

# **CITY OF DUMAS, TEXAS**

---

ANNUAL FINANCIAL REPORT

---

YEAR ENDED SEPTEMBER 30, 2013

**CITY OF DUMAS, TEXAS**

September 30, 2013

Table of Contents

	<b>Page</b>	<b>Exhibit</b>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal .....	i	
Principal Officials .....	v	
Organizational Chart .....	vi	
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report .....	1	
Management’s Discussion and Analysis .....	3	
<u>Basic Financial Statements:</u>		
Government-Wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities .....	12	A-2
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	13	A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	14	A-4
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	15	A-5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	16	A-6
Statement of Net Position – Proprietary Funds .....	17	A-7
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	18	A-8
Statement of Cash Flows – Proprietary Funds .....	19	A-9
Notes to the Financial Statements .....	21	
<u>Required Supplementary Information:</u>		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Budget Basis.....	47	B-1
Schedule of Funding Progress – Pension Plan .....	48	B-2
Notes to Required Supplementary Information.....	49	
<b>COMPLIANCE SECTION</b>		
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	50	

INTRODUCTORY SECTION



January 16, 2014

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, 2013. 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 unmodified opinion on the City's Annual Financial Report for the year ended September 30, 2013. 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 includes 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 complements 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](http://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](http://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 rebounded with an 8% increase in 2011 when compared to 2010 and 5% in 2012. Sales tax revenues were up by 3% in 2013.

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' 5<sup>th</sup> leading producer of corn for 2006 and 7<sup>th</sup> 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 74<sup>th</sup> 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](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 a new equipment supply distribution company. 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 a new facility within the new 265 acre business park.

The City of Dumas recently constructed a new landfill, constructed a new wastewater treatment plant and drilled 3 new water wells to serve the citizens and keep up with the growth of the City and the demand of its citizens.

### **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,



Finance Director

**CITY OF DUMAS, TEXAS**

**PRINCIPAL OFFICIALS**

September 30, 2013

City Commission

Pat Sims - Mayor

David Bonner - Commissioner

Mike Funk - Commissioner

Vernon McDowell - Commissioner

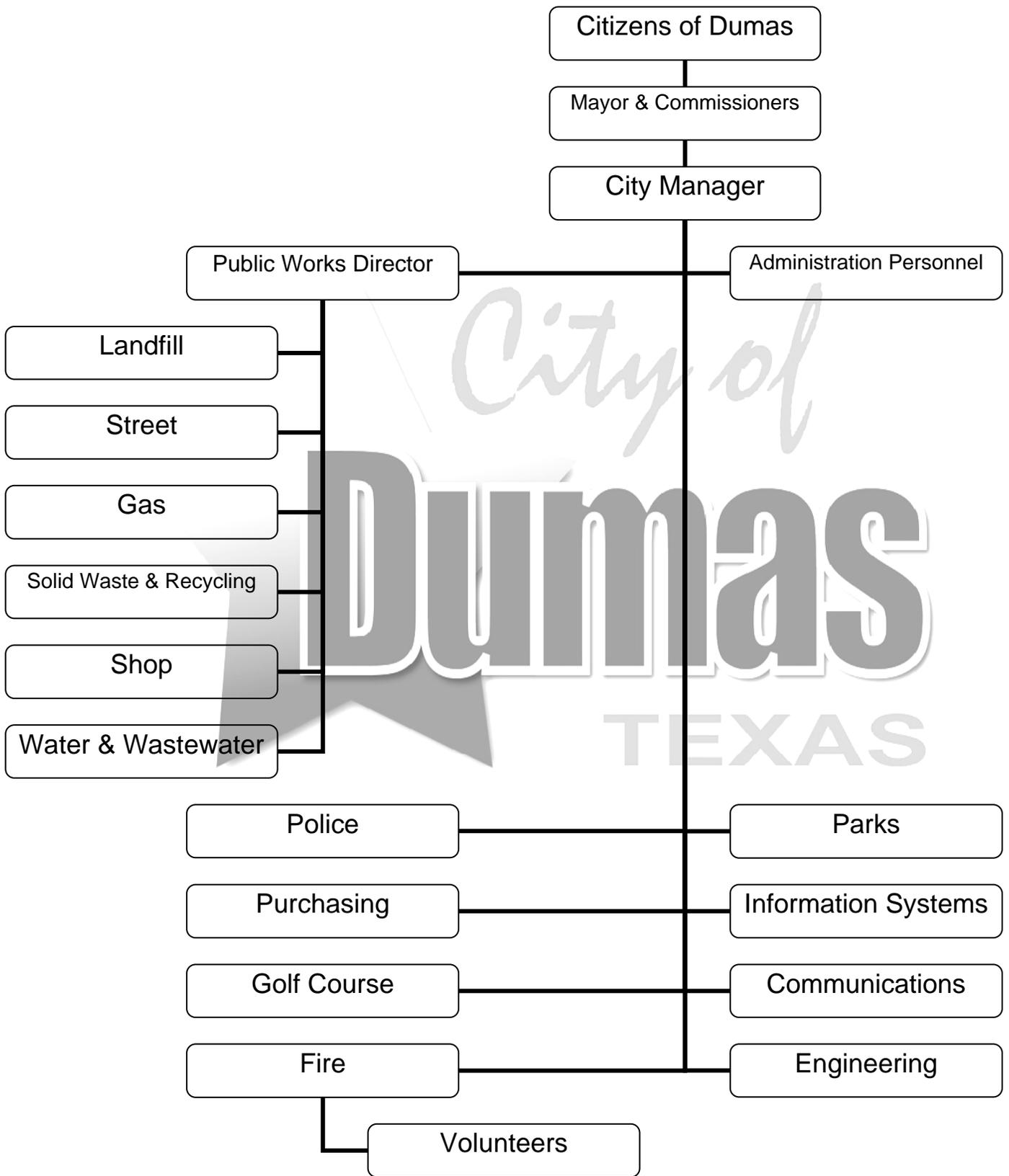
Steve Bodnar - Commissioner

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component

unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, 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* in considering the City’s internal control over financial reporting and compliance.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Plainview, Texas  
January 16, 2014

## 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, 2013. 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 position from governmental activities decreased by \$0.21 million as a result of this year's operations. Net position of our business-type activities increased by \$0.46 million. Net position of Dumas Economic Development Corporation increased by \$0.044 million, or 2%.

During the year, the City had expenses that were \$9.6 million, more than the \$7.3 million generated in tax and other revenues for governmental programs.

In the City's business-type activities, revenues increased to \$7.5 million or 16% and expenses decreased to \$4.8 million or just under 6%.

Total cost of all of the City's programs, after charges for services and operating grants, was \$6.9 million. The total cost of Dumas Economic Development Corporation's programs, after charges for services and operating grants was \$0.92 million.

The General Fund ended the year with a fund balance of \$0.8 million, which is a decrease over last year's balance of \$1.1 million.

The resources available for appropriation were \$0.26 million less 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 Position 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 Position 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 Position 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 position and changes in them. The City's net position (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 position 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 Position 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 Position 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 Position 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 position (Table I) and changes in net position (Table II) of the City’s governmental and business-type activities.

Net position of the City’s governmental activities decreased from \$3.6 million to \$3.4 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was (\$0.78) million at September 30, 2013. The decrease in governmental net position was mainly a result of expenses exceeding revenues by about \$2.3 million.

In 2013, net position of business-type activities increased by \$0.46 million.

**Table I**  
**City of Dumas, Texas**  
**NET POSITION**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	Total	Total Percentage
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<b>2013</b>	<u>2012</u>	<u>Change</u>
Current and other assets	\$2,744	\$3,004	\$1,309	\$5,871	<b>\$4,053</b>	\$ 8,875	-55%
Capital assets	<u>12,447</u>	<u>12,419</u>	<u>18,024</u>	<u>8,574</u>	<b>30,471</b>	<u>\$20,993</u>	45%
Total Assets	<b>15,191</b>	<b>15,423</b>	<b>19,333</b>	<b>14,445</b>	<b>34,524</b>	<b>29,868</b>	15%
Long-term liabilities	10,012	10,247	14,508	10,202	<b>24,520</b>	20,449	20%
Other Liabilities	<u>1,781</u>	<u>1,642</u>	<u>2,066</u>	<u>2,030</u>	<b>3,847</b>	<u>3,672</u>	5%
Total Liabilities	<b>11,793</b>	<b>11,889</b>	<b>16,574</b>	<b>12,232</b>	<b>28,367</b>	<b>24,121</b>	<b>18%</b>
Net position:							
Net investment in capital assets	3,318	2,925	3,361	1,886	<b>6,679</b>	4,811	29%
Restricted	856	700	-	-	<b>856</b>	700	26%
Unrestricted	<u>(776)</u>	<u>(91)</u>	<u>(602)</u>	<u>327</u>	<b>(1,378)</b>	<u>236</u>	-572%
Total Net position	3,398	3,534	2,759	2,213	<b>6,157</b>	5,747	5%

**Table II**  
**City of Dumas, Texas**  
**CHANGES IN NET POSITION**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$2,654	\$2,784	\$7,162	\$6,484	<b>\$9,816</b>	9,268
Grants and contributions	27	93	335	19	<b>362</b>	112
General Revenues:						
Property taxes, penalties, and interest	499	787	-	-	<b>499</b>	787
Sales tax and other taxes	3,923	3,582	-	-	<b>3,923</b>	3,582
Interest revenue	11	65	24	1	<b>35</b>	66
Miscellaneous revenue	<u>228</u>	<u>278</u>	<u>-</u>	<u>-</u>	<u><b>228</b></u>	<u>278</u>
<b>Total Revenues</b>	<b>7,342</b>	<b>7,589</b>	<b>7,521</b>	<b>6,504</b>	<b>14,863</b>	<b>14,093</b>
<b>Expenses:</b>						
General Government	1,514	1,416	-	-	<b>1,514</b>	1,416
Public safety	3,872	3,862	-	-	<b>3,872</b>	3,862
Highways and streets	784	662	-	-	<b>784</b>	662
Sanitation	1,934	1,604	-	-	<b>1,934</b>	1,604
Culture and recreation	1,158	1,279	-	-	<b>1,158</b>	1,279
Interest and fiscal charges	352	352	-	-	<b>352</b>	352
Gas	-	-	2,416	2,994	<b>2,416</b>	2,994
Water	-	-	1,404	1,303	<b>1,404</b>	1,303
Wastewater	-	-	461	345	<b>461</b>	345
Golf course	<u>-</u>	<u>-</u>	<u>558</u>	<u>504</u>	<u><b>558</b></u>	<u>504</u>
<b>Total Expenses</b>	<b>9,614</b>	<b>9,175</b>	<b>4,839</b>	<b>5,146</b>	<b>14,453</b>	<b>14,321</b>
<b>Increase (decrease) in net position</b>						
before transfers	(2,272)	(1,586)	2,682	1,358	<b>410</b>	(228)
Transfers	<u>2,136</u>	<u>1,162</u>	<u>(2,136)</u>	<u>(1,162)</u>	<u>-</u>	<u>-</u>
<b>Change in Net position</b>	<b>\$(136)</b>	<b>\$(424)</b>	<b>\$ 546</b>	<b>\$ 196</b>	<b>\$ 410</b>	<b>\$(228)</b>
<b>Net position at Beginning of Year</b>						
	\$3,534	\$4,033	\$2,213	\$2,102	<b>\$5,747</b>	\$6,135
Prior period adjustments	\$ -	\$ (75)	\$ -	\$ (85)	<b>\$ -</b>	\$(160)
<b>Net position - End of Year</b>	<b>\$3,398</b>	<b>\$3,534</b>	<b>\$2,759</b>	<b>\$2,213</b>	<b>\$6,157</b>	<b>\$5,747</b>

The cost of all governmental activities this year was \$9.6 million. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities was \$6.8 million because \$2.65 million of these costs were paid by those who directly benefited from the programs and \$0.03 million by other governments and organizations that subsidized certain programs with grants and contributions.

Note M in the notes to financial statements provides information on certain prior period adjustments that were made during 2013. 2012 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 \$1.73 million, which is less than last year's total of \$2.1 million, as restated. Included in this year's total change in fund balance is a decrease of \$0.23 million in the City's General Fund. The net position of Dumas Economic Development Corporation increased by \$0.04 million to a total of \$2.46 million.

## CAPTIAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the City had \$30 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 \$9.4 million or 45% above last year.

This year's major additions and retirements included in thousands:

	Primary Government	Dumas Economic Development Corporation
Land	-	5
Buildings	4,194	(6)
Machinery and equipment	(145)	-
Infrastructure	119	(53)
Construction in progress	5,310	1,127
Total	\$9,478	\$1,073

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2013	2012	2013	2012	2013	2012	2012 - 2013
Land	482	482	553	553	1,035	1,035	0%
Buildings and improvements	5,560	1,360	148	154	5,708	1,514	277%
Vehicles, Furniture & Equipment	6,279	6,392	385	418	6,664	6,810	-2%
Infrastructure	126	151	3,525	3,380	3,651	3,531	3%
Construction in progress	-	4,034	13,413	4,070	13,413	8,104	65%
<b>Total</b>	<b>12,447</b>	<b>12,419</b>	<b>18,024</b>	<b>8,575</b>	<b>30,471</b>	<b>20,994</b>	<b>45%</b>

### Debt

At year-end, the City had \$26.6 million in bonds, loans, capital leases, landfill closure costs, and long-term compensated absences outstanding versus \$22.3 last year – an increase of \$4.3 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
	2013	2012	2013	2012	2013	2012	2012 - 2013
General obligation bonds (backed by the City)	8,004	8,554	-	-	8,004	8,554	-6%
Revenue bonds and notes (backed by specific tax and fee revenues)	-	-	14,957	9,998	14,957	9,998	50%
<b>Total</b>	<b>\$8,004</b>	<b>\$8,554</b>	<b>\$14,957</b>	<b>\$9,998</b>	<b>\$22,961</b>	<b>\$18,552</b>	<b>24%</b>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As of September 30, 2013, the City has active construction projects. The water well construction and wastewater treatment plant projects have estimated cost of \$2 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 2014 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 2014 budget.

Amounts available for appropriation in the General Fund budget are \$7.2 million, a 1% change of the final 2013 budget of \$6.9 million. The City will use its revenues to finance programs currently offered. Total budgeted expenditures in the General Fund for 2014 are expected to remain about the same as total budgeted expenditures for 2013. The City has added no major new programs or initiatives to the 2014 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease \$0.93 million at the close of 2014.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide 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. 6<sup>th</sup> 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 Position

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 704,630	\$ 250	\$ 704,880	\$ 105,316
Investments	-	-	-	1,119
Accounts receivable, net	154,490	547,782	702,272	1,070
Taxes receivable, net	556,640	-	556,640	69,509
Internal balances	816,570	(816,570)	-	-
Inventories, at cost	80,903	-	80,903	-
Paving and utility assessment receivable	66,435	-	66,435	-
Other receivables	14,201	-	14,201	-
Prepaid expenses	14,563	31,387	45,950	12,459
Restricted cash and cash equivalents	222,335	1,272,482	1,494,817	-
Restricted investments	-	112,415	112,415	-
Prepaid bond insurance	113,208	161,314	274,522	-
Capital assets, net	12,446,638	18,024,371	30,471,009	4,755,424
<b>Total Assets</b>	<b>15,190,613</b>	<b>19,333,431</b>	<b>34,524,044</b>	<b>4,944,897</b>
<b>LIABILITIES</b>				
Overdraft payable	154,658	-	154,658	-
Accounts payable	135,773	263,144	398,917	243,583
Accrued expenses	83,070	43,829	126,899	126
Accrued interest payable	28,793	39,024	67,817	20,583
Intergovernmental payable	242,940	-	242,940	-
Insurance claim payable	158,173	-	158,173	-
Due to component unit	69,509	-	69,509	-
Customer deposits	1,718	361,306	363,024	-
Accrued vacation	143,728	19,204	162,932	5,742
Noncurrent liabilities:				
Due within one year	762,636	1,339,955	2,102,591	778,131
Due in more than one year	10,011,940	14,508,003	24,519,943	1,437,173
<b>Total Liabilities</b>	<b>11,792,938</b>	<b>16,574,465</b>	<b>28,367,403</b>	<b>2,485,338</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,318,237	3,361,318	6,679,555	2,540,120
Restricted for:				
Debt service	193,596	-	193,596	-
Tourism	434,813	-	434,813	-
Public safety	26,078	-	26,078	-
Law enforcement	20,950	-	20,950	-
Municipal court	179,939	-	179,939	-
Unrestricted	(775,938)	(602,352)	(1,378,290)	(80,561)
<b>Total Net Position</b>	<b>\$ 3,397,675</b>	<b>\$ 2,758,966</b>	<b>\$ 6,156,641</b>	<b>\$ 2,459,559</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF DUMAS, TEXAS**  
Statement of Activities  
Year Ended September 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
City commission	\$ 51,081	\$ -	\$ -	\$ -
Administration	783,533	-	-	-
Information Systems	159,087	-	-	-
Warehouse	252,590	-	-	-
Engineering	111,848	98,488	-	-
Purchasing	28,063	-	-	-
Communications	127,689	-	-	-
Public safety	30,602	22,786	-	-
Police	2,540,245	486,042	-	-
Fire	1,301,532	-	3,885	-
Streets	784,133	-	-	-
Sanitation	743,203	1,821,492	-	-
Landfill	1,134,915	154,364	-	-
Recycling	56,056	13,413	-	-
Culture and recreation	690,055	57,081	5,114	-
Parks	467,684	-	-	18,208
Interest expense	351,788	-	-	-
Total Governmental Activities	<u>9,614,104</u>	<u>2,653,666</u>	<u>8,999</u>	<u>18,208</u>
<b>Business-Type Activities:</b>				
Gas	2,416,036	2,827,341	-	-
Water	1,404,382	2,636,173	-	334,616
Wastewater	461,302	1,410,822	-	-
Pheasant Trails Golf Course	557,541	287,530	-	-
Total Business-Type Activities	<u>4,839,261</u>	<u>7,161,866</u>	<u>-</u>	<u>334,616</u>
<b>Total Primary Government</b>	<u>\$14,453,365</u>	<u>\$ 9,815,532</u>	<u>\$ 8,999</u>	<u>\$ 352,824</u>
<b>Component Unit:</b>				
Dumas Economic Development Corp	<u>\$ 1,012,352</u>	<u>\$ 34,115</u>	<u>\$ 11,000</u>	<u>\$ 48,800</u>

**General Revenues and Transfers**

Taxes

Sales

Property, levied for general purposes

Property, levied for debt service

Franchise

Occupancy

Other

Miscellaneous

Investment income

Gain on sale of capital assets

Transfers, net

Total General Revenues and Transfers

**Change in Net Position**

**Net Position - Beginning**

**Prior Period Adjustment - Debt Issuance Cost**

**Net Position - Ending**

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (51,081)	\$ -	\$ (51,081)	\$ -
(783,533)	-	(783,533)	-
(159,087)	-	(159,087)	-
(252,590)	-	(252,590)	-
(13,360)	-	(13,360)	-
(28,063)	-	(28,063)	-
(127,689)	-	(127,689)	-
(7,816)	-	(7,816)	-
(2,054,203)	-	(2,054,203)	-
(1,297,647)	-	(1,297,647)	-
(784,133)	-	(784,133)	-
1,078,289	-	1,078,289	-
(980,551)	-	(980,551)	-
(42,643)	-	(42,643)	-
(627,860)	-	(627,860)	-
(449,476)	-	(449,476)	-
(351,788)	-	(351,788)	-
<u>(6,933,231)</u>	<u>-</u>	<u>(6,933,231)</u>	<u>-</u>
-	411,305	411,305	-
-	1,566,407	1,566,407	-
-	949,520	949,520	-
-	(270,011)	(270,011)	-
-	<u>2,657,221</u>	<u>2,657,221</u>	<u>-</u>
<u>(6,933,231)</u>	<u>2,657,221</u>	<u>(4,276,010)</u>	<u>-</u>
			(918,437)
2,619,901	-	2,619,901	784,044
499,155	-	499,155	-
312,598	-	312,598	-
349,692	-	349,692	-
615,666	-	615,666	-
24,638	-	24,638	-
228,338	-	228,338	28
11,005	24,455	35,460	142
-	645	645	177,950
<u>2,136,061</u>	<u>(2,136,061)</u>	<u>-</u>	<u>-</u>
<u>6,797,054</u>	<u>(2,110,961)</u>	<u>4,686,093</u>	<u>962,164</u>
(136,177)	546,260	410,083	43,727
3,608,465	2,297,706	5,906,171	2,415,832
(74,613)	(85,000)	(159,613)	-
<u>\$ 3,397,675</u>	<u>\$ 2,758,966</u>	<u>\$ 6,156,641</u>	<u>\$ 2,459,559</u>

**CITY OF DUMAS, TEXAS**  
 Balance Sheet - Governmental Funds  
 September 30, 2013

	General Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	704,630	\$ 704,630
Utility receivables, net	154,490	-	154,490
Taxes receivable, net			
Sales	346,951	-	346,951
Occupancy	-	190,587	190,587
Property	19,102	-	19,102
Due from other funds	857,657	-	857,657
Inventories	80,903	-	80,903
Paving and utility assessments receivable	66,435	-	66,435
Prepaid expenses	14,563	-	14,563
Other receivables	13,885	-	13,885
Restricted assets			
Cash and cash equivalents	-	222,335	222,335
<b>Total Assets</b>	<u>\$ 1,553,986</u>	<u>\$ 1,117,552</u>	<u>\$ 2,671,538</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
<b>Liabilities</b>			
Overdraft payable	\$ 154,658	\$ -	\$ 154,658
Accounts payable	109,223	370	109,593
Accrued payroll	83,070	-	83,070
Due to other funds	-	68,546	68,546
Intergovernmental payable	88,074	154,866	242,940
Due to component unit	69,509	-	69,509
Accrued vacation	143,728	-	143,728
Utility customer deposits	1,718	-	1,718
<b>Total Liabilities</b>	<u>649,980</u>	<u>223,782</u>	<u>873,762</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property tax	16,043	-	16,043
Unavailable revenue - 2008 paving assessment program	52,722	-	52,722
<b>Total deferred inflows of resources</b>	<u>68,765</u>	<u>-</u>	<u>68,765</u>
<b>Fund Balances</b>			
Nonspendable	109,179	-	109,179
Restricted	-	884,115	884,115
Committed	-	-	-
Assigned	-	-	-
Unassigned	726,062	9,655	735,717
<b>Total Fund Balance</b>	<u>835,241</u>	<u>893,770</u>	<u>1,729,011</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 1,553,986</u>	<u>\$ 1,117,552</u>	<u>\$ 2,671,538</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DUMAS, TEXAS**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 September 30, 2013

**Total Fund Balances - Governmental Funds** \$ 1,729,011

Amounts reported for *governmental activities* in the statement of net position 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 position. This results in a net decrease to the net position. (156,578)

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 \$23,473,762 and accumulated depreciation was \$11,027,124. 12,446,638

Bond insurance costs are reported as expenditures in the governmental funds, but are capitalized and amortized in the statement of net position. 113,208

Long-term liabilities for landfill closure costs of \$1,451,841, compensated absences of \$62,022, and bond and note obligations (including accrued interest of \$28,793) of \$9,241,609 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 position. (10,803,369)

Certain assets are not available to pay for current-period expenditures and are therefore deferred in the governmental funds. Unavailable revenue recognized in the government-wide financial statements results in an net increase to net position. 68,765

**Net Position of Governmental Activities - Statement of net position** \$ 3,397,675

**CITY OF DUMAS, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2013

	General Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 483,112	\$ 312,598	\$ 795,710
Sales and use taxes	2,619,901	-	2,619,901
Franchise tax	349,692	-	349,692
Occupancy	1,320	614,346	615,666
Other taxes	11,643	-	11,643
Penalty and interest on taxes	12,995	-	12,995
Licenses and permits	98,488	-	98,488
Intergovernmental grants and subsidies	8,999	-	8,999
Charges for services	2,011,012	-	2,011,012
Fines and forfeitures	521,380	22,786	544,166
Investment earnings	7,802	3,203	11,005
Other grants and contributions	4,645	13,563	18,208
Other income	211,794	-	211,794
Total Revenues	6,342,783	966,496	7,309,279
<b>EXPENDITURES</b>			
Current			
General government:			
City commission	49,544	-	49,544
Administration	736,666	-	736,666
Information systems	154,806	-	154,806
Warehouse	239,962	-	239,962
Engineering	107,957	-	107,957
Purchasing	27,679	-	27,679
Communications	126,280	-	126,280
Public safety	-	7,759	7,759
Fire	1,184,510	-	1,184,510
Police	2,364,829	1,940	2,366,769
Streets	707,241	-	707,241
Solid Waste:			
Sanitation	611,801	-	611,801
Landfill	762,789	-	762,789
Recycling	52,837	-	52,837
Recreation and culture	-	534,607	534,607
Parks	440,313	17,537	457,850
Capital outlay	682,053	330,102	1,012,155
Debt service:			
Principal	658,794	171,107	829,901
Interest and administrative fees	209,463	145,984	355,447
Total Expenditures	9,117,524	1,209,036	10,326,560
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(2,774,741)	(242,540)	(3,017,281)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	469,059	-	469,059
Proceeds from sales of forfeiture assets	-	42,906	42,906
Transfers in	2,326,150	75,000	2,401,150
Transfers out	(253,494)	(11,595)	(265,089)
Total Other Financing Sources (Uses)	2,541,715	106,311	2,648,026
<b>Net Change in Fund Balances</b>	(233,026)	(136,229)	(369,255)
<b>Fund Balances - October 1</b>	1,068,267	1,029,999	2,098,266
<b>Fund Balances - September 30</b>	\$ 835,241	\$ 893,770	\$ 1,729,011

The accompanying notes are an integral part of these financial statements.

**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, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$ (369,255)

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 governmental activities in the statement of activities. This results in a net decrease to the net position. (70,522)

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. 938,426

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. (910,627)

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 position. (10,319)

Current year amortization of bond insurance is a decrease in net position. (9,723)

Increase in accrued interest payable is a decrease in net position. (430)

Increase in accrued compensated absences is a decrease in net position. (9,006)

Increase in long-term landfill liability is a decrease in net position. (69,375)

Current year accretion of bond premiums of \$13,811 is an increase in net position. 13,811

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 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 position and is not a source of funds on the statement of activities. Proceeds from capital leases of \$469,059 net of bond payments of \$536,106, debt principal payments of \$127,912 and capital lease payments of \$165,884 result in an increase in net position. 360,843

**Change in Net Position of Governmental Activities** \$ (136,177)

**CITY OF DUMAS, TEXAS**  
Statement of Net Position - Proprietary Funds  
September 30, 2013

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable, net	70,129	360,293
Prepaid expenses and deposits	13,563	13,563
Restricted cash and cash equivalents	66,765	182,126
Restricted investments	112,415	-
Total Current Assets	262,872	555,982
<b>Noncurrent Assets:</b>		
Prepaid bond insurance cost	-	46,459
Capital assets, net	625,201	6,640,265
Total Noncurrent Assets	625,201	6,686,724
<b>Total Assets</b>	888,073	7,242,706
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	61,321	178,965
Due to other funds	543,639	144,553
Insurance claims payable	-	-
Unapplied utility account credits	28,797	-
Sales tax payable	1,983	-
Accrued interest	-	14,199
Accrued wages	5,157	3,548
Accrued vacation	9,680	4,916
Current portion of long-term debt	-	630,913
Total Current Liabilities	650,577	977,094
<b>Long-Term Liabilities (net of current portion):</b>		
Utility customer deposits	179,180	182,126
Long-term debt due after one year	-	4,878,090
Total Noncurrent Liabilities	179,180	5,060,216
<b>Total Liabilities</b>	829,757	6,037,310
<b>NET POSITION</b>		
Net investment in capital assets	625,201	1,177,721
Unrestricted	(566,885)	27,675
Total Net Position, as restated	58,316	1,205,396
<b>Total Liabilities and Net Position</b>	\$ 888,073	\$ 7,242,706

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

The accompanying notes are an  
integral part of these financial statements.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds Funds	Governmental Activities - Internal Service Fund
\$ -	\$ 250	\$ 250	\$ -
117,360	-	547,782	316
-	4,261	31,387	-
1,023,591	-	1,272,482	-
-	-	112,415	-
<u>1,140,951</u>	<u>4,511</u>	<u>1,964,316</u>	<u>316</u>
114,855	-	161,314	-
9,896,558	862,347	18,024,371	-
<u>10,011,413</u>	<u>862,347</u>	<u>18,185,685</u>	<u>-</u>
<u>11,152,364</u>	<u>866,858</u>	<u>20,150,001</u>	<u>316</u>
12,884	9,974	263,144	26,180
50,012	43,233	781,437	7,674
-	-	-	158,173
-	-	28,797	-
-	919	2,902	-
24,825	-	39,024	-
491	2,934	12,130	-
582	4,026	19,204	-
666,546	42,496	1,339,955	-
<u>755,340</u>	<u>103,582</u>	<u>2,486,593</u>	<u>192,027</u>
-	-	361,306	-
<u>9,561,081</u>	<u>68,832</u>	<u>14,508,003</u>	<u>-</u>
9,561,081	68,832	14,869,309	-
<u>10,316,421</u>	<u>172,414</u>	<u>17,355,902</u>	<u>192,027</u>
807,377	751,019	3,361,318	-
28,566	(56,575)	(567,219)	(191,711)
<u>835,943</u>	<u>694,444</u>	<u>2,794,099</u>	<u>(191,711)</u>
<u>\$ 11,152,364</u>	<u>\$ 866,858</u>	<u>\$ 20,150,001</u>	<u>\$ 316</u>
		\$ (35,133)	
		<u>\$ 2,758,966</u>	

**CITY OF DUMAS, TEXAS**

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
Year Ended September 30, 2013

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
<b>OPERATING REVENUE</b>		
Charges for services	\$ 2,717,831	\$ 2,549,957
Late charges	78,995	34,430
Tapping and surcharge fees	30,417	51,786
Other and miscellaneous	98	-
Total Operating Revenues	<u>2,827,341</u>	<u>2,636,173</u>
<b>OPERATING EXPENSES</b>		
Current		
Salaries and wages	306,991	252,532
Employee benefits	87,690	73,668
Gas purchases	1,591,945	-
Departmental operating costs	35,011	25,609
Professional and technical services	17,697	159,620
Repairs and maintenance	37,639	81,827
Other purchased services	8,427	14,929
Property and facility	20,802	224,506
Supplies	38,348	47,964
Lease agreements	177,498	200,074
Warehouse	33,872	46,701
Bad debts	8,601	2,490
Insurance claims and premiums	-	-
Bond issuance cost	-	49,665
Depreciation	45,430	109,757
Total Operating Expenses	<u>2,409,951</u>	<u>1,289,342</u>
<b>Operating Income (Loss)</b>	<u>417,390</u>	<u>1,346,831</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	374	8,255
Sale of assets	645	-
Interest expense	-	(109,813)
Total Nonoperating Revenues (Expenses)	<u>1,019</u>	<u>(101,558)</u>
<b>Income Before Contributions and Transfers</b>	<u>418,409</u>	<u>1,245,273</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Capital contributions	-	334,616
Transfers in	-	-
Transfers out	(603,185)	(398,185)
Total Contributions and Transfers	<u>(603,185)</u>	<u>(63,569)</u>
<b>Change in Net Position</b>	(184,776)	1,181,704
<b>Net Position - Beginning of Year</b>	243,092	43,242
<b>Prior Period Adjustment - Debt Issuance Cost</b>	-	(19,550)
<b>Net Position - End of Year</b>	<u>\$ 58,316</u>	<u>\$ 1,205,396</u>

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

The accompanying notes are an integral part of these financial statements.

Business-type Activities - cont.				
Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds	Governmental Activities - Internal Service Fund	
\$ 1,372,066	\$ 268,071	\$ 6,907,925	\$	860,734
23,359	-	136,784		-
15,397	-	97,600		-
-	19,459	19,557		-
<u>1,410,822</u>	<u>287,530</u>	<u>7,161,866</u>		<u>860,734</u>
60,695	154,827	775,045		-
17,107	45,197	223,662		-
-	-	1,591,945		-
-	21,951	82,571		-
733	15,205	193,255		-
6,573	57,824	183,863		-
4,317	6,214	33,887		-
11,927	24,178	281,413		-
23,656	21,850	131,818		-
70,541	115,252	563,365		-
14,687	28,543	123,803		-
2,793	-	13,884		-
-	-	-		947,052
65,835	-	115,500		-
102,991	43,732	301,910		-
<u>381,855</u>	<u>534,773</u>	<u>4,615,921</u>		<u>947,052</u>
<u>1,028,967</u>	<u>(247,243)</u>	<u>2,545,945</u>		<u>(86,318)</u>
15,826	-	24,455		-
-	-	645		-
<u>(78,294)</u>	<u>(19,437)</u>	<u>(207,544)</u>		<u>-</u>
<u>(62,468)</u>	<u>(19,437)</u>	<u>(182,444)</u>		<u>-</u>
<u>966,499</u>	<u>(266,680)</u>	<u>2,363,501</u>		<u>(86,318)</u>
-	-	334,616		-
-	253,494	253,494		-
<u>(1,388,185)</u>	<u>-</u>	<u>(2,389,555)</u>		<u>-</u>
<u>(1,388,185)</u>	<u>253,494</u>	<u>(1,801,445)</u>		<u>-</u>
(421,686)	(13,186)	562,056		(86,318)
1,323,079	707,630	2,317,043		(105,393)
(65,450)	-	(85,000)		-
<u>\$ 835,943</u>	<u>\$ 694,444</u>	<u>\$ 2,794,099</u>	<u>\$</u>	<u>(191,711)</u>
		<u>\$ (15,796)</u>		
		<u>\$ 546,260</u>		

**CITY OF DUMAS, TEXAS**  
Statement of Cash Flows - Proprietary Funds  
Year Ended September 30, 2013

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,853,141	\$ 2,419,370
Receipts from internal services provided	-	-
Payments to suppliers and contractors	(1,971,601)	(704,495)
Payments for interfund services used	-	-
Payments to and on behalf of employees	(396,309)	(323,513)
Net Cash Provided (Used) by Operating Activities	<u>485,231</u>	<u>1,391,362</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund lending	116,935	144,553
Transfers, net	(603,185)	(398,185)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(486,250)</u>	<u>(253,632)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for interest on debt	-	(119,606)
Proceeds from debt issuance	-	2,689,650
Proceeds from bond issuance premium	-	175,150
Payment of bond issuance costs and bond insurance	-	(69,800)
Principal payments on debt	-	(916,639)
Purchase of capital assets	-	(3,514,820)
Proceeds from capital grants	-	334,616
Proceeds from sale of assets	645	8,255
Net Cash Provided (Used) by Capital Financing Activities	<u>645</u>	<u>(1,413,194)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	14,234	4,726
Investment income	374	-
Net Cash Provided (Used) by Investing Activities	<u>14,608</u>	<u>4,726</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	14,234	(270,738)
<b>Cash and Cash Equivalents - October 1</b>	<u>52,531</u>	<u>452,864</u>
<b>Cash and Cash Equivalents - September 30</b>	<u>\$ 66,765</u>	<u>\$ 182,126</u>

The accompanying notes are an integral part of these financial statements.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 1,426,569	\$ 287,530	\$ 6,986,610	\$ -
-	-	-	863,328
(201,138)	(286,549)	(3,163,783)	-
-	-	-	(904,881)
(78,030)	(199,852)	(997,704)	-
<u>1,147,401</u>	<u>(198,871)</u>	<u>2,825,123</u>	<u>(41,553)</u>
50,012	(4,640)	306,860	7,674
(1,388,185)	253,494	(2,136,061)	-
<u>(1,338,173)</u>	<u>248,854</u>	<u>(1,829,201)</u>	<u>7,674</u>
(193,992)	(6,205)	(319,803)	-
3,565,350	-	6,255,000	-
232,175	-	407,325	-
(92,525)	-	(162,325)	-
(1,028,744)	(43,778)	(1,989,161)	-
(6,011,899)	-	(9,526,719)	-
-	-	334,616	-
15,826	-	24,726	-
<u>(3,513,809)</u>	<u>(49,983)</u>	<u>(4,976,341)</u>	<u>-</u>
4,419	-	23,379	609
-	-	374	-
<u>4,419</u>	<u>-</u>	<u>23,753</u>	<u>609</u>
(3,700,162)	-	(3,956,666)	(33,270)
<u>4,723,753</u>	<u>250</u>	<u>5,229,398</u>	<u>33,270</u>
<u>\$ 1,023,591</u>	<u>\$ 250</u>	<u>\$ 1,272,732</u>	<u>\$ -</u>

**CITY OF DUMAS, TEXAS**  
Statement of Cash Flows - Proprietary Funds - continued  
Year Ended September 30, 2013

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 417,390	\$ 1,346,831
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Depreciation	45,430	109,757
Changes in:		
Accounts receivable, net	18,275	(218,074)
Prepaid expenses	(266)	(266)
Accounts payable	(1,496)	149,156
Unapplied utility account credits	8,233	-
Insurance claims payable	-	-
Sales tax payable	(710)	-
Accrued wages	55	325
Accrued vacation	(1,683)	2,362
Utility customer deposits	3	1,271
Net Cash Provided (Used) by Operating Activities	\$ 485,231	\$ 1,391,362
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	66,765	182,126
	\$ 66,765	\$ 182,126

The accompanying notes are an integral part of these financial statements.

Business-type Activities - cont.			
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 1,028,967	\$ (247,243)	\$ 2,545,945	\$ (86,318)
102,991	43,732	301,910	-
15,747	-	(184,052)	2,594
-	2,556	2,024	-
(76)	2,714	150,298	18,748
-	-	8,233	-
-	-	-	23,423
-	(802)	(1,512)	-
(293)	1,299	1,386	-
65	(1,127)	(383)	-
-	-	1,274	-
<u>\$ 1,147,401</u>	<u>\$ (198,871)</u>	<u>\$ 2,825,123</u>	<u>\$ (41,553)</u>
\$ -	\$ 250	\$ 250	\$ -
<u>1,023,591</u>	<u>-</u>	<u>1,272,482</u>	<u>-</u>
<u>\$ 1,023,591</u>	<u>\$ 250</u>	<u>\$ 1,272,732</u>	<u>\$ -</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

**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 \$774,599 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 position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

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.

The City reports the following non-major governmental funds:

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

*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, 2013

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, 2013

#### 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 position.

#### f. Deferred Inflows of Resources

The City reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in current period. Deferred inflows of resources also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflows of resources is removed from the balance sheet and revenue is recognized.

#### g. 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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

h. 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 position. 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.

i. Inventories

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

j. 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

k. 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.

l. 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 position.

**CITY OF DUMAS, TEXAS**

Notes to Financial Statements

September 30, 2013

m. 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, 2013 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.

*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, 2013, 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, 2013, 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, 2013 are as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories, long-term receivables and prepaids	\$ 109,179	\$ -	\$ 109,179
Restricted to:			
Tourism	-	434,813	434,813
Public Safety	-	26,078	26,078
Law Enforcement	-	20,950	20,950
Municipal Court	-	179,939	179,939
Debt Service	-	222,335	222,335
Unassigned	<u>726,062</u>	<u>9,655</u>	<u>735,717</u>
	<u>\$ 835,241</u>	<u>\$ 893,770</u>	<u>\$ 1,729,011</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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

n. Deficit Fund Balance

The Construction Fund reported a negative fund balance of \$68,546 as of September 30, 2013. If it becomes necessary, the General Fund would initiate a transfer to the Construction Fund to fund its operations.

o. 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.

**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, 2013 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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

As of September 30, 2013, 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	\$ -	\$ 112,414	\$ 112,414	\$ -	\$ 112,414
LOGIC Investments	-	1	1	-	1
TexPool Investments	-	-	-	1,119	1,119
<b>Total Portfolio</b>	<b>\$ -</b>	<b>\$ 112,415</b>	<b>\$ 112,415</b>	<b>\$ 1,119</b>	<b>\$ 113,534</b>

As of September 30, 2013, 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 45 days and 55 days, respectively.

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, 2013, 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

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

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, 2013:

	Governmental		Proprietary Funds		
	Funds		Gas	Water	Wastewater
	General	Utility	Utility	Utility	Total
Receivables:					
Refuse Collections	\$ 159,247	\$ -	\$ -	\$ -	\$ 159,247
Utilities	-	81,693	362,368	119,193	563,254
Gross receivables	159,247	81,693	362,368	119,193	722,501
Less: allowance for uncollectibles	(4,757)	(11,564)	(2,075)	(1,833)	(20,229)
Net total receivables	\$ 154,490	\$ 70,129	\$ 360,293	\$ 117,360	\$ 702,272

Taxes receivable for the General and Other Governmental Funds as of September 30, 2013 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	\$ 346,951	\$ -	\$ 346,951
Occupancy Tax	190,587	-	190,587
Property Taxes	21,995	(2,893)	19,102
	\$ 559,533	\$ (2,893)	\$ 556,640

**CITY OF DUMAS, TEXAS**

Notes to Financial Statements

September 30, 2013

**D. Interfund Balances and Activity**

**1. *Transfers To and From Other Funds***

Transfers to and from other funds for the year ended September 30, 2013, consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Golf Course Fund	\$ 253,494	Subsidize Fund Operations
Water Utility Fund	Christmas Decorations Fund	10,000	Subsidize Fund Operations
Gas Utility Fund	Park Improvement Fund	65,000	Subsidize Fund Operations
Emergency Management Fund	General Fund	11,595	Transfer Fund Assets
Gas Utility Fund	General Fund	388,185	General Fund Indirect Cost Allocation
Water Utility Fund	General Fund	388,185	General Fund Indirect Cost Allocation
Wastewater Utility Fund	General Fund	388,185	General Fund Indirect Cost Allocation
Gas Utility Fund	General Fund	150,000	Subsidize Fund Operations
Wastewater Utility Fund	General Fund	<u>1,000,000</u>	Subsidize Fund Operations
		<u>\$ 2,654,644</u>	

**2. *Interfund Receivables and Payables***

Interfund receivables and payables as of September 30, 2013, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Internal Service Fund	\$ 7,674	Subsidize Fund Operations
General Fund	Construction Fund	68,546	Subsidize Fund Operations
General Fund	Gas Utility Fund	543,639	Subsidize Fund Operations
General Fund	Water Utility Fund	144,553	Subsidize Fund Operations
General Fund	Wastewater Utility Fund	50,012	Subsidize Fund Operations
General Fund	Pheasant Trails Golf Course	<u>43,233</u>	Subsidize Fund Operations
		<u>\$ 857,657</u>	

These interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary interfund borrowing.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

**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 9/30/2012	Collections	Payments	Balance 9/30/2013
Due to Component Unit	\$ 60,064	\$ 784,044	\$ (774,599)	\$ 69,509
	\$ 60,064	\$ 784,044	\$ (774,599)	\$ 69,509

**E. Restricted Assets**

Restricted assets consisted of the following at September 30, 2013:

Governmental Activities	
Debt Service	\$ <u>222,335</u>
	222,335
Business-type Activities	
Customer Deposits / Escrow	361,306
Capital Projects (Unspent Bond Proceeds)	<u>1,023,591</u>
	1,384,897
Total	\$ <u><u>1,607,232</u></u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

**F. Capital Assets**

Capital asset activity for the period ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 481,688	\$ -	\$ -	\$ 481,688
Construction in progress	4,033,762	-	(4,033,762)	-
Total capital assets not being	<u>4,515,450</u>	<u>-</u>	<u>(4,033,762)</u>	<u>481,688</u>
Capital assets, being depreciated:				
Infrastructure	1,888,092	-	-	1,888,092
Buildings	2,120,404	4,360,046	-	6,480,450
Vehicles, Furniture and Equipment	14,011,390	612,142	-	14,623,532
Total capital assets being depreciated	<u>18,019,886</u>	<u>4,972,188</u>	<u>-</u>	<u>22,992,074</u>
Less accumulated depreciation:				
Infrastructure	(1,737,130)	(25,200)	-	(1,762,330)
Buildings	(759,942)	(160,558)	-	(920,500)
Vehicles, Furniture and Equipment	(7,619,425)	(724,869)	-	(8,344,294)
Total accumulated depreciation	<u>(10,116,497)</u>	<u>(910,627)</u>	<u>-</u>	<u>(11,027,124)</u>
Capital assets, net	<u>\$ 12,418,839</u>	<u>\$ 4,061,561</u>	<u>\$ (4,033,762)</u>	<u>\$ 12,446,638</u>
<b>Business-Type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 552,814	\$ -	\$ -	\$ 552,814
Construction in Process	4,069,791	9,343,279	-	13,413,070
Total capital assets not being	<u>4,622,605</u>	<u>9,343,279</u>	<u>-</u>	<u>13,965,884</u>
Capital assets, being depreciated:				
Infrastructure	15,442,604	409,169	-	15,851,773
Buildings and improvements	334,302	-	-	334,302
Vehicles, Furniture and Equipment	1,501,503	-	-	1,501,503
Total capital assets being depreciated	<u>17,278,409</u>	<u>409,169</u>	<u>-</u>	<u>17,687,578</u>
Less accumulated depreciation:				
Infrastructure	(12,062,960)	(264,144)	-	(12,327,104)
Buildings and improvements	(180,515)	(5,585)	-	(186,100)
Vehicles, Furniture and Equipment	(1,083,706)	(32,181)	-	(1,115,887)
Total accumulated depreciation	<u>(13,327,181)</u>	<u>(301,910)</u>	<u>-</u>	<u>(13,629,091)</u>
Capital assets, net	<u>\$ 8,573,833</u>	<u>\$ 9,450,538</u>	<u>\$ -</u>	<u>\$ 18,024,371</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

Depreciation was charged to functions as follows:

**Governmental Activities**

General Government	\$ 31,797
Emergency Management (Public Safety)	9,571
Fire Department (Public Safety)	97,420
Information Services	3,000
Inspection Services	2,606
Landfill	296,611
Parks and Recreation	155,448
Police (Public Safety)	151,348
Recycle	2,642
Solid Waste	125,893
Streets	27,080
Warehouse	7,211
	<u>910,627</u>
	<u>\$ 910,627</u>

**Business-type Activities**

Gas Utility Fund	\$ 45,430
Water Utility Fund	109,757
Wastewater Utility Fund	102,991
Golf Course Fund	43,732
	<u>301,910</u>
	<u>\$ 301,910</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

Dumas Economic Development Corporation reported \$94,769 in depreciation for the fiscal year ended September 30, 2013. Capital asset activity for DEDC is disclosed below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 612,798	\$ 48,800	\$ (43,851)	\$ 617,747
Construction in Process	28,247	1,138,050	(10,975)	1,155,322
depreciated	<u>641,045</u>	<u>1,186,850</u>	<u>(54,826)</u>	<u>1,773,069</u>
Capital assets, being depreciated:				
Infrastructure	1,621,652	-	-	1,621,652
Buildings and improvements	1,603,104	35,357	-	1,638,461
Furniture and Equipment	20,953	-	-	20,953
Total capital assets being depreciated	<u>3,245,709</u>	<u>35,357</u>	<u>-</u>	<u>3,281,066</u>
Less accumulated depreciation:				
Infrastructure	(159,390)	(53,429)	-	(212,819)
Buildings and improvements	(23,599)	(41,340)	-	(64,939)
Furniture and Equipment	(20,953)	-	-	(20,953)
Total accumulated depreciation	<u>(203,942)</u>	<u>(94,769)</u>	<u>-</u>	<u>(298,711)</u>
Capital assets, net	<u>\$ 3,682,812</u>	<u>\$ 1,127,438</u>	<u>\$ (54,826)</u>	<u>\$ 4,755,424</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

**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, 2013 are as follows:

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Governmental activities					
Bonds payable					
2001 Certificates of Obligation	\$ 96,106	\$ -	\$ (96,106)	\$ -	\$ -
2008 Certificates of Obligation	2,715,000	-	(75,000)	2,640,000	80,000
2011 Certificates of Obligation	5,515,000	-	(365,000)	5,150,000	375,000
	8,326,106	-	(536,106)	7,790,000	455,000
2008 Bond Premiums	73,344	-	(3,520)	69,824	3,520
2011 Bond Premiums	154,439	-	(10,291)	144,148	10,291
	227,783	-	(13,811)	213,972	13,811
Notes payable					
Happy State Bank	5,950	-	(5,950)	-	-
Happy State Bank	2,177	-	(2,177)	-	-
Happy State Bank	3,008	-	(3,008)	-	-
JP Chase	83,791	-	(37,046)	46,745	46,745
JP Chase	74,093	-	(74,093)	-	-
WT Services	6,139	-	(5,638)	501	501
	175,158	-	(127,912)	47,246	47,246
Capital leases					
Diversified Lenders Corporation	4,010	-	(4,010)	-	-
Wells Fargo Lease	44,897	-	(25,569)	19,328	19,328
Chase Lease	767,146	-	(80,156)	686,990	82,672
CaliFirst - Police Dept	43,772	-	(21,728)	22,044	22,044
CaliFirst - Fire Dept	27,391	-	(13,649)	13,742	13,742
Government Capital Corporation	-	276,812	-	276,812	66,930
Branch Banking and Trust	-	30,852	(5,096)	25,756	10,223
Branch Banking and Trust	-	161,395	(15,676)	145,719	31,640
	887,216	469,059	(165,884)	1,190,391	246,579
Other long-term liabilities					
Compensated absences	53,016	9,006	-	62,022	-
Landfill	1,401,570	69,375	-	1,470,945	-
Total governmental activity					
Long-term liabilities	<u>\$11,070,849</u>	<u>\$ 547,440</u>	<u>\$ (843,713)</u>	<u>\$10,774,576</u>	<u>\$ 762,636</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
<b>Business-type Activities</b>					
2001 Certificates of Obligation	\$ 13,893	\$ -	\$ (13,893)	\$ -	\$ -
2004 Certificates of Obligation	1,275,000	-	(335,000)	940,000	460,000
2012 Certificates of Obligation	8,500,000	-	(330,000)	8,170,000	335,000
2013 Certificates of Obligation	-	5,255,000	-	5,255,000	200,000
	<u>9,788,893</u>	<u>5,255,000</u>	<u>(678,893)</u>	<u>14,365,000</u>	<u>995,000</u>
2012 Bond Premium	209,125	-	(10,500)	198,625	10,500
2013 Bond Premium	-	407,325	(13,578)	393,747	18,440
	<u>209,125</u>	<u>407,325</u>	<u>(24,078)</u>	<u>592,372</u>	<u>28,940</u>
<b>Notes payable</b>					
First State Bank of Stratford	1,042,103	-	(262,846)	779,257	273,519
Happy State Bank	-	1,000,000	(1,000,000)	-	-
<b>Capital leases</b>					
Diversified Lenders Corporation	3,645	-	(3,645)	-	-
PNC Equipment Lease	25,510	-	(12,413)	13,097	13,097
TCF Equipment Lease	129,596	-	(31,364)	98,232	29,399
	<u>158,751</u>	<u>-</u>	<u>(47,422)</u>	<u>111,329</u>	<u>42,496</u>
<b>Total Business-type Activity</b>					
Long-term liabilities	<u>\$11,198,872</u>	<u>\$ 6,662,325</u>	<u>\$ (2,013,239)</u>	<u>\$15,847,958</u>	<u>\$ 1,339,955</u>
<b>Component Unit</b>					
Happy State Bank	164,992	-	(164,992)	-	-
Happy State Bank	-	1,373,870	(645,566)	728,304	728,304
Happy State Bank	-	1,487,000	-	1,487,000	49,827
HSPN Properties	274,206	-	(274,206)	-	-
First National Bank Spearman	1,015,879	-	(1,015,879)	-	-
<b>Total Component Unit Activity</b>					
Long-term liabilities	<u>\$ 1,455,077</u>	<u>\$ 2,860,870</u>	<u>\$ (2,100,643)</u>	<u>\$ 2,215,304</u>	<u>\$ 778,131</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

2. Summary of Obligations

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2013 follows:

\$3,000,000 2008 Certificates of Obligation, due in annual principal payments of \$70,000 to \$205,000 through September 2033; interest at 4.75% to 5.5%.	\$ 2,640,000
\$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%.	5,150,000
\$19,040 WT Services Note, monthly principal and interest payments of \$506 through October 2013; interest at 12.0%.	501
\$110,084 CalFirst Capital Lease, annual principal and interest payments of \$37,329 through October 2013; interest at 2.24%.	35,786
\$75,698 Wells Fargo Capital Lease, quarterly principal and interest payments of \$6,588 through June 2014; interest at 2.7%.	19,328
\$882,834 Chase Equipment Finance Capital Lease, monthly principal and interest payments of \$25,753 through January 2021; interest at 3.1%.	686,990
\$125,000 JP Chase Note Payable, quarterly principal and interest payments of \$10,853 through July 2014; interest at 2.55%.	42,730
\$209,588 JP Chase Note Payable, quarterly principal and interest payments of \$17,811 through September 2013; interest at 2.65%.	4,015
\$161,395 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 8,342 through February 2018; interest at 1.29%.	145,719
\$30,852 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 2,627 through February 2016; interest at 1.29%.	25,756
\$276,812 Government Capital Corporation Capital Lease, annual principal and interest payments of 73,868 through April 2017; interest at 6.7%.	<u>276,812</u>
Total Governmental Activities debt	<u><u>\$ 9,027,637</u></u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

A summary of Business-type Activity Debt outstanding at September 30, 2013 follows:

\$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%.	\$ 940,000
\$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%.	8,170,000
\$5,255,000 2013 Certificates of Obligation, annual installments of \$200,000 to \$360,000 through September 2033; interest at 2.00% to 4.00%.	5,255,000
\$866,743 First State Bank Note Payable, quarterly principal and interest payments of \$75,150 through June 2016; interest at 4.0%	779,257
\$39,329 Greens Mower Capital Lease, annual principal and interest payments of \$13,819 through March 2014; interest at 5.37%.	13,097
\$159,301 TCF Equipment Lease, monthly principal and interest payments of \$2,800 through July 2015; interest at 4.95%.	<u>98,232</u>
Total Business-type debt	<u><u>\$ 15,255,586</u></u>

3. Component Unit

\$1,373,870 Happy State Bank Note Payable, monthly interest installments with all principal due April 2014; interest at 2.8%.	\$ 728,304
\$1,487,000 Happy State Bank Note Payable, annual principal and interest payments of \$100,125 through April 2033; interest ranging from 3.30% to 4.25%.	<u>1,487,000</u>
Total Component Unit debt	<u><u>\$ 2,215,304</u></u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

4. Debt Service Requirements

Debt service requirements for long-term debt as of September 30, 2013 are as follows:

Year Ending September 30	Governmental Activities		Total Requirements
	Principal	Interest	
2014	\$ 502,246	\$ 309,157	\$ 811,403
2015	470,000	297,168	767,168
2016	480,000	285,430	765,430
2017	380,000	273,355	653,355
2018	395,000	261,718	656,718
2019-2023	1,910,000	1,085,335	2,995,335
2024-2028	1,925,000	690,200	2,615,200
2029-2033	1,775,000	227,125	2,002,125
Totals	\$ 7,837,246	\$ 3,429,488	\$ 11,266,734

Year Ending September 30	Business-Type Activities		Total Requirements
	Principal	Interest	
2014	\$ 1,268,519	\$ 473,200	\$ 1,741,719
2015	1,314,625	434,686	1,749,311
2016	786,113	394,003	1,180,116
2017	575,000	377,381	952,381
2018	590,000	364,981	954,981
2019-2023	3,135,000	1,615,607	4,750,607
2024-2028	3,665,000	1,102,219	4,767,219
2029-2033	3,810,000	373,294	4,183,294
Total	\$ 15,144,257	\$ 5,135,371	\$ 20,279,628

Year Ending September 30	Component Unit		Total Requirements
	Principal	Interest	
2014	\$ 778,131	\$ 62,194	\$ 840,325
2015	52,039	48,085	100,124
2016	53,653	46,471	100,124
2017	55,575	44,549	100,124
2018	57,435	42,690	100,125
2019-2023	259,368	241,254	500,622
2024-2028	319,946	180,406	500,352
2029-2033	639,157	105,042	744,199
Total	\$ 2,215,304	\$ 770,691	\$ 2,985,995

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

5. Capital Leases

Assets acquired through capital leases as of September 30, 2013 were as follows:

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and Equipment	\$ 1,729,686	\$ 198,540
Less: Accumulated Depreciation	<u>(299,821)</u>	<u>(37,429)</u>
Total	<u>\$ 1,429,865</u>	<u>\$ 161,111</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2013, were as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2014	\$ 276,899	\$ 47,109
2015	220,752	71,150
2016	215,500	-
2017	210,247	-
2018	119,968	-
2019-2021	<u>257,328</u>	<u>-</u>
Total minimum lease payments	1,300,694	118,259
Less amount representing interest	<u>(110,303)</u>	<u>(6,930)</u>
Present value of minimum lease payments	<u>\$ 1,190,391</u>	<u>\$ 111,329</u>

6. Interest Costs Incurred

Long-term debt interest cost incurred for Business-type Activities for the year ended September 30, 2013 was as follows:

Interest charged to expense	\$ 207,544
Interest capitalized	<u>225,730</u>
Total interest incurred	<u>\$ 433,274</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, 2013

**H. Deferred Inflows of Resources**

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

Description	Fund	Deferred Amount
Paving and utility assessments	General	\$ 52,722
Property taxes	General	16,043
		\$ 68,765

**Liabilities Payable from Restricted Assets**

Liabilities payable from restricted assets consisted of the following as of September 30, 2013:

Description	Amount
Business-type Activities:	
Gas Utility and Water Utility Fund Customer Deposits / Escrow	\$ 361,306

**I. 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](http://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 2012	Plan Year 2013
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, 0/20	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, 2013

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)	\$	291,765
Interest on Net Pension obligation		-
Adjustment to ARC		-
Annual Pension Cost (APC)		<u>291,765</u>
Contributions made		<u>(291,765)</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)
9/30/2011	\$ 392,467	\$ 392,467	100.0%	-
9/30/2012	314,840	314,840	100.0%	-
9/30/2013	291,765	291,765	100.0%	-

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, is as follows:

<u>Valuation Date</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</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	27.2 Years - Closed Period	26.2 Years - Closed Period	25.1 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*	7.0%	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, 2012, the most recent actuarial valuation date, is presented as follows:

<u>Schedule of Actuarial Liabilities and Funding Progress</u>						
<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>
(1)	(2)	(3)=(1)/(2)	(4)=(2)-(1)	(5)	(6)=(4)/(5)	
12/31/2012	\$ 12,706,514	\$ 13,566,542	93.7%	\$ 860,028	\$ 4,987,407	17.2%

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

**CITY OF DUMAS, TEXAS**

Notes to Financial Statements

September 30, 2013

liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required 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 2013, 2012, and 2011 were \$7,701, \$7,950, and \$9,723, respectively, which equaled the required contributions each year.

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

<u>Plan/Calendar</u> <u>Year</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u> <u>(Rate)</u>	<u>Actual</u> <u>Contribution</u> <u>Made (Rate)</u>	<u>Percentage of</u> <u>ARC</u> <u>Contributed</u>
2011	0.04%	0.04%	100%
2012	0.05%	0.05%	100%
2013	0.05%	0.05%	100%

**J. Landfill**

Closure and Postclosure Care Cost

The City has three landfill sites permitted as follows: MSW 211B, MSW 2285, and MSW 2279. During FY 2013, MSW 2279 was completed and placed in service. 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 \$1,470,945 reported as landfill closure and postclosure care liability as of September 30, 2013, represents the cumulative amount reported to date based on the use of 72.53% of the

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2013

estimated combined capacity of MSW 211B and MSW 2285 and 0.80% of the estimated capacity of MSW 2279. The City will recognize the remaining estimated cost of closure and postclosure of \$2,907,693 as the remaining estimated capacities of those landfills are filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The City expects to close MSW 211B in the year 2014, MSW 2285 in the year 2043, and 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.

**K. Commitments, Contingencies and Litigation**

Commitments

The City has active construction projects at September 30, 2013. The water wells and wastewater treatment plant projects has estimated costs of approximately \$1,100,000 to complete. This commitment 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.

**L. 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, 2013

Fiscal Year Ended:	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
9/30/2011	\$ 66,035	\$ 561,278	\$ (561,337)	65,976
9/30/2012	65,976	700,252	(631,478)	134,750
9/30/2013	134,750	733,167	(709,744)	158,173

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, 2013.

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

**M. Prior Period Adjustments**

The City has determined in accordance with GASB Statement No. 65, *Items previously Reported as Assets and Liabilities* that Bond Issuance Costs previously recorded as an Assets and amortized over the life of the respective bonds are expended in the current year. As a result of this reclassification, the beginning net position for governmental activities decreased by \$74,613. The beginning net position for the Water Utility Fund decreased by \$19,550 and the beginning net position for the Wasterwater Utility Fund decreased by \$65,450, respectively, as a result of this reclassification.

**N. Upcoming Accounting Pronouncements**

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 and Actual - General Fund - Budget Basis  
Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Budget Basis	with Final Budget
<b>REVENUES</b>				
Taxes:				
Property	\$ 495,471	\$ 495,471	\$ 483,112	\$ (12,359)
Sales	2,655,743	2,655,743	2,619,901	(35,842)
Occupancy	1,260	1,260	1,320	60
Franchise	391,357	391,357	349,692	(41,665)
Other	10,500	10,500	11,643	1,143
Penalty and interest on taxes	12,000	12,000	12,995	995
Licenses, fees and permits	100,200	100,200	98,488	(1,712)
Intergovernmental grants and subsidiaries	16,650	16,650	8,999	(7,651)
Charges for services	2,066,000	2,066,000	2,011,012	(54,988)
Penalties, fines and forfeitures	738,500	738,500	521,380	(217,120)
Investment earnings	7,000	7,000	7,802	802
Other grants and contributions	10,000	10,000	4,645	(5,355)
Other revenue	97,136	97,136	211,794	114,658
<b>Total Revenues</b>	<u>6,601,817</u>	<u>6,601,817</u>	<u>6,342,783</u>	<u>(259,034)</u>
<b>EXPENDITURES</b>				
<i>Current</i>				
General government:				
City commission	45,416	45,416	49,544	(4,128)
Administration	763,206	763,206	736,666	26,540
Information systems	149,605	149,605	154,806	(5,201)
Warehouse	232,387	232,387	239,962	(7,575)
Engineering	105,379	105,379	107,957	(2,578)
Purchasing	27,476	27,476	27,679	(203)
Communications	114,021	114,021	126,280	(12,259)
Fire	1,204,765	1,204,765	1,184,510	20,255
Police	2,304,445	2,304,445	2,364,829	(60,384)
Streets	795,427	795,427	707,241	88,186
Solid Waste				
Sanitation	620,909	620,909	611,801	9,108
Landfill	726,848	726,848	762,789	(35,941)
Recycling	51,040	51,040	52,837	(1,797)
Parks	461,692	461,692	440,313	21,379
<b>Total Expenditure</b>	<u>7,602,616</u>	<u>7,602,616</u>	<u>7,567,214</u>	<u>35,402</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,000,799)</u>	<u>(1,000,799)</u>	<u>(1,224,431)</u>	<u>(294,436)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	380,000	380,000	469,059	89,059
Transfers in	1,132,791	1,132,791	2,326,150	1,193,359
Transfers out	(172,854)	(172,854)	(253,494)	(80,640)
<b>Total Other Financing Sources (Uses)</b>	<u>1,339,937</u>	<u>1,339,937</u>	<u>2,541,715</u>	<u>1,201,778</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 339,138</u>	<u>\$ 339,138</u>	<u>\$1,317,284</u>	<u>\$ 907,342</u>
Reconciliation to Generally Accepted Accounting Principles (GAAP):				
Capital outlay			(682,053)	
Debt service:				
Principal payments			(658,794)	
Interest and administrative fees			(209,463)	
Change in Fund Balance				(233,026)
Fund Balance - October 1			1,068,267	
Fund Balance - September 30			<u>\$ 835,241</u>	

**CITY OF DUMAS, TEXAS**  
 Required Supplementary Information  
 Schedule of Funding Progress - Pension Plan  
 Year Ended September 30, 2013

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)
--------------------------------	--	--	--------------------------------	--	---------------------------	--

TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN:

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%
12/31/2012	12,706,514	13,566,542	93.7%	860,028	4,987,407	17.2%

**CITY OF DUMAS, TEXAS**  
Notes to Required Supplementary Information  
September 30, 2013

**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.

**B. Budget Basis**

1. The City Commission adopts an "appropriated budget" on a budgetary basis of accounting.
2. The actual amounts have been adjusted to reconcile to the GAAP basis. For budgeting purposes, the City does not budget those transactions listed under "Reconciliation to generally accepted accounting principles (GAAP)".

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Finding 2013-01: Tracking of capital asset activity - The City is currently not using capital asset accounting software to track capital assets and ongoing construction in progress. 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.

Management's Response to Finding 2013-01:

The City plans to look at options for a software package that will handle capital asset accounting or may decide to outsource this task.

**Compliance and Other Matters**

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

**City of Dumas, Texas' Response to Finding**

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entities internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dennis Kinard & Co. PC*  
Certified Public Accountants

Plainview, Texas  
January 16, 2014