(293,604)	(4,279)
Total nonoperating revenues (expenses)	<u>(218,535)</u>	<u>(262)</u>	<u>(108,974)</u>	<u>(293,604)</u>	<u>(4,279)</u>
INCOME (LOSS) BEFORE TRANSFERS	(338,517)	1,058,664	1,397,244	314,223	(279,786)
TRANSFERS, net	<u>235,207</u>	<u>(964,605)</u>	<u>(1,179,310)</u>	<u>(394,759)</u>	<u>520,100</u>
CHANGE IN NET POSTION	(103,310)	94,059	217,934	(80,536)	240,314
NET POSITION - BEGINNING (DEFICIT)	<u>251,654</u>	<u>976,772</u>	<u>2,943,708</u>	<u>1,635,549</u>	<u>423,893</u>
NET POSITION - ENDING (DEFICIT)	<u>\$ 148,344</u>	<u>\$ 1,070,831</u>	<u>\$ 3,161,642</u>	<u>\$ 1,555,013</u>	<u>\$ 664,207</u>
Change in Net Position	<u>\$ (103,310)</u>	<u>\$ 94,059</u>	<u>\$ 217,934</u>	<u>\$ (80,536)</u>	<u>\$ 240,314</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
\$ 10,852,286	\$ 1,003,492
235,178	-
11,087,464	1,003,492
2,185,667	-
3,257,479	-
1,098,301	-
498,663	-
1,269,872	-
-	972,943
8,309,982	972,943
2,777,482	30,549
1,092	-
113	-
(626,859)	-
(625,654)	-
2,151,828	30,549
(1,783,367)	-
368,461	30,549
6,231,576	(89,653)
\$ 6,600,037	\$ (59,104)
\$ 368,461	
9,106	
\$ 377,567	

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, 2017**

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	\$ 2,523,526	\$ 3,598,064	\$ 3,007,423	\$ 1,727,640	\$ 243,671
Receipts for internal service charges	-	-	-	-	-
Payments to employees for salaries and benefits	(786,848)	(418,320)	(326,502)	(109,318)	(223,461)
Payments to suppliers and service providers	(785,554)	(1,825,444)	(859,762)	(605,476)	(199,422)
Payments for interfund services used	(110,781)	(57,651)	(48,043)	(14,695)	(31,087)
Net cash provided (used) by operating activities	<u>840,343</u>	<u>1,296,649</u>	<u>1,773,116</u>	<u>998,151</u>	<u>(210,299)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	235,207	(964,605)	(1,179,310)	(394,759)	520,100
Changes in interfund receivables/payables	660,000	70,000	340,000	270,000	(270,000)
Operating grants	1,092	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>896,299</u>	<u>(894,605)</u>	<u>(839,310)</u>	<u>(124,759)</u>	<u>250,100</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital debt	(397,702)	(13,371)	(192,042)	(476,198)	(32,615)
Interest paid on capital debt	(232,645)	(393)	(119,713)	(318,174)	(4,417)
Acquisition or construction of capital assets	(121,640)	-	(116,637)	(80,247)	-
Net cash used for capital and related financing activities	<u>(751,987)</u>	<u>(13,764)</u>	<u>(428,392)</u>	<u>(874,619)</u>	<u>(37,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	113	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>113</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE / (DECREASE) IN CASH	984,655	388,393	505,414	(1,227)	2,769
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>210,682</u>	<u>297,821</u>	<u>123,217</u>	<u>25,477</u>	<u>3,614</u>
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	<u>\$ 1,195,337</u>	<u>\$ 686,214</u>	<u>\$ 628,631</u>	<u>\$ 24,250</u>	<u>\$ 6,383</u>

		Governmental Activities	
Total Enterprise Funds		Internal Service	
\$	11,100,324	\$	-
	-		1,003,492
	(1,864,449)		-
	(4,275,658)		(962,330)
	(262,257)		-
	<u>4,697,960</u>		<u>41,162</u>
	(1,783,367)		-
	1,070,000		(44,739)
	1,092		-
	<u>(712,275)</u>		<u>(44,739)</u>
	(1,111,928)		-
	(675,342)		-
	(318,524)		-
	<u>(2,105,794)</u>		<u>-</u>
	113		-
	113		-
	1,880,004		(3,577)
	<u>660,811</u>		<u>3,577</u>
\$	<u>2,540,815</u>	\$	<u>-</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, 2017**

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)	\$ (119,982)	\$ 1,058,926	\$ 1,506,218	\$ 607,827	\$ (275,507)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	359,133	85,994	232,132	370,413	50,629
Change in landfill closure cost liability	498,663	-	-	-	-
Change in allowance for doubtful accounts	(2,721)	-	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	20,659	(8,850)	18,131	(8,661)	-
(Increase) decrease in deferred outflows of pension	40,191	17,429	15,793	(2,082)	9,654
Increase (decrease) in accounts payable	61,206	145,871	14,299	21,365	8,952
Increase (decrease) in accrued expenses	(775)	(3,146)	597	747	(1,521)
Increase (decrease) in pension liability	(20,452)	(5,685)	(7,185)	6,909	(3,892)
Increase (decrease) in customer deposits	-	3,179	(8,877)	-	-
Increase (decrease) in deferred inflows of pension	4,421	2,931	2,008	1,633	1,386
Net cash provided (used) by operating activities	<u>\$ 840,343</u>	<u>\$ 1,296,649</u>	<u>\$ 1,773,116</u>	<u>\$ 998,151</u>	<u>\$ (210,299)</u>

SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:

Amortization of prepaid debt insurance costs	\$ 5,060	\$ -	\$ 2,469	\$ 6,655	\$ -
Amortization of deferred bond premiums	(12,674)	-	(10,500)	(24,035)	-
Nocash acquisition of capital assets	40,000	-	-	-	-
	<u>\$ 32,386</u>	<u>\$ -</u>	<u>\$ (8,031)</u>	<u>\$ (17,380)</u>	<u>\$ -</u>

<u>Total Enterprise Funds</u>	<u>Governmental Activities</u>
	<u>Internal Service</u>
\$ 2,777,482	\$ 30,549
1,098,301	-
498,663	-
(2,721)	-
21,279	-
80,985	-
251,693	10,613
(4,098)	-
(30,305)	-
(5,698)	-
12,379	-
<u>\$ 4,697,960</u>	<u>\$ 41,162</u>
\$ 14,184	\$ -
(47,209)	-
<u>40,000</u>	<u>-</u>
<u>\$ 6,975</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, 2017

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, 2017 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, 2017

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, 2017

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, 2017

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, 2017

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. As of September 30, 2017, the allowance for estimated uncollectible delinquent taxes was \$20,255 and the allowance for estimated uncollectible municipal court fees and fines was \$2,596,523.

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, 2017

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, 2017

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, 2017

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, 2017

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 Non-operating 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:

<u>Violation</u>	<u>Action Taken</u>
Expenditures exceeded the budget in various functional areas in the General Fund	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, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2017:

Cash and deposit balances consist of:

Petty cash funds	\$	1,839
Bank deposits		4,100,192
Total	\$	4,102,031

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

Government-wide Statement of Net Position:

Unrestricted	\$	3,559,068
Restricted for customer deposits		369,718
Component unit - unrestricted		173,245
Total	\$	4,102,031

Custodial credit risk – 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, 2017 the City’s deposits (cash, interest bearing accounts and certificates of deposit) with financial institutions was \$4,100,192 and the bank balance was \$3,971,628. Of the bank balance, \$281,927 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$3,689,701 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, 2017:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Certificates of deposit		
Business-Type activities (interest rates at .60%)	\$ 113,497	
Total fair value	\$ 113,497	
Portfolio weighted average maturity		365

Custodial credit risk – investments. 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, 2017 the carrying amount of the City’s investments (certificates of deposit) with financial institutions was \$113,497 and the bank balance was \$113,497. Of the bank balance, \$ - was insured by the Federal Depository Insurance Corporation (FDIC) and the remaining \$113,497 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, 2017

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, 2017, 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, 2017

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 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
Construction in progress	-	23,183	-	-	23,183
Total capital assets not being depreciated	<u>157,032</u>	<u>23,183</u>	<u>-</u>	<u>-</u>	<u>180,215</u>
Capital assets being depreciated:					
Buildings	6,019,444	54,952	-	-	6,074,396
Vehicles	3,251,725	47,738	(77,762)	-	3,221,701
Furniture and equipment	2,966,287	282,355	(141,806)	-	3,106,836
Infrastructure	503,870	-	-	-	503,870
Total capital assets being depreciated	<u>12,741,326</u>	<u>385,045</u>	<u>(219,568)</u>	<u>-</u>	<u>12,906,803</u>
Less accumulated depreciating for:					
Buildings	(2,602,123)	(240,819)	-	-	(2,842,942)
Vehicles	(2,303,279)	(98,972)	77,762	-	(2,324,489)
Furniture and equipment	(2,970,075)	(140,835)	141,806	-	(2,969,104)
Infrastructure	(403,649)	(6,488)	-	-	(410,137)
Total accumulated depreciation	<u>(8,279,126)</u>	<u>(487,114)</u>	<u>219,568</u>	<u>-</u>	<u>(8,546,672)</u>
Total capital assets being depreciated, net	<u>4,462,200</u>	<u>(102,069)</u>	<u>-</u>	<u>-</u>	<u>4,360,131</u>
Governmental activities capital assets, net	<u>\$ 4,619,232</u>	<u>\$ (78,886)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,540,346</u>

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

Governmental activities:	
Administration	\$ 41,743
Police	209,346
Streets	46,769
Parks	<u>189,256</u>
Total depreciation expense-governmental activities	<u>\$ 487,114</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	61,887	(250,599)	-	1,680,552
Furniture and equipment	3,443,613	296,637	(42,396)	-	3,697,854
Infrastructure	35,645,036	-	-	-	35,645,036
Water rights	1,696,884	-	-	-	1,696,884
Total capital assets being depreciated	<u>43,096,218</u>	<u>358,524</u>	<u>(292,995)</u>	<u>-</u>	<u>43,161,747</u>
Less accumulated depreciation for:					
Buildings	(201,244)	(10,269)	-	-	(211,513)
Vehicles	(1,677,936)	(84,412)	250,599	-	(1,511,749)
Furniture and equipment	(2,256,336)	(241,439)	42,396	-	(2,455,379)
Infrastructure	(12,114,921)	(719,759)	-	-	(12,834,680)
Water rights	(1,016,251)	(42,422)	-	-	(1,058,673)
Total accumulated depreciation	<u>(17,266,688)</u>	<u>(1,098,301)</u>	<u>292,995</u>	<u>-</u>	<u>(18,071,994)</u>
Total capital assets being depreciated, net	<u>25,829,530</u>	<u>(739,777)</u>	<u>-</u>	<u>-</u>	<u>25,089,753</u>
Business-type activities capital assets, net	<u>\$ 26,693,704</u>	<u>\$ (739,777)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,953,927</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	\$ 359,133
Gas utility	85,994
Water utility	232,132
Sewer utility	370,413
Pheasant Trails Golf Course	<u>50,629</u>
Total depreciation expense-business-type activities	<u>\$ 1,098,301</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – CAPITAL ASSETS – Continuation

Component Unit:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets not being depreciated:					
Land	\$ 614,058	\$ -	\$ -	\$ -	\$ 614,058
Total capital assets not being depreciated	<u>614,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>614,058</u>
Capital assets being depreciated:					
Buildings	\$ 3,919,844	\$ 22,688	\$ -	\$ -	\$ 3,942,532
Furniture and equipment	20,952	-	(6,301)	-	14,651
Infrastructure	1,671,940	142,207	-	-	1,814,147
Total capital assets being depreciated	<u>5,612,736</u>	<u>164,895</u>	<u>(6,301)</u>	<u>-</u>	<u>5,771,330</u>
Less accumulated depreciation for:					
Buildings	(364,367)	(100,921)	-	-	(465,288)
Furniture and equipment	(20,952)	-	6,301	-	(14,651)
Infrastructure	(374,689)	(61,699)	-	-	(436,388)
Total accumulated depreciation	<u>(760,008)</u>	<u>(162,620)</u>	<u>6,301</u>	<u>-</u>	<u>(916,327)</u>
Total capital assets being depreciated, net	<u>4,852,728</u>	<u>2,275</u>	<u>-</u>	<u>-</u>	<u>4,855,003</u>
Component unit capital assets, net	<u>\$ 5,466,786</u>	<u>\$ 2,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,469,061</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	\$ 25,261	\$ -
Internal Service Fund	<u>-</u>	<u>25,261</u>
	<u>\$ 25,261</u>	<u>\$ 25,261</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, 2017

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

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 3,165,414	\$ 664,098
Debt Service Fund	-	747,949
Special Revenue Funds:		
Park improvements	30,000	-
Waste Management	470,774	235,567
Gas Utility	35,999	1,000,604
Water Utility	108,029	1,287,339
Waste Water Utility	277,143	671,902
Pheasant Trails Golf Course	520,100	-
	<u>\$ 4,607,459</u>	<u>\$ 4,607,459</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%.

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.

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – LONG-TERM DEBT – Continuation

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%.

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%.

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, 2017 the outstanding balance on the 2013 Obligations was \$4,640,000.

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 2014 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, 2017 the outstanding balance on the 2014 Obligations was \$4,150,000.

Changes in long-term obligations for the year ended September 30, 2017, 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	\$ 195,000	\$ -	\$ (95,000)	\$ 100,000	\$ 100,000
2015 General Obligation					
Refunding Bonds	2,330,000	-	(20,000)	2,310,000	20,000
Unamortized Bond Premium	236,700	-	(14,275)	222,425	-
Capital Leases	745,293	-	(287,411)	457,882	190,545
Compensated Absences	130,605	220,038	(183,885)	166,758	16,700
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 3,637,598</u>	<u>\$ 220,038</u>	<u>\$ (600,571)</u>	<u>\$ 3,257,065</u>	<u>\$ 327,245</u>

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	\$ 4,000,000	\$ -	\$ (285,000)	\$ 3,715,000	\$ 295,000
2012 Certificates of Obligation	7,135,000	-	(360,000)	6,775,000	370,000
2013 Certificates of Obligation	4,640,000	-	(215,000)	4,425,000	220,000
2014 Certificates of Obligation	4,150,000	-	(180,000)	3,970,000	185,000
Unamortized Bond Premiums	763,922	-	(47,209)	716,713	-
Capital Leases	217,185	-	(71,928)	145,257	66,749
Compensated Absences	41,985	72,376	(76,474)	37,887	3,700
	<u>41,985</u>	<u>72,376</u>	<u>(76,474)</u>	<u>37,887</u>	<u>3,700</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 20,948,092</u>	<u>\$ 72,376</u>	<u>\$ (1,235,611)</u>	<u>\$ 19,784,857</u>	<u>\$ 1,140,449</u>
Component Unit:					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
DEDC					
Notes payable	<u>\$ 3,080,330</u>	<u>\$ -</u>	<u>\$ (131,034)</u>	<u>\$ 2,949,296</u>	<u>\$ 134,997</u>
Total Component Unit Long-Term Liabilities	<u>\$ 3,080,330</u>	<u>\$ -</u>	<u>\$ (131,034)</u>	<u>\$ 2,949,296</u>	<u>\$ 134,997</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, 2017

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2017, are as follows:

Governmental Activities:

Years Ending September 30	Total	Certificates of Obligation Series 2008		General Obligation Refunding Bonds, Series 2015	
		Principal	Interest	Principal	Interest
2018	\$ 205,763	\$ 100,000	\$ 4,750	\$ 20,000	\$ 81,013
2019	200,613	-	-	120,000	80,613
2020	203,213	-	-	125,000	78,213
2021	200,713	-	-	125,000	75,713
2022	201,963	-	-	130,000	71,963
2023-2027	1,019,639	-	-	725,000	294,639
2028-2032	1,016,400	-	-	870,000	146,400
2033-2037	202,800	-	-	195,000	7,800
Total	\$ 3,251,104	\$ 100,000	\$ 4,750	\$ 2,310,000	\$ 836,354

The City paid interest expense of \$114,548 for debt serviced by Governmental Activities during the year ended September 30, 2017

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2017, are as follows:

Business-Type Activities

Years Ending September 30	Total	Certificates of Obligation Series 2011		Certificates of Obligation Series 2012	
		Principal	Interest	Principal	Interest
2018	\$ 1,716,306	\$ 295,000	\$ 142,650	\$ 370,000	\$ 208,456
2019	1,706,031	300,000	133,800	375,000	200,131
2020	1,705,394	310,000	124,800	385,000	191,694
2021	1,708,944	325,000	112,400	395,000	182,069
2022	1,581,419	205,000	99,400	405,000	172,194
2023-2027	7,926,256	1,170,000	366,000	2,215,000	676,106
2028-2032	7,456,744	1,110,000	101,600	2,630,000	218,544
2033-2037	1,020,576	-	-	-	-
Total	\$ 24,821,670	\$ 3,715,000	\$ 1,080,650	\$ 6,775,000	\$ 1,849,194

Certificates of Obligation Series 2013		Certificates of Obligation Series 2014	
Principal	Interest	Principal	Interest
\$ 220,000	\$ 156,525	\$ 185,000	\$ 138,675
220,000	152,125	190,000	134,975
225,000	147,725	190,000	131,175
230,000	142,100	195,000	127,375
240,000	136,350	200,000	123,475
1,325,000	553,550	1,095,000	525,600
1,605,000	228,000	1,310,000	253,600
360,000	14,400	605,000	41,176
\$ 4,425,000	\$ 1,530,775	\$ 3,970,000	\$ 1,476,051

The City paid interest expense of \$675,341 for debt serviced by Business-Type Activities during the year ended September 30, 2017

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2017, are as follows:

Component Unit:

Years Ending September 30	Total	Notes Payable	
		Principal	Interest
2018	\$ 227,216	\$ 134,997	\$ 92,219
2019	227,216	139,372	87,844
2020	227,216	143,656	83,560
2021	227,216	148,544	78,672
2022	227,216	153,359	73,857
2023-2027	1,136,080	844,451	291,629
2028-2032	1,136,080	990,470	145,610
2033-2037	406,338	394,447	11,891
Total	\$ 3,814,578	\$ 2,949,296	\$ 865,282

The DEDC paid interest expense of \$96,181 for debt serviced by the component units during the year ended September 30, 2017

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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%. The following summarizes the City’s obligations under capital leases:

Year Ending September 30, 2017	Governmental Activities	Business-Type Activities
2018	\$ 203,664	\$ 70,659
2019	123,724	80,268
2020	103,012	-
2021	51,506	-
Total	481,906	150,927
Less amounts representing interest	24,024	5,670
	<u>\$ 457,882</u>	<u>\$ 145,257</u>
The following summarized the assets acquired under capital lease:		
Equipment	\$ 765,310	\$ 685,459
Accumulated Depreciation	404,108	423,247
Net Leased Equipment	<u>\$ 361,202</u>	<u>\$ 262,212</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 2017, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its 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, 2017

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 December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	94
Active employees	115

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 6.22% for the months of the accounting year in 2016 and 6.11% for the months of the accounting year in 2017. The contribution rate payable by the employee members is 5.0% for fiscal year 2017 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, 2016, 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, 2016 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, 2017

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, 2016 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, 2017

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):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2015	\$ 16,428,759	\$ 14,854,065	\$ 1,574,694
Changes for the year:			
Service cost	545,420	-	545,420
Interest on total pension liability	1,099,070	-	1,099,070
Difference between expected and actual experience	(123,823)	-	(123,823)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(837,911)	(837,911)	-
Contributions - employer	-	345,117	(345,117)
Contributions - employee	-	277,426	(277,426)
Net investment income	-	1,003,389	(1,003,389)
Administrative expenses	-	(11,337)	11,337
Other	-	(611)	611
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2016	<u>\$ 17,111,515</u>	<u>\$ 15,630,138</u>	<u>\$ 1,481,377</u>
Plan fiduciary net position as a percentage of the total pension liability:			91.34%
Covered employee payroll:			\$ 5,548,523
Net pension liability as a percentage of covered employee payroll:			26.70%

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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)	\$ 3,867,605	\$ 1,481,377	\$ (473,535)

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, 2016 to December 31, 2016
Total service cost	\$ 545,420
Interest on total pension liability	1,099,070
Employee contributions (reduction of expenses)	(277,426)
Projected earnings on plan investments (reduction of expenses)	(1,002,649)
Administrative expenses	11,337
Other changes in fiduciary net position	611
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(28,531)
Recognition of current year deferred (inflows)/outflows of resources - assets	(148)
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(35,966)
Amortization of prior year deferred (inflows)/outflows of resources - assets	241,529
Total pension expense	\$ 553,247

Continued

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation

Deferred Inflows / Outflows of Resources:

As of December 31, 2016, 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	4.3400	\$ (287,255)	\$ (79,853)	\$ (207,402)
Differences in assumption changes	3.3200	\$ 50,982	15,356	35,626
Due to Assets:				
Difference in projected and actual earnings	5.0000	\$ 928,707	\$ 241,381	<u>\$ 687,326</u>
Net Deferred Outflows (Inflows) of Resources				<u><u>\$ 515,550</u></u>

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

Year ended December 31:	
2017	\$ 176,884
2018	182,024
2019	166,489
2020	(9,847)
2021	-
Thereafter	<u>-</u>
Total	<u><u>\$ 515,550</u></u>

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 \$2,217,880 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, 2017. 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, 2017 was \$498,663, which is based on accumulated usage of landfill area. It is estimated that an additional \$2,765,894 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, 2017, the City has used approximately 1.89% of the available landfill capacity for the permit MSW 2279, and 35.55% 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 2017. The City expects to close MSW 2279 in the year 2130, and MSW 2285 in the year 2020. 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, 2017	\$ 23,863	\$ 972,943	\$ (962,248)	\$ 34,558

CITY OF DUMAS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 – COMPONENT UNIT TRANSACTIONS

DEDC Projects:

Economic Development Project expenses are as follows:

2017 Alimentos Integrados, LLC	\$	20,000
2017 Evelyn Theatre		37,500
2017 Fast Care Clinic		11,500
2017 Panhandle Repair Service		10,000
2017 Twig's Auto Upholstery		1,400
2017 Hogg's BBQ		3,000
2017 Dumas Discovery Center		1,649
2017 Safe Place		1,694
2017 CareNet Pregnancy Center		2,000
2017 Cecy's Daycare		12,100
2017 Cowboy Classic Rodeo Association		2,575
2017 Moore County Health Foundation		1,000
2017 YMCA		8,861
2017 Moore County Resource Center		1,360
2017 Other Projects / Sponsorships		<u>10,191</u>
 Total Economic Development Projects	 \$	 <u><u>124,830</u></u>

DEDC Commitments:

During the fiscal year ended September 30, 2017, the Dumas Economic Development Corporation committed funding in an amount not to exceed \$30,000 to Alimentos Integrados, LLC for renovation of a restaurant location at 1700 S. Dumas Ave. As of September 30, 2017, the remaining commitment is \$10,000.

During the fiscal year ended September 30, 2017, the Dumas Economic Development Corporation committed an amount not to exceed \$90,000 to the Evelyn Theatre. \$15,000 of the committed funds is to provide approved improvements to the exterior of the project site, the remaining \$75,000 of the committed funds are to provide approved improvements, equipment, and products for the interior of the project site. As of September 30, 2017, the remaining commitment is \$52,500.

During the fiscal year ended September 30, 2017, the Dumas Economic Development Corporation committed funding in an amount not to exceed \$23,000 to Dr. Purl's Fast Care Clinic for creation and renovation of a medical care facility location at 1420 S. Dumas Ave. The commitment is to be paid out in four (4) monthly installments of \$5,750 each. As of September 30, 2017, the remaining commitment is \$11,500.

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 724,000	\$ 724,000	\$ 743,751	\$ 19,751
Sales	2,520,000	2,520,000	2,577,546	57,546
Franchise	300,000	300,000	269,361	(30,639)
Mixed beverage	17,000	17,000	12,642	(4,358)
Licenses and fees	123,589	123,589	154,152	30,563
Fines and forfeitures	413,800	413,800	378,469	(35,331)
Intergovernmental	8,400	8,400	6,190	(2,210)
Interest earnings	1,000	1,000	2,190	1,190
Miscellaneous	51,020	51,020	303,745	252,725
	<u>4,158,809</u>	<u>4,158,809</u>	<u>4,448,046</u>	<u>289,237</u>
Total revenues				
EXPENDITURES				
Current:				
City commission	46,204	46,204	7,800	38,404
Administration	826,954	826,954	238,333	588,621
Information systems	122,838	122,838	23,264	99,574
Warehouse	334,696	335,723	66,130	269,593
Engineering	146,192	146,192	22,065	124,127
Purchasing	33,166	33,166	6,463	26,703
Communications	127,944	127,944	16,562	111,382
Fire	1,313,981	1,313,981	1,364,865	(50,884)
Police	2,553,093	2,558,093	2,306,447	251,646
Streets	724,429	725,456	696,973	28,483
Parks	526,204	527,231	549,256	(22,025)
Debt Service:				
Principal	251,740	251,740	287,411	(35,671)
Interest and other charges	15,377	15,377	23,873	(8,496)
Capital outlay	338,380	531,872	408,228	123,644
	<u>7,361,198</u>	<u>7,562,771</u>	<u>6,017,670</u>	<u>1,545,101</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(3,202,389)</u>	<u>(3,403,962)</u>	<u>(1,569,624)</u>	<u>1,834,338</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	500	500	22,330	21,830
Transfers in	458,000	458,000	3,165,414	2,707,414
Transfers out	(238,128)	(238,128)	(664,098)	(425,970)
	<u>220,372</u>	<u>220,372</u>	<u>2,523,646</u>	<u>2,303,274</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	(2,982,017)	(3,183,590)	954,022	4,137,612
FUND BALANCES - BEGINNING (DEFICIT)	<u>(648,550)</u>	<u>(648,550)</u>	<u>(648,550)</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (3,630,567)</u>	<u>\$ (3,832,140)</u>	<u>\$ 305,472</u>	<u>\$ 4,137,612</u>

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

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 545,420	\$ 528,412	\$ 471,299
Interest on total pension liability	1,099,070	1,089,367	1,034,728
Changes of benefit terms	-	-	N/A
Difference between expected and actual experience	(123,823)	(197,149)	(23,291)
Changes of assumptions	-	66,338.00	N/A
Benefit payments/refunds of contributions	(837,911)	(712,789)	(748,682)
Net change in total pension liability	682,756	774,179	734,054
Total pension liability, beginning	16,428,759	15,654,580	14,920,526
Total pension liability, ending (a)	<u>\$ 17,111,515</u>	<u>\$ 16,428,759</u>	<u>\$ 15,654,580</u>
Fiduciary Net Position:			
Employer contributions	\$ 345,117	\$ 340,926	\$ 300,942
Employee contributions	277,426	270,149	258,987
Net investment income	1,003,389	22,057	819,488
Benefit payments/refunds of contributions	(837,911)	(712,789)	(748,682)
Administrative expenses	(11,337)	(13,435)	(8,557)
Other	(611)	(663)	(703)
Net change in fiduciary net position	776,073	(93,755)	621,475
Fiduciary net position, beginning	14,854,065	14,947,820	14,326,345
Fiduciary net position, ending (b)	<u>\$ 15,630,138</u>	<u>\$ 14,854,065</u>	<u>\$ 14,947,820</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,481,377</u>	<u>\$ 1,574,694</u>	<u>\$ 706,760</u>
Fiduciary net position as a % of total pension liability	91.34%	90.42%	95.49%
Pensionable covered payroll	\$ 5,548,523	\$ 5,402,983	\$ 5,179,743
Net pension liability as a % of covered payroll	26.70%	29.14%	13.64%

CITY OF DUMAS, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 338,406	\$ 338,406	\$ -	\$ 5,363,015	6.3%
2016	338,059	338,059	-	5,382,831	6.3%
2017	340,393	340,393	-	5,544,715	6.1%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 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:

Notes 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, 2017**

	<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	\$ 72,983	\$ 118,264	\$ 5,332	\$ 2,216	\$ 116,520	\$ 756,790	\$ 1,098,183
Accounts receivable, net	-	-	-	-	-	-	203,458	203,458
Total assets	<u>\$ 26,078</u>	<u>\$ 72,983</u>	<u>\$ 118,264</u>	<u>\$ 5,332</u>	<u>\$ 2,216</u>	<u>\$ 116,520</u>	<u>\$ 960,248</u>	<u>\$ 1,301,641</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 606	\$ -	\$ 175,739	\$ 176,345
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606</u>	<u>-</u>	<u>175,739</u>	<u>176,345</u>
FUND BALANCES								
Restricted:								
By enabling legislation for special projects	-	-	118,264	5,332	-	116,520	784,509	1,024,625
Special projects	26,078	-	-	-	1,610	-	-	27,688
Committed:								
Special projects	-	72,983	-	-	-	-	-	72,983
Total fund balances	<u>26,078</u>	<u>72,983</u>	<u>118,264</u>	<u>5,332</u>	<u>1,610</u>	<u>116,520</u>	<u>784,509</u>	<u>1,125,296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,078</u>	<u>\$ 72,983</u>	<u>\$ 118,264</u>	<u>\$ 5,332</u>	<u>\$ 2,216</u>	<u>\$ 116,520</u>	<u>\$ 960,248</u>	<u>\$ 1,301,641</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, 2017

	<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>	
REVENUES							
Taxes:							
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 606,980
Fines and forfeitures	-	-	5,607	-	-	8,809	-
Intergovernmental	-	-	-	-	2,151	-	-
Investment earnings	-	-	-	1	-	-	-
Miscellaneous	-	-	-	1,925	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	5,607	1,926	2,151	8,809	606,980
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES							
Current:							
Police	-	-	-	2,039	2,651	-	-
Recreation and culture	-	-	-	-	-	-	513,898
Parks	-	22,613	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	22,613	-	2,039	2,651	-	513,898
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(22,613)	5,607	(113)	(500)	8,809	93,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES							
Transfers in	-	30,000	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	-	30,000	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	-	7,387	5,607	(113)	(500)	8,809	93,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	26,078	65,596	112,657	5,445	2,110	107,711	691,427
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 26,078	\$ 72,983	\$ 118,264	\$ 5,332	\$ 1,610	\$ 116,520	\$ 784,509
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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2018.

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

February 16, 2018