

CITY OF DUMAS, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

INTRODUCTORY SECTION

CITY OF DUMAS, TEXAS

September 30, 2012

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January 30, 2013

Honorable Mayor, City Commission and Citizens of Dumas, Texas:

We are pleased to submit the Annual Financial Report of the City of Dumas, Texas for the fiscal year ended September 30, 2012. The purpose of the Annual Financial Report is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects.

This report was prepared by the Finance Department with the assistance of various other City departments. City management assumes full responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. Davis Kinard & Co. PC, certified public accountants, have issued an unqualified opinion on the City's Annual Financial Report for the year ended September 30, 2012. As indicated by the opinion of our independent auditors, the report fairly presents the financial position and the results of operations of the City as measured by the financial activity of the City's various funds. The report has been set forth in a manner that will give the reader a broad understanding of the City's financial affairs. It included disclosures necessary for the reader to gain an understanding of the City's financial activities. The independent auditors' report is located at the front of the financial section.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.



Profile of the City of Dumas

The City of Dumas, incorporated in 1930, is a city in Moore County, Texas, United States. Dumas Avenue, the main thoroughfare, is also United States Highways 287 and 87.



The population, according to the 2010 census, is 14,691, which is a 6.8% increase from 2000 of 13,747. (www.city-data.com). It is the county seat of Moore County. Located approximately fifty miles north of Amarillo, the city is named for its founder,

Louis Dumas (1856–1923). In 1891 Mr. Dumas and his associates formed the Moore County Townsite Company and platted the town on a site some five miles south of South Palo Duro Creek. The first building housed the company office, a hotel, a general store, and the city's first post office. In 2009, there were an estimated 340 establishments within the City.

Dumas operates under a council/manager form of government consisting of a mayor and four commissioners. The mayor and commissioners are elected at large for three-year terms. The city manager, appointed by the City Commission, is responsible for the management of all City employees and the administration of all City affairs.

A full range of services are provided by the City of Dumas. These services include public safety (police and fire); community services (culture and recreation); facilities; streets, public improvements; planning, zoning, engineering; public utilities (water, gas, wastewater, solid waste) and general administration of services.

The Annual Financial Report of the City includes all government activities, organizations and functions for which the City is financially accountable. The criteria used to determine financial accountability are based on, and consistent with, the pronouncements of the Governmental Accounting Standards Board which sets criteria for defining the financial reporting entity. The City does not have relationships with any organizations not included in this Annual Financial Report of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered within the context of the City's economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Dumas is the fastest growing city in the Panhandle north of Amarillo. The City serves as the hub for a regional trade area of more than 70,000 people. Retail shoppers come to Dumas from New Mexico, Oklahoma and Kansas on a regular basis. (www.dumasedc.org). Sales tax revenues showed a 2% increase in 2009 when compared

to 2008, and only a 1% increase in 2010 when compared to 2009. However, the sales tax figures rebound with an 8% in 2011 when compared to 2010 and 5% in 2012.

Dumas is in the heart of one of the state's leading grain sorghum producing areas. Moore County also produces large quantities of natural gas, as well as two-thirds of the nation's helium. Several feedlots, grain elevators, beef packers, and fertilizer plants attest to the leadership in agribusiness.

The City's 2010 census was 14,691, increasing 6.8% since 2000 and is the principal industrial and commercial center of Moore County. The economy is based on agriculture and cattle. The Texas Almanac designates cattle, corn, wheat, sorghum, cotton, soybeans and sunflowers as principal sources of agricultural income. Moore County was ranked as Texas' 5th leading producer of corn for 2006 and 7th leading producer of wheat in 2009.

Among the most common occupations in Dumas are Production, transportation, and material moving occupations, 25%. Management, professional and related occupations measured approximately 20% and Sales and office occupations were 18%. Approximately 75% of the workers in Dumas work for companies, 13% work for the government and 7% are self-employed.

The leading industries in Dumas are Manufacturing, 27%; Educational, health and social services, 17%; and Retail trade, 9%.

Dumas, Texas was named a Top 100 Micropolitan city for economic development and corporate real estate projects by Site Selection Magazine in their March 2011 edition. Dumas tied for 74th out of 576 micropolitan areas.

With nearly 300 days of sunshine annually, Dumas is fast becoming the green technology hub of the region. New solar based manufacturers are beginning to take a close look at Dumas for new development projects. Dumas is also the host to several wind farms in all directions around the City. Additional farms are being planned and developers are looking for ways to couple the wind energy with another means, such as solar, to create a more continual source of power. Amarillo Community College Moore County Campus has partnered with the Dumas Economic Development Corporation to provide a new state of the art Renewable Energy Program to train and educate young adults in, not only wind energy, but also biofuels and solar technologies. In 2010, Dumas was selected as Top 5 Community for Wind Energy Business by Expansion solutions Magazine for its proactive measures and positive business climate for new wind energy related businesses. http://www.expansionsolutionsmagazine.com/010awards_windenergy

Since 2010, Dumas has seen the development of several new businesses that include a new Dialysis Center, CVS Pharmacy, family medical practice, expansion of the JBS Beef Processing plant, a new RV Resort, a new restaurant and most recently, a new distribution company, Equipment Supply, Incorporated. Moore county Regional Airport has opened its new 6000 feet runway that accommodates small jet traffic. The community has a new intermediate school, a new overpass, a new aquatic park and the Dumas

Economic Development Corporation has begun construction of a new road and facility within the new 265 acre business park.

Internal Control Framework

Integrated within the business systems of the City are policies and procedures over accounting and financial reporting that make up the internal control framework. The internal control framework provides assurance that the accounting systems and underlying data are reliable. There are certain limitations inherent in the internal control framework. Management may choose to accept certain risks because the cost to prevent all risk is not reasonable. Additionally, while management is responsible for establishing and maintaining effective internal controls, the authority to override controls is retained within management. Although some level of risk within the internal control framework is unavoidable, the City's management maintains an attitude of supporting strong and effective internal controls.

Budgetary Control

Texas state statutes mandate that municipalities operate within the confines of a balanced budget. Annual budgets are adopted for all funds. All unexpended appropriations lapse at the end of the fiscal year. All City departments submit requests for appropriation to the Finance Director each year. The Finance Director uses these requests as the starting point for developing the proposed operating budget and then presents the requests to the City Manager. The City Manager then presents the proposed operating budget to the City Commission for review. The Commission sets hearings for annual budget review, approves the final budget and sets the property tax rates no later than September 30, the close of the City's fiscal year.

Expenditure authority is provided at the department levels. Management may make administrative transfers and increases or decreases between accounts below the department level without Commission approval. However, any transfer of funds between departments, the legal level of control, or higher level shall be presented to Commission for approval before such funds can be transferred between departments or expended.

Acknowledgements

The preparation of the Annual Financial Report could not have been accomplished without the efforts and dedication of the City staff. Sincere appreciation goes out to them for their dedication to the project. Credit is also given to the Mayor, City Commission and the City Manager for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

Dottie Crockett

Finance Director

CITY OF DUMAS, TEXAS

PRINCIPAL OFFICIALS

September 30, 2012

City Commission

Pat Sims - Mayor

David Bonner - Commissioner

Mike Funk - Commissioner

Vernon McDowell - Commissioner

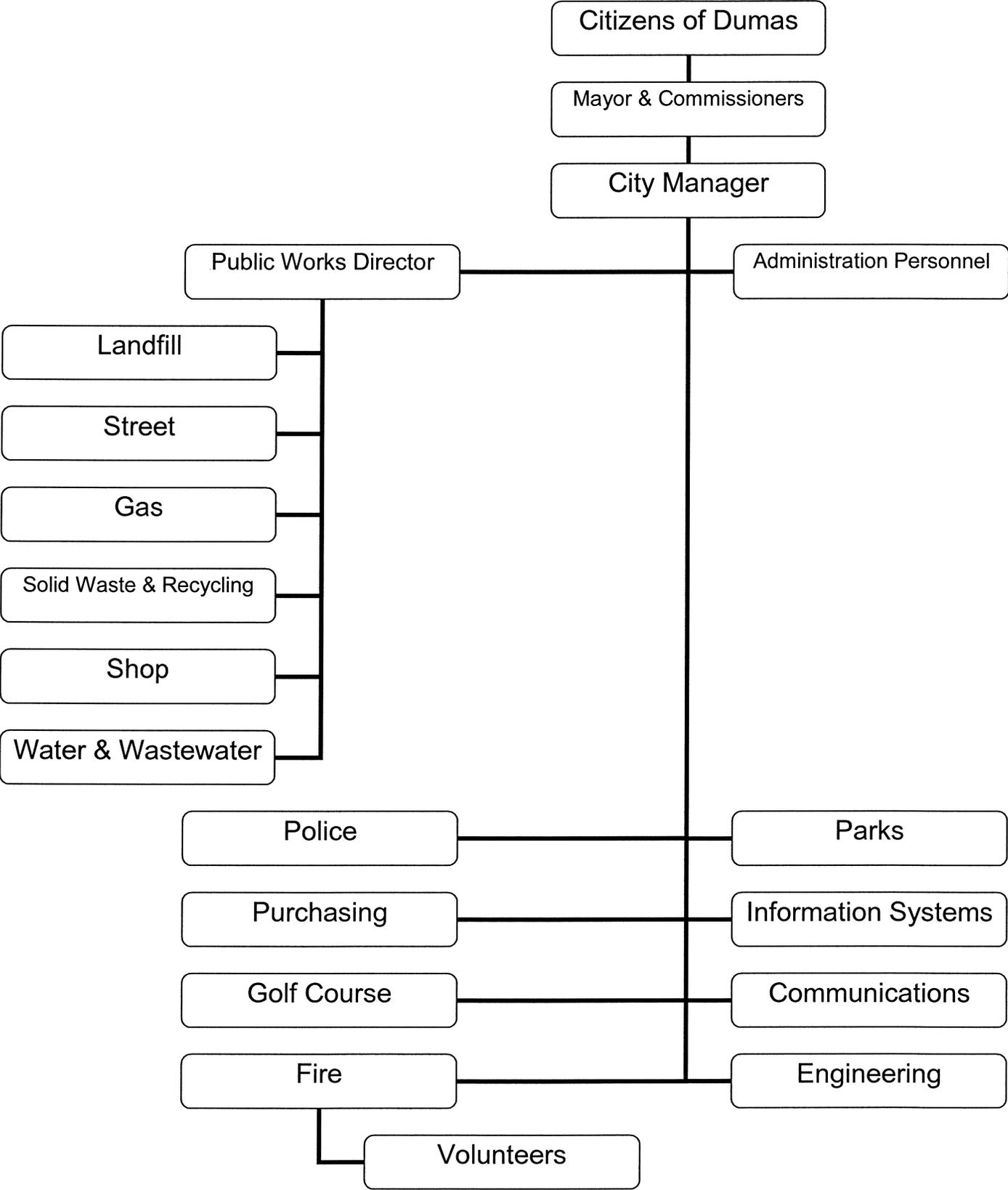
Steve Bodnar - Commissioner

Administrative Officials

Vince DiPiazza - City Manager

Dottie Crockett - Finance Director

City of Dumas Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Dumas, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dumas, Texas (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2013, on our consideration of the City'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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension plan funding progress schedule on pages 3 through 10 and 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dumas, Texas's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Davis Kinard & Co., PC
Certified Public Accountants

Plainview, Texas
January 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF DUMAS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of the City of Dumas, Texas discuss and analyze the City's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with our transmittal letter, the Independent Auditor's Report, and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The City's net assets from governmental activities decreased by \$0.42 million as a result of this year's operations. Net assets of our business-type activities increased by \$0.2 million,

During the year, the City had expenses that were \$9.18 million, more than the \$7.60 million generated in tax and other revenues for governmental programs.

In the City's business-type activities, revenues decreased to \$6.5 million or 8% and expenses decreased to \$5.1 million or just under 3%.

Total cost of all of the City's programs, after charges for services and operating grants, was \$6.3 million. The total cost of Dumas Economic Development Corporation's programs, after charges for services and operating grants was \$0.74 million.

The General Fund ended the year with a fund balance of just under \$1.1 million, which is a decrease over last year's balance of \$1.5 million, as restated.

The resources available for appropriation were \$0.78 million more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations, other financial matters, and financial matters of Dumas Economic Development Corporation. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant

funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City for to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations primary purpose is to show whether the city and Dumas Economic Development Corporation are better or worse as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fines, permits, and utility user charges (program revenues), and revenues provided by the taxpayers or by grant revenues (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the City and Dumas Economic Development Corporation's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, consideration should be given to the non-financial factors as well, such as changes in the City's needs based on population or its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, and culture and recreation. Property taxes, sales taxes, trash collection and utility fund, internal franchise fees, and indirect cost reimbursements finance most of these activities.

- Business-type activities – The City charges a fee to customers for utilities and golf to help cover the cost of services provided and to finance the services in the governmental activities.

REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City’s management establishes many other funds to help control and manage money for particular purposes, like fire and police grants. The City’s two kinds of funds, governmental and proprietary, use different accounting approaches:

- Governmental funds – Most of the City’s basic services are reported in governmental funds. These use modified accrual accounting, a method that measure the receipt and disbursement of cash and all other financial assets that can be readily converted to cash and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City’s general operations and the basic services it provides. We describe the differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users, whether outside customers or other units of the City, in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds, which are one category of proprietary funds, are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service fund, which is the other category of proprietary funds, reports activities that provide supplies and services for the City’s other programs and activities, specifically the City’s self-insurance program.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City implemented GASBS Nos. 34 and 37 in prior years. Our analysis of comparative balances and changes focuses on the net assets (Table I) and changes in net assets (Table II) of the City’s governmental and business-type activities.

Net assets of the City’s governmental activities decreased from \$4.0 million to \$3.6 million. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was (\$0.91) million at September 30, 2012. The decrease in governmental net assets was mainly a result of expenses, including \$0.69 million of depreciation, exceeding revenues by about \$0.42 million.

In 2012, net assets of our business-type activities increased by \$0.20 million.

Table I
City of Dumas, Texas
NET ASSETS
[2011 amounts as restated]
(in thousands)

	Governmental Activities		Business-Type Activities		Total	Total	Total Percentage
	2012	2011	2012	2011	2012	2011	Change
Current and other assets	\$3,079	\$1,513	\$5,956	\$1,224	\$9,035	\$ 2,737	230%
Capital assets	<u>12,419</u>	<u>9,021</u>	<u>8,574</u>	<u>4,454</u>	<u>20,993</u>	<u>\$13,475</u>	56%
Total Assets	15,498	10,534	14,530	5,678	30,028	16,212	85%
Long-term liabilities	10,247	5,142	10,202	2,810	20,449	7,952	157%
Other Liabilities	<u>1,642</u>	<u>1,359</u>	<u>2,030</u>	<u>766</u>	<u>3,672</u>	<u>2,125</u>	73%
Total Liabilities	11,889	6,501	12,232	3,576	24,121	10,077	139%
Net Assets:							
Invested in capital assets,							
net of related debt	3,000	4,676	1,971	1,443	4,971	6,119	-19%
Restricted	700	230	-	-	700	230	205%
Unrestricted	<u>(91)</u>	<u>(873)</u>	<u>327</u>	<u>659</u>	<u>236</u>	<u>(214)</u>	-210%
Total Net Assets	3,609	4,033	2,298	2,102	5,907	6,135	4%

Table II
City of Dumas, Texas
CHANGES IN NET ASSETS
[2011 amounts as restated]
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$2,784	\$2,976	\$6,484	\$7,031	\$9,268	10,007
Grants and contributions	93	268	19	-	112	268
General Revenues:						
Property taxes, penalties, and interest	787	798	-	-	787	798
Sales tax and other taxes	3,582	3,377	-	-	3,582	3,377
Interest revenue	65	8	1	3	66	11
Miscellaneous revenue	<u>278</u>	<u>103</u>	<u>-</u>	<u>1</u>	<u>278</u>	<u>104</u>
Total Revenues	7,589	7,530	6,504	7,035	14,093	14,565
Expenses:						
General Government	1,416	1,223	-	-	1,416	1,223
Public safety	3,862	3,792	-	-	3,862	3,792
Highways and streets	662	653	-	-	662	653
Sanitation	1,604	1,624	-	-	1,604	1,624
Culture and recreation	1,279	1,302	-	-	1,279	1,302
Interest and fiscal charges	352	203	-	-	352	203
Gas	-	-	2,994	3,145	2,994	3,145
Water	-	-	1,303	1,254	1,303	1,254
Wastewater	-	-	345	383	345	383
Golf course	<u>-</u>	<u>-</u>	<u>504</u>	<u>497</u>	<u>504</u>	<u>497</u>
Total Expenses	9,175	8,797	5,146	5,279	14,321	14,076
Increase (decrease) in net assets before transfers	(1,586)	(1,267)	1,358	1,756	(228)	489
Transfers	<u>1,162</u>	<u>2,186</u>	<u>(1,162)</u>	<u>(2,186)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	\$(424)	\$ 919	\$ 196	\$(430)	\$(228)	\$ 489
Net Assets – Beginning of Year, as restated	\$4,033	\$3,114	\$2,102	\$2,532	\$6,135	\$5,646
Net Assets - End of Year	\$3,609	\$4,033	\$2,298	\$2,102	\$5,907	\$6,135

The City took the following action this year to compensate for some increase in cost:

- The City monitored the expenditures during the year.

The cost of all governmental activities this year was \$9.18 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities was \$6.3 million because \$2.78 million of these costs were paid by those who directly benefited from the programs and \$0.09 million by other governments and organizations that subsidized certain programs with grants and contributions.

Note N in the notes to financial statements provides information on certain prior period adjustments that were made during 2012. 2011 amounts in the foregoing tables were restated to reflect the effect of the adjustments.

THE CITY’S FUNDS

As the City completed the year, its governmental funds, as presented in the balance sheet reported a combined fund balance of \$2.10 million, which is more than last year’s total of \$1.55 million, as restated. Included in this year’s total change in fund balance is a decrease of \$0.42 million in the City’s General Fund. The net assets of Dumas Economic Development Corporation increased by \$0.23 million to a total of \$2.42 million.

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the City had \$21 million invested in a broad range of capital assets, including land, buildings, machines and equipment, vehicles, furniture and office equipment, communications equipment, gas systems, water systems, sewer systems, and golf course. This amount represents a net increase of just over \$7.5 million or 56% above last year.

This year’s major additions included in thousands:

	Primary Government	Dumas Economic Development Corporation
Machinery and equipment	\$2,002	\$ 917
Buildings		\$1,603
Construction in progress	\$6,643	\$2,074
Total	\$8,645	\$4,595

Table III
City of Dumas, Texas
CAPITAL ASSETS
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land	482	500	553	553	1,035	1,053	-2%
Buildings and improvements	1,360	1,560	154	160	1,514	1,720	-12%
Vehicles, Furniture & Equipment	6,392	5,085	418	403	6,810	5,488	24%
Infrastructure	151	151	3,380	3,007	3,531	3,158	12%
Construction in progress	4,034	740	4,070	1,316	8,104	2,056	294%
Total	\$12,419	\$8,036	\$8,575	\$5,439	\$20,994	\$13,475	56%

Debt

At year-end, the City had \$22.27 million in bonds, loans, capital leases, landfill closure costs, and long-term compensated absences outstanding versus \$8.66 last year – an increase of \$13.61 million. More detailed information about the City’s long-term liabilities is presented in Note G to the financial statements.

Table IV
City of Dumas, Texas
OUTSTANDING BONDED DEBT
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation certificates of obligation (backed by the City)	\$8,554	\$3,120	\$ -	\$ -	\$8,554	\$3,120	174%
Revenue certificates of obligation (backed by specific tax and fee revenues)	-	-	9,998	1,532	9,998	1,532	553%
Total	\$8,554	\$3,120	\$9,998	\$1,532	\$18,552	\$4,652	299%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

As of September 30, 2012, the City has active construction projects. The landfill project has estimated cost of \$462,200 to complete. The water well construction and wastewater treatment plant projects have estimated cost of \$5 million to complete. These commitments will be funded through unspent bond proceeds, unrestricted cash and future issuance of new bonds.

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget and tax rates. One of those factors is the economy. The City's population has increased slightly from the prior year. The City Commissioners considered this factor when adopting the 2013 budget.

Amounts available for appropriation in the General Fund budget are just under \$7 million, a decrease of 12% over the final 2012 budget of \$7.8 million. The City will use its revenues to finance programs currently offered. Budgeted expenditures in the General Fund are expected to decrease nearly 8.3% to \$7.9 million from \$8.7 million in 2012. The City has added no major new programs or initiatives to the 2013 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease \$0.96 million at the close of 2013

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about his report or need additional financial information, contact the City's administrative office at City Hall, 124 W. 6th Street, Dumas, Texas, 79029.

ADDITIONAL COMPONENT UNIT INFORMATION

Separately issued financial statements for the City's component unit can be obtained by writing to: Dumas Economic Development Corporation, P.O. Box 595, Dumas, TX 79029

BASIC FINANCIAL STATEMENTS

CITY OF DUMAS, TEXAS

Statement of Net Assets

September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,386,170	\$ 613,905	\$ 2,000,075	\$ 153,415
Investments	106,606	9,145	115,751	1,118
Accounts receivable, net	178,045	363,730	541,775	1,253
Taxes receivable, net	494,275	-	494,275	60,064
Internal balances	19,337	(19,337)	-	-
Intergovernmental receivables	5,857	-	5,857	-
Inventories, at cost	66,919	-	66,919	-
Paving and utility assessment receivable	101,869	-	101,869	-
Other receivables	10,370	-	10,370	-
Prepaid expenses	15,472	33,411	48,883	19,463
Deposits	2,910	-	2,910	-
Restricted cash and cash equivalents	492,543	4,615,243	5,107,786	-
Restricted investments	913	126,647	127,560	-
Bond issuance costs, net	197,544	213,739	411,283	-
Capital assets, net	12,418,839	8,573,833	20,992,672	3,682,812
Total Assets	15,497,669	14,530,316	30,027,985	3,918,125
LIABILITIES				
Overdraft payable	-	474,325	474,325	-
Accounts payable	121,155	112,846	234,001	26,146
Accrued expenses	69,752	35,722	105,474	3,556
Accrued interest payable	28,363	31,225	59,588	11,744
Intergovernmental payable	261,908	-	261,908	-
Insurance claim payable	134,750	-	134,750	-
Due to component unit	60,064	-	60,064	-
Customer deposits	1,868	360,033	361,901	-
Accrued vacation	140,495	19,587	160,082	5,770
Noncurrent liabilities:				
Due within one year	824,230	996,279	1,820,509	1,073,584
Due in more than one year	10,246,619	10,202,593	20,449,212	381,493
Total Liabilities	11,889,204	12,232,610	24,121,814	1,502,293
NET ASSETS				
Invested in capital assets, net of related debt	3,000,120	1,970,557	4,970,677	2,227,735
Restricted for:				
Debt service	195,265	-	195,265	-
Tourism	349,335	-	349,335	-
Public safety	26,078	-	26,078	-
Law enforcement	(28,370)	-	(28,370)	-
Municipal court	157,153	-	157,153	-
Unrestricted	(91,116)	327,149	236,033	188,097
Total Net Assets	\$ 3,608,465	\$ 2,297,706	\$ 5,906,171	\$ 2,415,832

The accompanying notes are an
integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Activities
Year Ended September 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
City commission	\$ 47,744	\$ -	\$ -	\$ -
Administration	742,928	-	-	-
Information Systems	150,090	-	-	-
Warehouse	243,802	-	-	-
Engineering	116,442	102,632	-	-
Purchasing	25,155	-	-	-
Communications	89,897	-	-	-
Public safety	14,224	27,983	20,000	-
Police	2,571,683	593,806	-	-
Fire	1,276,353	-	20,777	-
Streets	661,684	-	-	-
Sanitation	636,157	1,740,299	-	-
Landfill	916,877	225,542	-	-
Recycling	50,554	21,839	-	-
Culture and recreation	581,287	71,914	46,668	-
Parks	698,173	-	-	6,011
Interest expense	352,222	-	-	-
Total Governmental Activities	<u>9,175,272</u>	<u>2,784,015</u>	<u>87,445</u>	<u>6,011</u>
Business-Type Activities:				
Gas	2,993,835	3,252,407	-	8,500
Water	1,303,380	1,818,697	-	10,200
Wastewater	344,648	1,097,036	-	-
Pheasant Trails Golf Course	504,114	315,826	-	-
Total Business-Type Activities	<u>5,145,977</u>	<u>6,483,966</u>	<u>-</u>	<u>18,700</u>
Total Primary Government	<u>\$14,321,249</u>	<u>\$ 9,267,981</u>	<u>\$ 87,445</u>	<u>\$ 24,711</u>
Component Unit:				
Dumas Economic Development Corp	<u>\$ 770,366</u>	<u>\$ 18,489</u>	<u>\$ 12,000</u>	

General Revenues and Transfers

Taxes

Sales

Property, levied for general purposes

Franchise

Occupancy

Other

Miscellaneous

Investment income

Loss on sale of capital assets

Transfers, net

 Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (47,744)	\$ -	\$ (47,744)	\$ -
(742,928)	-	(742,928)	-
(150,090)	-	(150,090)	-
(243,802)	-	(243,802)	-
(13,810)	-	(13,810)	-
(25,155)	-	(25,155)	-
(89,897)	-	(89,897)	-
33,759	-	33,759	-
(1,977,877)	-	(1,977,877)	-
(1,255,576)	-	(1,255,576)	-
(661,684)	-	(661,684)	-
1,104,142	-	1,104,142	-
(691,335)	-	(691,335)	-
(28,715)	-	(28,715)	-
(462,705)	-	(462,705)	-
(692,162)	-	(692,162)	-
(352,222)	-	(352,222)	-
<u>(6,297,801)</u>	<u>-</u>	<u>(6,297,801)</u>	<u>-</u>
-	267,072	267,072	-
-	525,517	525,517	-
-	752,388	752,388	-
-	(188,288)	(188,288)	-
-	1,356,689	1,356,689	-
<u>(6,297,801)</u>	<u>1,356,689</u>	<u>(4,941,112)</u>	<u>-</u>
			(739,877)
2,541,039	-	2,541,039	752,078
786,927	-	786,927	-
354,659	-	354,659	-
662,173	-	662,173	-
23,650	-	23,650	-
287,637	-	287,637	-
65,432	733	66,165	309
(9,738)	615	(9,123)	214,006
1,161,878	(1,161,878)	-	-
<u>5,873,657</u>	<u>(1,160,530)</u>	<u>4,713,127</u>	<u>966,393</u>
(424,144)	196,159	(227,985)	226,516
4,032,609	2,101,547	6,134,156	2,189,316
<u>\$ 3,608,465</u>	<u>\$ 2,297,706</u>	<u>\$ 5,906,171</u>	<u>\$ 2,415,832</u>

CITY OF DUMAS, TEXAS

Combining Balance Sheet

Governmental Funds

September 30, 2012

	General Fund	Construction Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 803,844	\$ -	549,056	\$ 1,352,900
Investments	105,197	-	800	105,997
Utility receivables, net	178,045	-	-	178,045
Taxes receivable, net				
Sales	326,303	-	-	326,303
Occupancy	-	-	167,972	167,972
Due from other funds	30,886	-	-	30,886
Intergovernmental receivables	-	-	5,857	5,857
Inventories	66,919	-	-	66,919
Paving and utility assessments receivable	101,869	-	-	101,869
Prepaid expenses	15,472	-	-	15,472
Other receivables	10,370	-	-	10,370
Restricted assets				
Cash and cash equivalents	-	268,915	223,628	492,543
Investments	-	913	-	913
Total Assets	\$ 1,638,905	\$ 269,828	\$ 947,313	\$ 2,856,046
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 100,043	\$ 11,582	\$ 2,098	\$ 113,723
Accrued payroll	69,752	-	-	69,752
Due to other funds	-	-	30,886	30,886
Intergovernmental payable	119,332	-	142,576	261,908
Due to component unit	60,064	-	-	60,064
Deferred revenue	79,084	-	-	79,084
Accrued vacation	140,495	-	-	140,495
Utility customer deposits	1,868	-	-	1,868
Total Liabilities	<u>570,638</u>	<u>11,582</u>	<u>175,560</u>	<u>757,780</u>
Fund Balance				
Nonspendable	105,176	-	-	105,176
Restricted	-	258,246	727,824	986,070
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	963,091	-	43,929	1,007,020
Total Fund Balance	<u>1,068,267</u>	<u>258,246</u>	<u>771,753</u>	<u>2,098,266</u>
Total Liabilities and Fund Balance	\$ 1,638,905	\$ 269,828	\$ 947,313	\$ 2,856,046

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 September 30, 2012

Total Fund Balances - Governmental Funds \$ 2,098,266

Amounts reported for *governmental activities* in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of the self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. This results in a net decrease to the net assets. (86,056)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. At the end of the year, the original cost of these assets was \$22,535,336 and accumulated depreciation was \$10,116,497. 12,418,839

Bond issuance costs are reported as expenditures in the governmental funds, but are deferred and amortized in the statement of net assets. 197,544

Long-term liabilities for landfill closure costs of \$1,401,570, compensated absences of \$53,016, and bond and note obligations (including accrued interest of \$28,363) of \$9,616,263 are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds but are included in the statement of net assets. (11,099,212)

Certain assets are not available to pay for current-period expenditures and are therefore deferred in the governmental funds. Deferred revenue recognized in the government-wide financial statements results in a net increase to net assets. 79,084

Net Assets of Governmental Activities \$ 3,608,465

CITY OF DUMAS, TEXAS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2012

	General Fund	Construction Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 404,130	\$ -	\$ 382,797	\$ 786,927
Sales and use taxes	2,541,039	-	-	2,541,039
Franchise tax	354,659	-	-	354,659
Occupancy	1,170	-	661,003	662,173
Other taxes	10,164	-	-	10,164
Penalty and interest on taxes	13,486	-	-	13,486
Licenses and permits	102,632	-	-	102,632
Intergovernmental grants and subsidies	58,736	-	28,709	87,445
Charges for services	2,027,782	-	-	2,027,782
Fines and forfeitures	625,618	-	27,983	653,601
Investment earnings	21,043	44,389	-	65,432
Other grants and contributions	4,497	-	1,514	6,011
Other income	363,030	-	-	363,030
Total Revenues	<u>6,527,986</u>	<u>44,389</u>	<u>1,102,006</u>	<u>7,674,381</u>
EXPENDITURES				
Current				
General government:				
City commission	45,729	-	-	45,729
Administration	701,761	-	-	701,761
Information systems	145,892	-	-	145,892
Warehouse	232,035	-	-	232,035
Engineering	105,727	-	-	105,727
Purchasing	24,651	-	-	24,651
Communications	88,554	-	-	88,554
Public safety	-	-	8,177	8,177
Fire	1,172,183	-	-	1,172,183
Police	2,405,462	-	15,879	2,421,341
Streets	647,975	-	-	647,975
Solid Waste:				
Sanitation	535,230	-	-	535,230
Landfill	646,356	-	-	646,356
Recycling	47,197	-	-	47,197
Recreation and culture	-	-	581,287	581,287
Parks	476,820	-	1,547	478,367
Capital outlay	1,907,463	3,315,043	20,778	5,243,284
Debt service:				
Principal	643,194	-	232,266	875,460
Interest and administrative fees	192,892	-	156,813	349,705
Total Expenditures	<u>10,019,121</u>	<u>3,315,043</u>	<u>1,016,747</u>	<u>14,350,911</u>
Excess (Deficiency) of Revenues over Expenditures	(3,491,135)	(3,270,654)	85,259	(6,676,530)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	1,788,445	4,119,898	-	5,908,343
Proceeds from sales of assets	150,767	-	-	150,767
Transfers in	1,357,294	-	25,000	1,382,294
Transfers out	(220,416)	-	-	(220,416)
Total Other Financing Sources (Uses)	<u>3,076,090</u>	<u>4,119,898</u>	<u>25,000</u>	<u>7,220,988</u>
Net Change in Fund Balance	(415,045)	849,244	110,259	544,458
Fund Balance - October 1, as restated	1,483,312	(590,998)	661,494	1,553,808
Fund Balance - September 30	\$ 1,068,267	\$ 258,246	\$ 771,753	\$ 2,098,266

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balance to the Statement of Activities
 Year Ended September 30, 2012

Total Net Change in Fund Balance - Governmental Funds \$ 544,458

Amounts reported for *governmental activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of the self-insurance to individual funds. The change in net assets of the internal service fund are included in (91,099)

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. 5,237,251

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. (694,150)

Proceeds from the sale of assets are recorded in the fund financial statements, whereas in the government-wide financial statements only the gain (loss) is recorded. (160,505)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year revenue recognized in the government-wide financial statements results in a decrease in net assets. (75,393)

Current year bond issuance cost net of current year amortization is an increase in net assets 150,207

Increase in accrued interest payable is a decrease in net assets. (1,805)

Increase in accrued compensated absences is a decrease in net assets. (53,016)

Increase in long-term landfill liability is a decrease in net assets. (96,290)

Premium on new bonds of \$163,872 net of amortization of \$12,953 (150,919)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The issuance of bonds and bond premium and discounts are sources of funds in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets and is not a source of funds on the statement of activities. Proceeds from bonds of \$5,800,000 and proceeds from capital leases of \$108,343 net of bond payments of \$517,266, debt principal payments of \$133,850 and capital lease payments of \$224,344 result in a decrease in net assets. (5,032,883)

Change in Net Assets of Governmental Activities \$ (424,144)

CITY OF DUMAS, TEXAS
Statement of Net Assets - Proprietary Funds
September 30, 2012

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ 107,413
Investments	-	4,726
Accounts receivable, net	88,404	142,219
Prepaid expenses and deposits	13,297	13,297
Restricted cash and cash equivalents	52,531	345,451
Restricted investments	126,647	-
Total Current Assets	<u>280,879</u>	<u>613,106</u>
Noncurrent Assets:		
Bond issuance cost, net	-	49,796
Capital assets, net	670,632	3,176,388
Total Noncurrent Assets	<u>670,632</u>	<u>3,226,184</u>
Total Assets	<u>951,511</u>	<u>3,839,290</u>
LIABILITIES		
Current Liabilities:		
Overdraft payable	426,702	-
Accounts payable	62,817	29,809
Insurance claims payable	-	-
Unapplied utility account credits	20,564	-
Sales tax payable	2,693	-
Accrued interest	-	10,512
Accrued wages	5,102	3,223
Accrued vacation	11,363	2,554
Current portion of long-term debt	-	489,054
Total Current Liabilities	<u>529,241</u>	<u>535,152</u>
Long-Term Liabilities (net of current portion):		
Utility customer deposits	179,178	180,855
Long-term debt due after one year	-	3,080,041
Total Noncurrent Liabilities	<u>179,178</u>	<u>3,260,896</u>
Total Liabilities	<u>708,419</u>	<u>3,796,048</u>
NET ASSETS		
Invested in capital assets, net of related debt	670,632	(178,315)
Unrestricted	(427,540)	221,557
Total Net Assets	<u>243,092</u>	<u>43,242</u>
Total Liabilities and Net Assets	<u>\$ 951,511</u>	<u>\$ 3,839,290</u>

Adjustment to reflect the consolidation of internal service
funds related to business-type activities
Net assets of business-type activities

The accompanying notes are an
integral part of this statement.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds Funds	Governmental Activities - Internal Service Fund
\$ 506,492	\$ -	\$ 613,905	\$ 33,270
4,419	-	9,145	609
133,107	-	363,730	-
-	6,817	33,411	2,910
4,217,261	-	4,615,243	-
-	-	126,647	-
<u>4,861,279</u>	<u>6,817</u>	<u>5,762,081</u>	<u>36,789</u>
163,943	-	213,739	-
3,820,734	906,079	8,573,833	-
<u>3,984,677</u>	<u>906,079</u>	<u>8,787,572</u>	<u>-</u>
<u>8,845,956</u>	<u>912,896</u>	<u>14,549,653</u>	<u>36,789</u>
-	47,623	474,325	-
12,960	7,260	112,846	7,432
-	-	-	134,750
-	-	20,564	-
-	1,721	4,414	-
20,713	-	31,225	-
784	1,635	10,744	-
517	5,153	19,587	-
466,830	40,395	996,279	-
<u>501,804</u>	<u>103,787</u>	<u>1,669,984</u>	<u>142,182</u>
-	-	360,033	-
7,021,073	101,479	10,202,593	-
<u>7,021,073</u>	<u>101,479</u>	<u>10,562,626</u>	<u>-</u>
<u>7,522,877</u>	<u>205,266</u>	<u>12,232,610</u>	<u>142,182</u>
714,035	764,205	1,970,557	-
609,044	(56,575)	346,486	(105,393)
<u>1,323,079</u>	<u>707,630</u>	<u>2,317,043</u>	<u>(105,393)</u>
<u>\$ 8,845,956</u>	<u>\$ 912,896</u>	<u>\$ 14,549,653</u>	<u>\$ 36,789</u>
		<u>\$ (19,337)</u>	
		<u>\$ 2,297,706</u>	

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
Year Ended September 30, 2012

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
OPERATING REVENUE		
Charges for services	\$ 3,144,592	\$ 1,748,922
Late charges	77,979	24,863
Tapping and surcharge fees	20,382	44,912
Other and miscellaneous	9,454	-
Total Operating Revenues	<u>3,252,407</u>	<u>1,818,697</u>
OPERATING EXPENSES		
Current		
Salaries and wages	323,243	338,514
Employee benefits	92,921	69,301
Gas purchases	2,030,844	-
Departmental operating costs	35,834	17,441
Professional and technical services	18,917	198,317
Repairs and maintenance	84,069	49,476
Other purchased services	7,415	20,280
Property and facility	18,781	220,637
Supplies	28,259	34,211
Lease agreements	250,423	151,142
Warehouse	38,238	42,770
Bad debts	11,150	2,663
Insurance claims and premiums	-	-
Depreciation	45,431	80,417
Total Operating Expenses	<u>2,985,525</u>	<u>1,225,169</u>
Operating Income (Loss)	<u>266,882</u>	<u>593,528</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	705	13
Sale of assets	215	-
Interest expense	-	(72,684)
Total Nonoperating Revenues (Expenses)	<u>920</u>	<u>(72,671)</u>
Income Before Contributions and Transfers	<u>267,802</u>	<u>520,857</u>
CONTRIBUTIONS AND TRANSFERS		
Donated capital assets	8,500	10,200
Transfers in	-	-
Transfers out	(393,764)	(483,765)
Total Contributions and Transfers	<u>(385,264)</u>	<u>(473,565)</u>
Change in Net Assets	(117,462)	47,292
Net Assets - Beginning of Year	360,554	(4,050)
Net Assets - End of Year	<u>\$ 243,092</u>	<u>\$ 43,242</u>

Adjustment to reflect the consolidation of internal service
funds related to business-type activities
Change in net assets of business-type activities

The accompanying notes are an
integral part of this statement.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 1,068,552	\$ 263,451	\$ 6,225,517	\$ 795,512
17,418	-	120,260	-
11,066	-	76,360	-
-	52,375	61,829	-
<u>1,097,036</u>	<u>315,826</u>	<u>6,483,966</u>	<u>795,512</u>
31,927	148,939	842,623	-
8,742	47,598	218,562	-
-	-	2,030,844	-
-	20,787	74,062	-
11,100	7,273	235,607	-
15,621	15,339	164,505	-
4,654	4,270	36,619	-
7,642	22,390	269,450	-
31,534	17,958	111,962	-
59,399	109,482	570,446	-
13,766	40,674	135,448	-
2,716	-	16,529	-
-	-	-	905,948
<u>102,991</u>	<u>43,732</u>	<u>272,571</u>	<u>-</u>
<u>290,092</u>	<u>478,442</u>	<u>4,979,228</u>	<u>905,948</u>
<u>806,944</u>	<u>(162,616)</u>	<u>1,504,738</u>	<u>(110,436)</u>
15	-	733	-
-	400	615	-
<u>(53,842)</u>	<u>(20,886)</u>	<u>(147,412)</u>	<u>-</u>
<u>(53,827)</u>	<u>(20,486)</u>	<u>(146,064)</u>	<u>-</u>
<u>753,117</u>	<u>(183,102)</u>	<u>1,358,674</u>	<u>(110,436)</u>
-	-	18,700	-
-	220,416	220,416	-
<u>(504,765)</u>	<u>-</u>	<u>(1,382,294)</u>	<u>-</u>
<u>(504,765)</u>	<u>220,416</u>	<u>(1,143,178)</u>	<u>-</u>
248,352	37,314	215,496	(110,436)
1,074,727	670,316	2,101,547	5,043
<u>\$ 1,323,079</u>	<u>\$ 707,630</u>	<u>\$ 2,317,043</u>	<u>\$ (105,393)</u>
		<u>\$ (19,337)</u>	
		<u>\$ 196,159</u>	

CITY OF DUMAS, TEXAS
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2012

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,293,687	\$ 1,899,987
Receipts from internal services provided	-	-
Payments to suppliers and contractors	(2,541,928)	(771,718)
Payments for interfund services used	-	-
Payments to and on behalf of employees	(414,444)	(411,370)
Net Cash Provided (Used) by Operating Activities	<u>337,315</u>	<u>716,899</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers, net	(393,764)	(483,765)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(393,764)</u>	<u>(483,765)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	-	(67,009)
Proceeds from debt issuance	-	1,955,000
Principal payments on debt	-	(363,192)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>1,524,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(185,911)	(1,804,860)
Proceeds from sale of assets	215	13
Proceeds from sale of investments	44,295	79,988
Investment income	705	-
Net Cash Provided (Used) by Investing Activities	<u>(140,696)</u>	<u>(1,724,859)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(197,145)	33,074
Cash and Cash Equivalents - October 1	(177,026)	419,790
Cash and Cash Equivalents - September 30	<u>\$ (374,171)</u>	<u>\$ 452,864</u>

The accompanying notes are an integral part of this statement.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 1,076,358	\$ 315,826	\$ 6,585,858	\$ -
-	-	-	795,553
(135,256)	(248,642)	(3,697,544)	-
-	-	-	(852,072)
(40,244)	(195,721)	(1,061,779)	-
900,858	(128,537)	1,826,535	(56,519)
(504,765)	220,416	(1,161,878)	-
(504,765)	220,416	(1,161,878)	-
(34,102)	(20,886)	(121,997)	-
6,545,000	39,329	8,539,329	-
(132,000)	(65,862)	(561,054)	-
6,378,898	(47,419)	7,856,278	-
(2,343,204)	(39,239)	(4,373,214)	-
15	400	643	-
89,984	-	214,267	-
-	-	705	-
(2,253,205)	(38,839)	(4,157,599)	-
4,521,786	5,621	4,363,336	(56,519)
201,967	(53,244)	391,487	89,789
\$ 4,723,753	\$ (47,623)	\$ 4,754,823	\$ 33,270

CITY OF DUMAS, TEXAS
Statement of Cash Flows - Proprietary Funds - continued
Year Ended September 30, 2012

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED (USED) BY OPERATING		
ACTIVITIES		
Operating Income (Loss)	\$ 266,882	\$ 593,528
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities		
Depreciation	45,431	80,417
Changes in:		
Accounts receivable, net	28,407	72,508
Prepaid expenses	(39)	4,101
Accounts payable	(17,959)	(38,882)
Unapplied utility account credits	6,455	-
Insurance claims payable	-	-
Sales tax payable	2,046	-
Accrued wages	503	(527)
Accrued vacation	1,217	(3,028)
Utility customer deposits	4,372	8,782
Net Cash Provided (Used) by Operating Activities	\$ 337,315	\$ 716,899
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ -	\$ 107,413
Restricted cash and cash equivalents	52,531	345,451
Overdrafts payable	(426,702)	-
	\$ (374,171)	\$ 452,864

The accompanying notes are an
integral part of this statement.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 806,944	\$ (162,616)	\$ 1,504,738	\$ (110,436)
102,991	43,732	272,571	-
(20,678)	-	80,237	41
-	(6,817)	(2,755)	-
11,176	(3,845)	(49,510)	(14,898)
-	-	6,455	-
-	-	-	68,774
-	193	2,239	-
(61)	(184)	(269)	-
486	1,000	(325)	-
-	-	13,154	-
<u>\$ 900,858</u>	<u>\$ (128,537)</u>	<u>\$ 1,826,535</u>	<u>\$ (56,519)</u>
\$ 506,492	\$ -	\$ 613,905	\$ 33,270
4,217,261	-	4,615,243	-
-	(47,623)	(474,325)	-
<u>\$ 4,723,753</u>	<u>\$ (47,623)</u>	<u>\$ 4,754,823</u>	<u>\$ 33,270</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The City's financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," (as amended by GASB Statement No. 39) include whether:

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

The City also evaluated any legally separate tax-exempt organizations whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 (as amended by GASB Statement No. 39) requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Discretely Presented Component Unit

The Dumas Economic Development Corporation (DEDC), a non-profit corporation, was created to promote future economic development in Dumas, Texas. The DEDC is included in the reporting entity because the City Commission appoints the board of directors and approves its annual budget. Accordingly, the City is financially accountable and is able to impose its will on the organization. Significant transactions between the City and DEDC included the City's disbursement of DEDC's share of sales tax revenue, amounting to \$751,867 for the year. Separate DEDC financial information can be obtained by contacting Dumas Economic Development Corporation, PO Box 595, Dumas, Texas, 79029.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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

Construction Fund: This fund accounts for the City's activity in the construction of the City's various major construction projects for governmental activities.

The City reports the following non-major governmental funds:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

Debt Service Fund: This fund is used to account for the accumulated resources and related payments of principal and interest on long term general obligation debts of the City.

The City reports the following major enterprise funds:

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

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

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

Pheasant Hills Golf Course Fund: This fund accounts for the operations of the municipal golf course.

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

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.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets 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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply FASB pronouncements issued after November 30, 1989.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

b. Equity in Pooled Cash and Investments

Cash balances for most of the City's funds are consolidated in pooled cash and investment accounts. Pooled balances include balances in demand deposits, local government investment pools and certificates of deposit. Interest earnings are then allocated to each fund based on ending monthly pooled equity balances. Separate cash and investment accounts are maintained for interest and sinking funds (debt service).

c. Investments

Investments are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

d. Restricted Assets

Restricted assets include capital recovery fees (impact fees) that are, by law, restricted for future capital improvements; customer deposits; and assets set aside for construction of future debt funded capital improvements.

e. 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 or business-type activities column in the government-wide financial statements and/or in the proprietary fund type statement of net assets.

f. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

g. Compensated Absences

Accumulated earned but unused vacation, which is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave within governmental funds that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability on the statement of net assets. No expenditure is reported for these amounts in the fund financial statements. Accumulated vacation leave of proprietary fund types are recorded as an expense and liability of those funds as the benefits accrue to employees.

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

h. Inventories

Inventories are stated at cost using the first-in, first-out method. Inventory items are recorded as expenditures when they are consumed.

i. Capital Assets

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

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

<u>Asset Class</u>	<u>Years</u>
Infrastructure/Improvements	10-50
Buildings	15-50
Equipment	3-15

j. Receivable and Payable Balances

The City believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. Details of receivable balances are presented in Note C.

k. Interfund Activity

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

l. Fund balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as Nonspendable at September 30, 2012 are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law through constitutional provisions or enabling legislation.

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Committed – established and modified by a resolution from the City Commission and can be used only for specific purposes determined by the Commission’s resolution. At September 30, 2012, the City did not have any committed funds.

Assigned – includes amounts that are constrained by the City Commission, or by another city official or the finance division to which the City has delegated authority, that are to be used for specific purposes but are neither restricted nor committed. At September 30, 2012, the City did not have any assigned funds.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

Details of constraints on fund balances of governmental funds at September 30, 2012 are as follows:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventories, long-term receivables and prepaids	\$ 105,176	\$ -	\$ -	\$ 105,176
Restricted to:				
Tourism	-	-	349,335	349,335
Public Safety	-	-	26,078	26,078
Law Enforcement	-	-	(28,370)	(28,370)
Municipal Court	-	-	157,153	157,153
Debt Service	-	-	223,628	223,628
Capital Improvements	-	258,246	-	258,246
Unassigned	<u>963,091</u>	<u>-</u>	<u>43,929</u>	<u>1,007,020</u>
	<u>\$ 1,068,267</u>	<u>\$ 258,246</u>	<u>\$ 771,753</u>	<u>\$ 2,098,266</u>

When the City incurs expenditures that can be made from either restricted or unrestricted fund balances, the expenditures should be charged to restricted fund balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged first to committed fund balances, second to assigned fund balances, and third to unassigned fund balances.

m. Deficit Fund Balance

The Law Enforcement Seizure Fund reported a negative fund balance of \$30,272 as of September 30, 2012. If it becomes necessary, the General Fund would initiate a transfer to the Law Enforcement Seizure Fund to fund its operations.

n. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

B. Deposits and Investments

City Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complied with this law for the year ended September 30, 2012, it had no custodial credit risk for deposits.

City Policies and Legal and Contractual Provisions Governing Investments:

Compliance with the Public Funds Investment Act: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

These policies authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) certificates of deposit by state and national banks doing business in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations in a manner and amount provided by law for deposits of the City; (3) fully collateralized repurchase agreements with a bank in Texas or a primary dealer, executed under the Bond Market Master Repurchase Agreement in accordance with the PFIA not to exceed 120 days; (4) money market mutual funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity of 90 days or less, (c) rated AAA by at least one nationally recognized rating service, and (d) seek to maintain a net asset value of \$1.00 per share; (5) constant-dollar, Texas local government investment pools, which (a) meet the requirements of PFIA, (b) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, (c) are authorized by resolution or ordinance by the City Commission.

As of September 30, 2012, the City had the following investments:

Investment Type	Governmental Activities	Business-Type Activities	City of Dumas Total	Dumas Economic Development Corporation	Maturities Less Than One Year
Certificates of Deposits	\$ 102,862	\$ 112,050	\$ 214,912	\$ -	\$ 214,912
LOGIC Investments	2,596	10,382	12,978	-	12,978
TexPool Investments	2,061	13,360	15,421	1,118	16,539
Total Portfolio	<u>\$ 107,519</u>	<u>\$ 135,792</u>	<u>\$ 243,311</u>	<u>\$ 1,118</u>	<u>\$ 244,429</u>

As of September 30, 2012, no holding in the portfolio had a stated maturity date beyond twelve months and the dollar weighted average maturity of the total TexPool and LOGIC portfolios were 41 days and 60 days, respectively.

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. The City utilizes the following local government investment pools for its short-term liquidity investment needs: Texas Local Government Investment Pool (TexPool) and LOGIC. The reported value of the pools is the same as the fair value of the pool shares.

Interest rate risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 365 days. The maximum allowable stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase.

Credit risk: State law and City policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2012, the City's investment in TexPool was rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. LOGIC invests in treasury and agency securities and repurchase agreements as well as prime commercial paper. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective.

Dumas Economic Development Corporation: The DEDC maintains separate financial institution and TexPool accounts. Although the organization is a component unit of the City, its FDIC and collateralization of its deposits are covered separately because the Corporation is a separate non-profit entity. DEDC also does not participate in the City's internal pooling of cash as described above.

C. Receivables

The receivables detailed below are reported net of allowances for doubtful accounts in the fund financial statements as of September 30, 2012:

	<u>General</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Receivables:					
Refuse Collections	\$ 183,852	\$ -	\$ -	\$ -	\$ 183,852
Utilities	<u>-</u>	<u>99,968</u>	<u>144,294</u>	<u>134,940</u>	<u>379,202</u>
Gross receivables	183,852	99,968	144,294	134,940	563,054
Less: allowance for uncollectibles	<u>(5,807)</u>	<u>(11,564)</u>	<u>(2,075)</u>	<u>(1,833)</u>	<u>(21,279)</u>
Net total receivables	<u>\$ 178,045</u>	<u>\$ 88,404</u>	<u>\$ 142,219</u>	<u>\$ 133,107</u>	<u>\$ 541,775</u>

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Taxes receivable for the General and Other Governmental Funds as of September 30, 2012 consist of the following tax categories and are considered fully collectible, except for the delinquent property taxes.

	Receivable Amount	Allowance Amount	Net Taxes Receivable
Sales Tax	\$ 326,303	\$ -	\$ 326,303
Occupancy Tax	167,972	-	167,972
Property Taxes	<u>33,122</u>	<u>(33,122)</u>	<u>-</u>
	<u>\$ 527,397</u>	<u>\$ (33,122)</u>	<u>\$ 494,275</u>

D. Interfund Balances and Activity

1. *Due To and From Other Funds*

Balances due to and due from other funds, at the fund level, at September 30, 2012, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Seizure - Special Revenue Fund	\$ <u>30,886</u>	Subsidize Fund Operations
		\$ <u>30,886</u>	

All of the above amounts are scheduled to be repaid within one year.

2. *Transfers To and From Other Funds*

Transfers to and from other funds for the year ended September 30, 2012, consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Golf Course Fund	\$ 220,416	Subsidize Fund Operations
Water Utility Fund	Christmas Decorations Fund	10,000	Subsidize Fund Operations
Gas Utility Fund	Park Improvement Fund	15,000	Subsidize Fund Operations
Gas Utility Fund	General Fund	378,764	General Fund Indirect Cost Allocation
Water Utility Fund	General Fund	378,765	General Fund Indirect Cost Allocation
Wastewater Utility Fund	General Fund	378,765	General Fund Indirect Cost Allocation
Water Utility Fund	General Fund	95,000	Subsidize Fund Operations
Wastewater Utility Fund	General Fund	<u>126,000</u>	Subsidize Fund Operations
		\$ <u>1,602,710</u>	

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

3. Due to Component Unit

The City receives the sales tax remittances from the State Comptroller's Office electronically each month. In turn, the City electronically transfers the appropriate dedicated sales tax amounts to Dumas Economic Development Corporation. During the fiscal year, the City received and transferred the following amounts. The remaining balance due to DEDC is expected to clear out in the next fiscal year.

	Balance 9/30/2011	Collections	Payments	Balance 9/30/2012
Due to Component Unit	\$ 59,858	\$ 752,073	\$ (751,867)	\$ 60,064

E. Restricted Assets

Restricted assets consisted of the following at September 30, 2012:

Governmental Activities

Debt Service	\$ 223,628
Cash and Investments in Construction Fund	269,828
	<u>493,456</u>

Business-type Activities

Customer Deposits / Escrow	360,033
Capital Projects (Unspent Bond Proceeds)	4,381,857
	<u>4,741,890</u>
Total	\$ <u>5,235,346</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

F. Capital Assets

Capital asset activity for the period ended September 30, 2012 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 499,875	\$ -	\$ (18,187)	\$ 481,688
Construction in progress	740,086	3,293,676	-	4,033,762
Total capital assets not being depreciated	<u>1,239,961</u>	<u>3,293,676</u>	<u>(18,187)</u>	<u>4,515,450</u>
Capital assets, being depreciated:				
Infrastructure	1,866,725	21,367	-	1,888,092
Buildings	2,304,056	-	(183,652)	2,120,404
Vehicles	5,123,157	609,995	-	5,733,152
Equipment and Furniture	6,966,025	1,312,213	-	8,278,238
Total capital assets being depreciated	<u>16,259,963</u>	<u>1,943,575</u>	<u>(183,652)</u>	<u>18,019,886</u>
Less accumulated depreciation:				
Infrastructure	(1,715,680)	(21,450)	-	(1,737,130)
Buildings	(743,517)	(57,759)	41,334	(759,942)
Vehicles	(4,073,456)	(291,745)	-	(4,365,201)
Equipment and Furniture	(2,931,028)	(323,196)	-	(3,254,224)
Total accumulated depreciation	<u>(9,463,681)</u>	<u>(694,150)</u>	<u>41,334</u>	<u>(10,116,497)</u>
Capital assets, net	<u>\$ 8,036,243</u>	<u>\$ 4,543,101</u>	<u>\$ (160,505)</u>	<u>\$ 12,418,839</u>
Business-Type activities:				
Capital assets, not being depreciated:				
Land	\$ 552,814	\$ -	\$ -	\$ 552,814
Construction in Process	1,316,259	3,349,573	(596,041)	4,069,791
Total capital assets not being depreciated	<u>1,869,073</u>	<u>3,349,573</u>	<u>(596,041)</u>	<u>4,622,605</u>
Capital assets, being depreciated:				
Infrastructure	14,846,563	596,041	-	15,442,604
Buildings and improvements	334,302	-	-	334,302
Vehicles	595,087	18,700	-	613,787
Furniture and Equipment	853,636	39,239	(5,159)	887,716
Total capital assets being depreciated	<u>16,629,588</u>	<u>653,980</u>	<u>(5,159)</u>	<u>17,278,409</u>
Less accumulated depreciation:				
Infrastructure	(11,839,884)	(223,076)	-	(12,062,960)
Buildings and improvements	(174,428)	(6,087)	-	(180,515)
Vehicles	(833,540)	(13,459)	-	(846,999)
Furniture and Equipment	(211,917)	(29,949)	5,159	(236,707)
Total accumulated depreciation	<u>(13,059,769)</u>	<u>(272,571)</u>	<u>5,159</u>	<u>(13,327,181)</u>
Capital assets, net	<u>\$ 5,438,892</u>	<u>\$ 3,730,982</u>	<u>\$ (596,041)</u>	<u>\$ 8,573,833</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

Depreciation was charged to functions as follows:

Governmental Activities

General Government	\$ 23,116
Emergency Management (Public Safety)	6,047
Fire Department (Public Safety)	80,875
Information Services	2,687
Inspection Services	2,614
Landfill	160,700
Parks and Recreation	202,489
Police (Public Safety)	105,682
Recycle	2,433
Solid Waste	94,803
Streets	7,819
Warehouse	4,885
	<u>\$ 694,150</u>

Business-type Activities

Gas Utility Fund	\$ 45,431
Water Utility Fund	80,417
Wastewater Utility Fund	102,991
Golf Course Fund	43,732
	<u>\$ 272,571</u>

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Dumas Economic Development Corporation reported \$54,993 in depreciation for the fiscal year ended September 30, 2012. Capital asset activity for DEDC is disclosed below.

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 626,846	\$ -	\$ (14,048)	\$ 612,798
Construction in Process	<u>468,720</u>	<u>2,074,738</u>	<u>(2,515,211)</u>	<u>28,247</u>
Total capital assets not being depreciated	<u>1,095,566</u>	<u>2,074,738</u>	<u>(2,529,259)</u>	<u>641,045</u>
Capital assets, being depreciated:				
Infrastructure	704,490	917,162	-	1,621,652
Buildings and improvements	629,580	1,603,104	(629,580)	1,603,104
Furniture and Equipment	<u>20,953</u>	<u>-</u>	<u>-</u>	<u>20,953</u>
Total capital assets being depreciated	<u>1,355,023</u>	<u>2,520,266</u>	<u>(629,580)</u>	<u>3,245,709</u>
Less accumulated depreciation:				
Infrastructure	(136,535)	(22,855)	-	(159,390)
Buildings and improvements	(112,495)	(32,138)	121,034	(23,599)
Furniture and Equipment	<u>(20,953)</u>	<u>-</u>	<u>-</u>	<u>(20,953)</u>
Total accumulated depreciation	<u>(269,983)</u>	<u>(54,993)</u>	<u>121,034</u>	<u>(203,942)</u>
Capital assets, net	<u>\$ 2,180,606</u>	<u>\$ 4,540,011</u>	<u>\$ (3,037,805)</u>	<u>\$ 3,682,812</u>

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2012 are as follows:

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Governmental activities					
Bonds payable					
2001 Certificates of Obligation	\$ 253,372	\$ -	\$ (157,266)	\$ 96,106	\$ 96,106
2008 Certificates of Obligation	2,790,000		(75,000)	2,715,000	75,000
2011 Certificates of Obligation	-	5,800,000	(285,000)	5,515,000	365,000
	<u>3,043,372</u>	<u>5,800,000</u>	<u>(517,266)</u>	<u>8,326,106</u>	<u>536,106</u>
2008 Bond Premiums	76,864	-	(3,520)	73,344	3,520
2011 Bond Premiums	-	163,872	(9,433)	154,439	10,291
	<u>76,864</u>	<u>163,872</u>	<u>(12,953)</u>	<u>227,783</u>	<u>13,811</u>
Notes payable					
Happy State Bank	17,542	-	(11,592)	5,950	5,950
Happy State Bank	6,415	-	(4,238)	2,177	2,177
Happy State Bank	8,860	-	(5,852)	3,008	3,008
JP Chase	122,705	-	(38,914)	83,791	41,655
JP Chase	142,344	-	(68,251)	74,093	70,078
WT Services	11,142		(5,003)	6,139	5,638
	<u>309,008</u>	<u>-</u>	<u>(133,850)</u>	<u>175,158</u>	<u>128,506</u>
Capital leases					
Government Capital Corporation	41,844	-	(41,844)	-	-
Diversified Lenders Corporation	20,411	-	(16,401)	4,010	4,010
Diversified Lenders Corporation	26,477	-	(26,477)	-	-
Wells Fargo Lease	69,620	-	(24,723)	44,897	25,397
Chase Lease	844,865	-	(77,719)	767,146	80,156
CaliFirst - Police Dept	-	66,543	(22,771)	43,772	22,261
CaliFirst - Fire Dept	-	41,800	(14,409)	27,391	13,983
	<u>1,003,217</u>	<u>108,343</u>	<u>(224,344)</u>	<u>887,216</u>	<u>145,807</u>
Other long-term liabilities					
Compensated absences	-	53,016	-	53,016	-
Landfill	1,305,280	96,290	-	1,401,570	-
Total governmental activity					
Long-term liabilities	<u>\$ 5,737,741</u>	<u>\$ 6,221,521</u>	<u>\$ (888,413)</u>	<u>\$ 11,070,849</u>	<u>\$ 824,230</u>

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Business-type Activities					
2001 Certificates of Obligation	\$ 36,627	\$ -	\$ (22,734)	\$ 13,893	\$ 13,893
2004 Certificates of Obligation	1,495,000	-	(220,000)	1,275,000	335,000
2012 Certificates of Obligation	-	8,500,000	-	8,500,000	330,000
	<u>1,531,627</u>	<u>8,500,000</u>	<u>(242,734)</u>	<u>9,788,893</u>	<u>678,893</u>
2012 Bond Premium	-	210,000	(875)	209,125	10,500
Notes payable					
First State Bank of Stratford	1,294,561	-	(252,458)	1,042,103	262,846
Capital leases					
Diversified Lenders Corporation	16,877	-	(13,232)	3,645	3,645
PNC Equipment Lease	-	39,329	(13,819)	25,510	12,413
Textron Financial	11,175	-	(11,175)	-	-
TCF Equipment Lease	157,231	-	(27,635)	129,596	27,982
	<u>185,283</u>	<u>39,329</u>	<u>(65,861)</u>	<u>158,751</u>	<u>44,040</u>
Total Business-type Activity					
Long-term liabilities	<u>\$ 3,011,471</u>	<u>\$ 8,749,329</u>	<u>\$ (561,928)</u>	<u>\$11,198,872</u>	<u>\$ 996,279</u>
Component Unit					
Happy State Bank	198,362	-	(33,370)	164,992	30,000
HSPN Properties	300,343	-	(26,137)	274,206	27,705
First National Bank Spearman	-	1,040,000	(24,121)	1,015,879	1,015,879
Total Component Unit Activity					
Long-term liabilities	<u>\$ 498,705</u>	<u>\$ 1,040,000</u>	<u>\$ (83,628)</u>	<u>\$ 1,455,077</u>	<u>\$ 1,073,584</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

2. Summary of Obligations

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2012 follows:

\$1,572,660 2001 Certificates of Obligation, due in annual principal payments of \$110,000 to \$145,000 through September 2013; interest at 4.4% to 5.5%.	\$	96,106
\$3,000,000 2008 Certificates of Obligation, due in annual principal payments of \$70,000 to \$250,000 through September 2013; interest at 4.75% to 5.5%.		2,715,000
\$5,800,000 2011 Certificates of Obligation, due in annual principal payments of \$205,000 to \$390,000 through September 2031; interest ranging from 2% to 4%.		5,515,000
\$63,933 Happy State Bank Notes, due in monthly principal and interest payments of \$1,874 through March 2013; interest at 3.5%.		11,135
\$19,040 WT Services Note, monthly principal and interest payments of \$506 through October 2013; interest at 12.0%.		6,139
\$149,315 Diversified Lenders Capital Lease, quarterly principal and interest payments through October 2012; interest at 4.0%.		4,010
\$110,084 CalFirst Capital Lease, annual principal and interest payments of \$37,329 through October 2013; interest at 2.24%.		71,163
\$75,698 Wells Fargo Capital Lease, quarterly principal and interest payments of \$6,588 through June 2014; interest at 2.7%.		44,897
\$882,834 Chase Equipment Finance Capital Lease, monthly principal and interest payments of \$25,753 through January 2012; interest at 3.1%.		767,146
\$125,000 JP Chase Note Payable, quarterly principal and interest payments of \$10,853 through July 2014; interest at 2.55%.		83,791
\$209,588 JP Chase Note Payable, quarterly principal and interest payments of \$17,811 through September 2013; interest at 2.65%.		74,093
		74,093
Total Governmental Activities debt	\$	9,388,480

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

A summary of Business-type Activity Debt outstanding at September 30, 2012 follows:

\$277,340 2001 Certificates of Obligation, annual installments of \$110,000 to \$145,000 through September 2013; interest at 4.4% to 5.5%.	\$ 13,893
\$3,465,000 2004 Certificates of Obligation, annual installments of \$110,000 to \$145,000 through September 2015; interest at 3.0% to 3.65%.	1,275,000
\$8,500,000 2012 Certificates of Obligation, annual installments of \$330,000 to \$560,000 through September 2032; interest at 2.25% to 4.25%.	8,500,000
\$38,197 Diversified Lenders Capital Lease, quarterly principal and interest payments of \$7,756 through October 2013; interest at 4.0%.	3,645
\$866,743 First State Bank Note Payable, quarterly principal and interest payments of \$75,150 through June 2016; interest at 4.0%	1,042,103
\$39,329 Greens Mower Capital Lease, annual principal and interest payments of \$13,819 through March 2014; interest at 5.37%.	25,510
\$159,301 TCF Equipment Lease, monthly principal and interest payments of \$2,800 through July 2015; interest at 4.95%.	<u>129,596</u>
Total Business-type debt	<u>\$ 10,989,747</u>

3. Component Unit

\$293,900 Happy State Bank Note Payable, payments of \$38,665 through April 2018; interest at 5.25%.	\$ 164,992
\$1,040,000 First National Bank Spearman Note Payable, due on demand or if no demand is made on February 2013; interest at 4.5%.	1,015,879
\$325,000 HSPN Properties Note Payable, annual principal and interest payments of \$44,157 through June 2020; interest at 6.0%.	<u>274,206</u>
Total Component Unit debt	<u>\$ 1,455,077</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

4. Debt Service Requirements

Debt service requirements for long-term debt as of September 30, 2012 are as follows:

Year Ending September 30	Governmental Activities		Total Requirements
	Principal	Interest	
2013	\$ 664,612	\$ 327,029	\$ 991,641
2014	501,652	309,157	810,809
2015	470,000	297,168	767,168
2016	480,000	285,430	765,430
2017	380,000	273,355	653,355
2018-2022	1,965,000	1,161,703	3,126,703
2023-2027	1,850,000	771,750	2,621,750
2028-2032	1,985,000	319,650	2,304,650
2033	205,000	11,275	216,275
Totals	\$ <u>8,501,264</u>	\$ <u>3,756,517</u>	\$ <u>12,257,781</u>

Year Ending September 30	Business-Type Activities		Total Requirements
	Principal	Interest	
2013	\$ 941,739	\$ 350,277	\$ 1,292,016
2014	1,068,519	300,075	1,368,594
2015	1,109,625	265,561	1,375,186
2016	576,113	228,978	805,091
2017	360,000	216,556	576,556
2018-2022	1,930,000	954,544	2,884,544
2023-2027	2,215,000	676,106	2,891,106
2028-2032	2,630,000	253,075	2,883,075
Total	\$ <u>10,830,996</u>	\$ <u>3,245,172</u>	\$ <u>14,076,168</u>

Year Ending September 30	Component Unit		Total Requirements
	Principal	Interest	
2013	\$ 1,073,584	\$ 35,276	\$ 1,108,860
2014	59,466	23,356	82,822
2015	62,710	20,112	82,822
2016	64,754	18,068	82,822
2017	68,225	14,597	82,822
2018-2020	126,338	19,600	145,938
Total	\$ <u>1,455,077</u>	\$ <u>131,009</u>	\$ <u>1,586,086</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

5. Capital Leases

Assets acquired through capital leases as of September 30, 2012 were as follows:

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and Equipment	\$ 1,140,193	\$ 236,827
Less: Accumulated Depreciation	<u>(264,789)</u>	<u>(48,695)</u>
Total	<u>\$ 875,404</u>	<u>\$ 188,132</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2012, were as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 170,988	\$ 51,109
2014	160,106	47,059
2015	103,012	74,582
2016	103,012	-
2017	103,012	-
2018-2021	<u>358,718</u>	<u>-</u>
Total minimum lease payments	998,848	172,750
Less amount representing interest	<u>(111,632)</u>	<u>(13,999)</u>
Present value of minimum lease payments	<u>\$ 887,216</u>	<u>\$ 158,751</u>

6. Interest Costs Incurred

Long-term debt interest cost incurred for Business-type Activities for the year ended September 30, 2012 was as follows:

Interest charged to expense	\$ 147,412
Interest capitalized	<u>13,300</u>
Total interest incurred	<u>\$ 160,712</u>

The interest charged to expense was included as a non-operating expense in the Statement of Activities in the Business-type activities.

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

H. Deferred Revenue

Deferred revenues reported on the Balance Sheet-Governmental Funds consisted of the following at year-end:

Description	Fund	Deferred Amount
Paving and utility assessments	General	\$ 79,084

I. Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets consisted of the following as of September 30, 2011:

Description	Amount
Business-type Activities:	
Gas Utility and Water Utility Fund Customer Deposits / Escrow	\$ 360,033

J. Employee Retirement Benefits

1. Texas Municipal Retirement System

Plan Description:

The City and DEDC provide pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan administered by the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. 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 finances the portion of an active member's projected benefit allocated annually; 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 the 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.

The annual pension cost and net pension obligation are as follows:

Annual required contribution (ARC)	\$	314,840
Interest on Net Pension obligation		-
Adjustment to ARC		-
Annual Pension Cost (APC)		<u>314,840</u>
Contributions made		<u>(314,840)</u>
Increase (decrease) in net pension obligation(asset)		-
Net Pension Obligation(Asset) - as of beginning of year		<u>-</u>
Net Pension Obligation(Asset) - as of end of year	\$	<u><u>-</u></u>

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2010	\$ 339,760	\$ 339,760	100.0%	\$ -
9/30/2011	392,467	392,467	100.0%	-
9/30/2012	314,840	314,840	100.0%	-

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, is as follows:

<u>Valuation Date</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization	28 Years - Closed Period	27.2 Years - Closed Period	26.6 Years - Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-living Adjustments	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%

Funded Status and Funding Progress:

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Schedule of Actuarial Liabilities and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded ALL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)=(1)/(2)</u>	<u>(4)=(2)-(1)</u>	<u>(5)</u>	<u>(6)=(4)/(5)</u>
12/31/2011	\$ 11,864,547	\$ 12,899,642	92.0%	\$ 1,035,095	\$ 4,926,481	21.0%

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.

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 schedule of funding progress, presented as Required

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

2. *Supplemental Death Benefits Fund:*

The City and DEDC also participate in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions:

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that the adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$7,950, \$9,723, and \$8,841, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates: (RETIREE-only portion of the rate)

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.05%	0.05%	100%
2011	0.04%	0.04%	100%
2012	0.05%	0.05%	100%

K. Landfill

Closure and Postclosure Care Cost

The City has three landfill sites permitted as follows: MSW 211B, MSW 2285, and MSW 2279. At September 30, 2012, MSW 2279 had not been completed and placed in service, while MSW 211B was at capacity but had not been closed. The City expects to close MSW 211B in 2013 according to the permit. State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,401,570 reported as landfill closure and postclosure care liability as of September 30, 2012, represents the cumulative amount reported to date based on

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

the use of 71.31% percent of the estimated combined capacity of MSW 211B and MSW 2285. The City will recognize the remaining estimated cost of closure and postclosure of \$563,900 as the remaining estimated capacities of those landfills are filled. The total closure and post closure care costs of MSW 2279 are estimated to be \$2,334,790, which will be recognized over the estimated 188-year life of the landfill. Since MSW 2279 was not placed in service as of September 30, 2012, none of the closure and postclosure costs for that landfill had yet been recognized or accrued. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The City expects to close MSW 2285 in the year 2043 and to close MSW 2279 in the year 2200. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is the policy of the City to satisfy the EPA financial assurance requirements using the financial test method.

L. Commitments, Contingencies and Litigation

Commitments

The City has active construction projects at September 30, 2012. The landfill project has estimated cost of \$462,200 to complete. The water wells and wastewater treatment plant projects has estimated costs of approximately \$5,000,000 to complete. These commitments will be funded through unspent bond proceeds, unrestricted cash and future issuance of new bonds.

Contingencies

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

Litigation and Claims

The City had no reportable litigation or claims.

M. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and other claims of various natures. The City purchases insurance from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to indemnify it in the event of loss. The City pays annual premiums for such coverage. TML-IRP purchases reinsurance and the City does not retain risk of loss exceeding deductibles. The City has had no significant reduction in insurance coverage from the previous year and claims have not exceeded coverage in the last three years.

The City sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents. Transactions related to the plan are accounted for in the Internal Service Fund. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

All claims against the City are filed with a third party administrator, who investigates and processes the claims and provides administrative claims payment services for the plan. 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 recorded claim liability were as follows:

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2012

<u>Fiscal Year Ended:</u>	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
9/30/2010	\$ 66,078	\$ 427,469	\$ (427,512)	\$ 66,035
9/30/2011	66,035	561,278	(561,337)	65,976
9/30/2012	65,976	700,252	(631,478)	134,750

The City contributes \$446.30 per month per employee to the Plan, which includes comprehensive health care coverage. Employees, at their option, authorize payroll withholdings to pay contributions for dependent coverage. In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Excess loss coverage was provided by HM Life Insurance Company with individual deductible limits at \$55,000 per participant. The stop loss insurance provides a \$1,000,000 maximum aggregate benefit in excess of the annual aggregate deductible per policy term.

A similar contract with HM Group Insurance Company was entered into effective October 1, 2012.

The latest financial statements of the insurance company are filed with the Texas State Board of Insurance, Austin, Texas, and are available public records.

N. Prior Period Adjustments

The following adjustments were made to the beginning net assets/fund balance:

	<u>Government-wide</u>		<u>Fund-level</u>		
	<u>Government</u>	<u>Business</u>	<u>General Fund</u>	<u>Construction Fund</u>	<u>Other Gov't Funds</u>
Beginning net assets/fund balance, before adjustment	\$2,739,024	\$2,101,547	\$1,637,789	\$ (1,575,395)	\$ 666,537
Remove defined benefit obligation	1,334,254				
Reclass construction in progress				984,397	
Record note payable	(11,142)				
Record bond premium	(76,864)				
Record bond issuance costs	47,337				
Deferred revenue			(154,477)		
Reclass internal service fund					(5,043)
Beginning net assets/fund balance, as restated	<u>\$4,032,609</u>	<u>\$2,101,547</u>	<u>\$1,483,312</u>	<u>\$ (590,998)</u>	<u>\$ 661,494</u>

CITY OF DUMAS, TEXAS

Notes to Financial Statements

September 30, 2012

O. Upcoming Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The City will reassess its accounting and financial reporting for potential component units and interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the City to assess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TMRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The City will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUMAS, TEXAS
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual - General Fund
 Year Ended September 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 419,492	\$ 419,492	\$ 404,130	\$ (15,362)
Sales	2,429,278	2,429,278	2,541,039	111,761
Occupancy	10,760	10,760	1,170	(9,590)
Franchise	354,659	354,659	354,659	-
Other	-	-	10,164	10,164
Penalty and interest on taxes	-	-	13,486	13,486
Licenses, fees and permits	-	-	102,632	102,632
Intergovernmental grants and subsidiaries	2,500	2,500	58,736	56,236
Charges for services	2,397,050	2,397,050	2,027,782	(369,268)
Penalties, fines and forfeitures	22,900	22,900	625,618	602,718
Investment earnings	12,063	12,063	21,043	8,980
Other grants and contributions	3,000	3,000	4,497	1,497
Other revenue	92,086	92,086	363,030	270,944
Total Revenues	<u>5,743,788</u>	<u>5,743,788</u>	<u>6,527,986</u>	<u>784,198</u>
EXPENDITURES				
<i>Current</i>				
General government:				
City commission	66,133	66,133	45,729	20,404
Administration	741,856	741,856	701,761	40,095
Information systems	217,171	217,171	145,892	71,279
Warehouse	267,215	267,215	232,035	35,180
Engineering	-	-	105,727	(105,727)
Purchasing	-	-	24,651	(24,651)
Communications	103,342	103,342	88,554	14,788
Fire	1,386,075	1,386,075	1,172,183	213,892
Police	2,530,869	2,530,869	2,405,462	125,407
Streets	718,588	718,588	647,975	70,613
Solid Waste				
Sanitation	1,205,519	1,205,519	535,230	670,289
Landfill	1,896,792	1,896,792	646,356	1,250,436
Recycling	58,820	58,820	47,197	11,623
Parks	437,141	437,141	476,820	(39,679)
Total Expenses	<u>9,629,521</u>	<u>9,629,521</u>	<u>7,275,572</u>	<u>2,353,949</u>
Debt proceeds	1,734,000	1,734,000	1,788,445	54,445
Transfers in	1,125,000	1,125,000	1,357,294	232,294
Transfers out	(141,200)	(141,200)	(220,416)	(79,216)
Total Other Financing Sources (Uses)	<u>2,717,800</u>	<u>2,717,800</u>	<u>2,925,323</u>	<u>207,523</u>
Excess of Revenue over Expenditures	<u>\$ (1,167,933)</u>	<u>\$ (1,167,933)</u>	<u>2,177,737</u>	<u>\$ (1,362,228)</u>
Reconciliation to Generally Accepted				
Accounting Principles (GAAP):				
Proceeds from sale of assets			150,767	
Capital outlay			(1,907,463)	
Principal payments			(643,194)	
Interest and administrative fees			(192,892)	
Change in Fund Balance			<u>(415,045)</u>	
Fund Balance - October 1, as restated			1,483,312	
Fund Balance - September 30			<u>\$ 1,068,267</u>	

CITY OF DUMAS, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress - Pension Plan
 Year Ended September 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3)=(1)/(2)	Unfunded AAL (UAAL) (4)=(2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)=(4)/(5)
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TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN:

12/31/2009	\$ 6,111,029	\$ 8,438,888	72.4%	\$ 2,327,859	\$ 4,438,300	52.4%
12/31/2010	11,148,731	12,482,985	89.3%	1,334,254	4,642,641	28.7%
12/31/2011	11,864,547	12,899,642	92.0%	1,035,095	4,926,481	21.0%

CITY OF DUMAS, TEXAS
Notes to Required Supplementary Information
September 30, 2012

A. Budgetary Process

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

1. Prior to the beginning of the fiscal year, the finance director submits a proposed operating budget to the City Commission.
2. Public hearings are conducted to obtain taxpayer comments.
3. A meeting of the City Commission is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
4. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Commission.
5. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Commission.
6. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Commission and are not made after fiscal year end.
7. All budget appropriations lapse at year end.

COMPLIANCE SECTION

**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 City Commission
City of Dumas, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dumas, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described below that we consider to be a significant deficiency in internal control over financial reporting. 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.

Finding 2012-01: Tracking of capital asset activity - The City currently is not using capital asset accounting software to track capital assets and ongoing construction in progress. The construction in progress was being accounted for in one construction fund instead of separate enterprise funds. The capital asset schedules received from the City for our audit were not up to date and did not reconcile to the general ledger. We recommend that the City acquire and implement the use of capital asset accounting software and that they regularly inventory the capital assets and reconcile to the detail and general ledger. We also recommend that, in addition to the governmental assets construction fund, separate construction funds for each enterprise fund be established and maintained.

Management's Response to Finding 2012-01:

The City plans to look at options for a software package that will handle capital asset accounting or may decide to outsource this task. The City has established separate construction funds in its general ledger for each applicable enterprise fund

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 a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission, others within the City, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dennis Kinard & Co., PC
Certified Public Accountants

Plainview, Texas
January 21, 2013