

CITY OF DUMAS, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

CITY OF DUMAS, TEXAS

September 30, 2014

Table of Contents

	Page	Exhibit
INTRODUCTORY SECTION		
Letter of Transmittal	i	
Principal Officials	vi	
Organizational Chart	vii	
FINANCIAL SECTION		
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.....	48	B-1
Schedule of Funding Progress – Pension Plan	49	B-2
Notes to Required Supplementary Information.....	50	
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 <i>Government Auditing Standards</i>	51	

INTRODUCTORY SECTION



January 23, 2015

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, 2014. 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, 2014. 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. The population in 2012 was 14,989 according to (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 2012, there were an estimated 381 establishments within the City. (<http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl?Zip=79029>)

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.

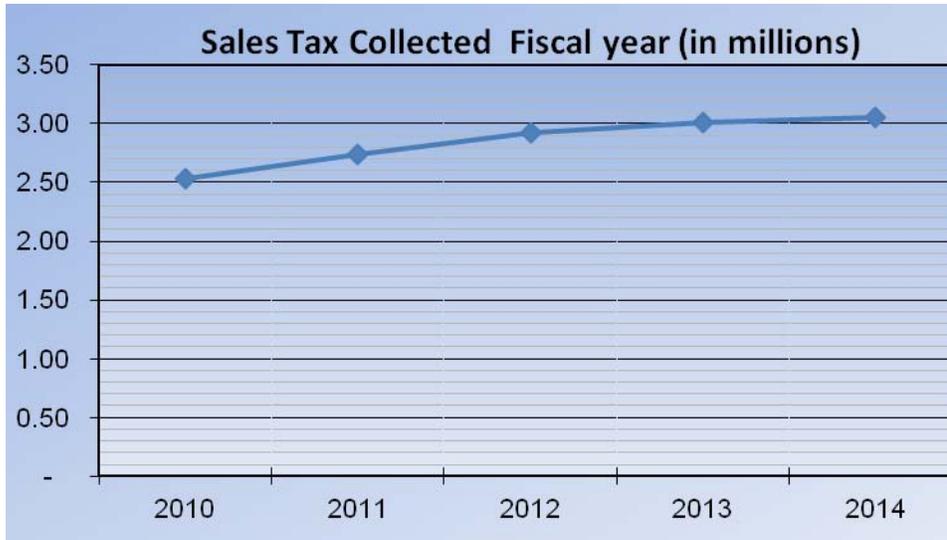
Economic Condition and Outlook

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).

During the last recession, Dumas demonstrated continued economic growth as evidenced by continued retail sales growth. Sales tax revenues have continued to show an increase every year since 2010 as illustrated in the chart below.



Dumas has experienced a 6% increase in new businesses over the last 5 years, while the nation as a whole has experienced a loss of 6%.

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.

Dumas 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.

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

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

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

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

Since 2010, Dumas has seen the development of several new businesses that include a new Dialysis Center, CVS Pharmacy, family medical practice, expansion of the JBS Beef Processing plant, a new RV Resort, a new restaurant and 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

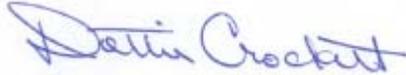
Texas state statutes mandate that municipalities operate within the confines of a balanced budget. Annual budgets are adopted for all funds. All unexpended appropriations lapse at the end of the fiscal year. All City departments submit requests for appropriation to the Finance Director each year. The 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,

A handwritten signature in blue ink that reads "Dottie Crockett". The signature is written in a cursive style.

Finance Director

CITY OF DUMAS, TEXAS

PRINCIPAL OFFICIALS

September 30, 2014

City Commission

Pat Sims - Mayor

David Bonner - Commissioner

Mike Funk - Commissioner

Vernon McDowell - Commissioner

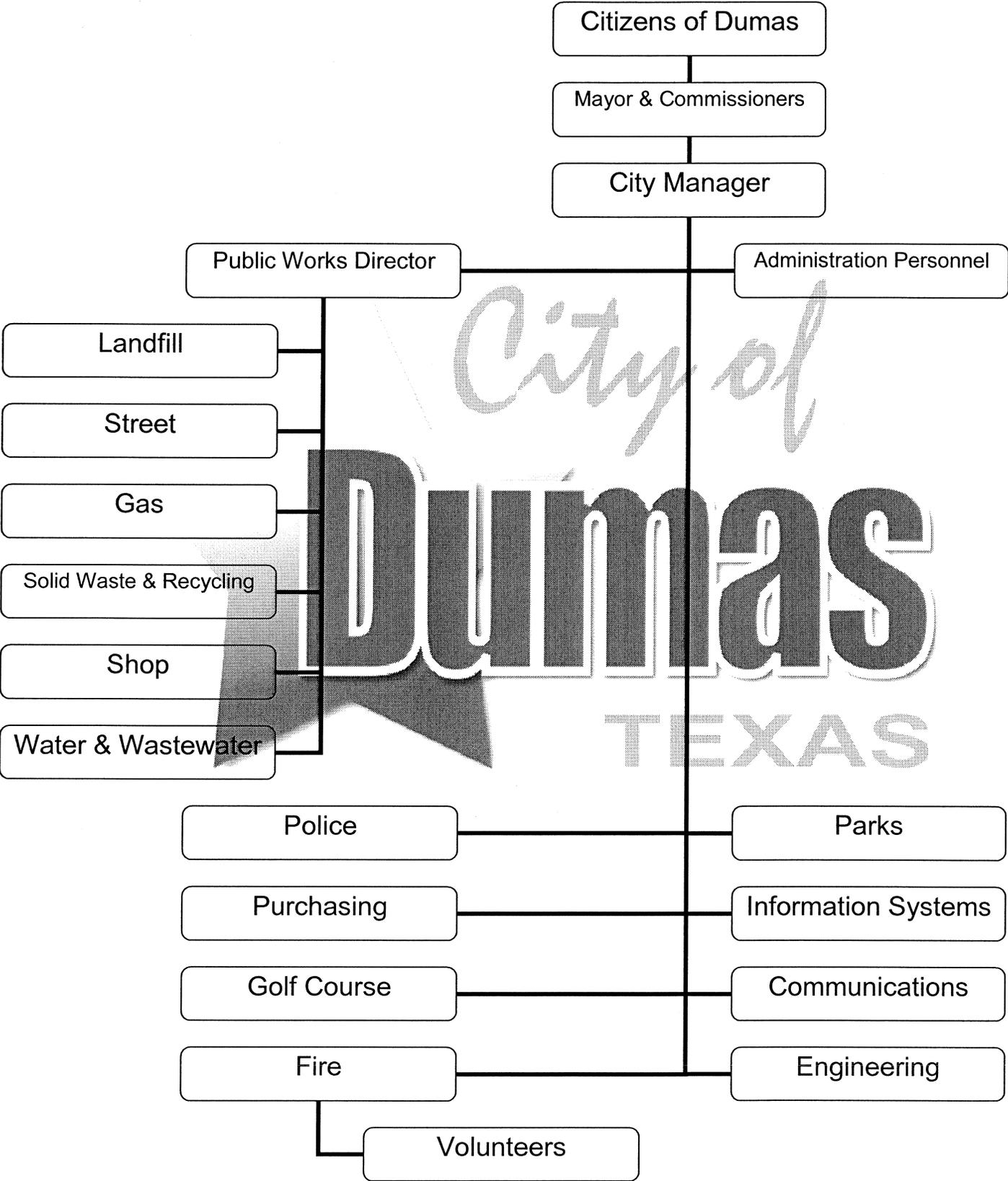
Steve Bodnar - Commissioner

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, 2014, 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, 2014, 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, the budgetary comparison information, and the schedule of funding progress – pension plan on pages 3 through 10 and 48 through 50 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, 2015, 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, 2015

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, 2014. 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 financial position from governmental activities decreased by \$0.11 million as a result of this year's operations. Financial position of our business-type activities increased by \$0.69 million. Financial position of Dumas Economic Development Corporation increased by just over \$1,000, or .03%.

During the year, the City had expenses that were \$9.5 million, more than the \$7.4 million generated in tax and other revenues for governmental programs.

In the City's business-type activities, revenues increased to \$7.7 million or 3% and expenses increased to \$5.0 million or just under 4%.

Total cost of all of the City's governmental programs, after charges for services and operating grants, was \$6.7 million. The total cost of Dumas Economic Development Corporation's programs, after charges for services and operating grants was \$0.79 million.

The General Fund ended the year with a fund balance of just under \$0.6 million, which is a decrease over last year's balance of \$.8 million.

The resources available for appropriation were \$0.45 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 financial 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

Our analysis of comparative balances and changes focuses on the financial position (Table I) and changes in financial position (Table II) of the City's governmental and business-type activities. Financial position of the City's governmental activities decreased from \$3.4 million to \$3.3 million. Unrestricted fund balance, the part of fund balance that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was (\$0.97) million at September 30, 2014. The decrease in governmental fund balance was mainly a result of expenses exceeding revenues by about \$2.1 million.

In 2014, financial position of business-type activities increased by \$0.69 million.

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

	Governmental Activities		Business-Type Activities		Total	Total	Total Percentage	Component Unit Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	2014	<u>2013</u>	<u>Change</u>	2014	<u>2013</u>
Current and other assets	\$4,014	\$2,744	\$ 486	\$1,309	\$4,500	\$ 4,053	11%	127	189
Capital assets	<u>14,032</u>	<u>12,447</u>	<u>20,200</u>	<u>18,024</u>	<u>34,232</u>	<u>\$30,471</u>	12%	<u>5,729</u>	<u>4,755</u>
Total Assets	18,046	15,191	20,686	19,333	38,732	34,524	12%	5,857	4,945
Long-term liabilities	11,986	10,012	14,962	14,508	26,948	24,520	10%	3,245	1,437
Other Liabilities	<u>2,773</u>	<u>1,781</u>	<u>2,275</u>	<u>2,066</u>	<u>5,048</u>	<u>3,847</u>	31%	<u>151</u>	<u>1,048</u>
Total Liabilities	14,760	11,793	17,237	16,574	31,997	28,367	13%	3,396	2,485
Net Position:									
Net investment in capital assets	3,308	3,318	4,627	3,361	7,935	6,679	19%	2,381	2,540
Restricted	945	856	-	-	945	856	10%	-	-
Unrestricted	<u>(967)</u>	<u>(776)</u>	<u>(1,178)</u>	<u>(602)</u>	<u>(2,145)</u>	<u>(1,378)</u>	56%	<u>80</u>	<u>(81)</u>
Total Net Position	<u>3,286</u>	<u>3,398</u>	<u>3,449</u>	<u>2,759</u>	<u>6,735</u>	<u>6,157</u>	9%	<u>2,461</u>	<u>2,460</u>

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program Revenues:								
Charges for services	\$2,791	\$2,654	\$7,706	\$7,162	\$10,497	\$9,816	\$34	\$34
Grants and contributions	72	27	-	335	72	362	-	60
General Revenues:								
Property taxes, penalties, and interest	505	499	-	-	505	499	-	-
Sales tax and other taxes	3,993	3,923	-	-	3,993	3,923	775	784
Interest revenue	9	11	39	24	48	35	0	0
Miscellaneous revenue	27	228	1	-	28	228	14	178
Total Revenues	7,396	7,342	7,745	7,521	15,141	14,863	822	1,056
Expenses:								
General Government	1,490	1,514	-	-	1,490	1,514	-	-
Public safety	3,778	3,872	-	-	3,778	3,872	-	-
Highways and streets	735	784	-	-	735	784	-	-
Sanitation	1,899	1,934	-	-	1,899	1,934	-	-
Culture and recreation	1,211	1,158	-	-	1,211	1,158	-	-
Interest and fiscal charges	421	352	-	-	421	352	-	-
Gas	-	-	2,573	2,416	2,573	2,416	-	-
Water	-	-	1,276	1,404	1,276	1,404	-	-
Wastewater	-	-	684	461	684	461	-	-
Golf course	-	-	496	558	496	558	-	-
Component Unit	-	-	-	-	-	-	821	1,012
Total Expenses	9,534	9,614	5,029	4,839	14,563	14,453	821	1,012
Increase (decrease) in net position before transfers	(2,138)	(2,272)	2,717	2,682	579	410	1	44
Transfers	2,026	2,136	(2,026)	(2,136)	-	-	-	-
Change in Net Position	\$(112)	\$(136)	\$ 690	\$ 546	\$ 579	\$ 410	\$ 1	\$ 44
Net Position at Beginning of Year	\$3,398	\$3,534	\$2,759	\$2,213	\$6,157	\$5,747	\$2,460	\$2,416
Prior period adjustments	-	-	-	-	-	-	-	-
Net Position - End of Year	\$3,286	\$3,398	\$3,449	\$2,759	\$6,735	\$6,157	\$2,461	\$2,460

The cost of all governmental activities this year was \$9.5 million. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities was \$6.7 million because \$2.8 million of these costs were paid by those who directly benefited from the programs and \$0.07 million by other governments and organizations that subsidized certain programs with grants and contributions.

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 \$1.9 million, which is more than last year's total of \$1.7 million. Included in this year's total change in fund balance is a decrease of \$0.27 million in the City's General Fund. The financial position of Dumas Economic Development Corporation increased slightly to a total of \$2.5 million.

CAPTIAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$34 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 \$4.6 million or 15% above last year.

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

	Primary Government	Dumas Economic Development Corporation
Land	2	(1)
Buildings	2,080	2,281
Machinery and equipment	54	-
Infrastructure	587	2
Construction in progress	1,903	(1,155)
Total	\$4,626	\$1,127

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2014	2013	2014	2013	2014	2013	2013 - 2014
Land	482	482	555	553	1,036	1,035	0%
Buildings and improvements	8,560	6,480	334	334	8,895	6,815	31%
Vehicles, Furniture & Equipment	14,649	14,624	1,530	1,502	16,179	16,125	0%
Infrastructure	1,984	1,888	16,343	15,852	18,327	17,740	3%
Construction in progress	-	-	15,316	13,413	15,316	13,413	14%
Total	25,676	23,474	34,078	31,653	59,753	55,127	8%

Debt

At year-end, the City had \$29.2 million in bonds, loans, capital leases, landfill closure costs, and long-term compensated absences outstanding versus \$26.6 last year – an increase of \$2.6 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
	2014	2013	2014	2013	2014	2013	2013 - 2014
General obligation bonds (backed by the City)	10,098	8,004	-	-	10,098	8,004	26%
Revenue bonds and notes (backed by specific tax and fee revenues)	-	-	15,787	14,957	15,787	14,957	6%
Total	\$10,098	\$8,004	\$15,787	\$14,957	\$25,885	\$22,961	13%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of September 30, 2014, the City has active construction projects. The water well construction and wastewater treatment plant projects have estimated cost of \$1 million to complete. These commitments will be funded through unspent bond proceeds.

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. One of those factors is the economy. The City's population continues to increase slightly each year. The City Commissioners considered these factors when adopting the 2015 budget.

Amounts available for appropriation in the General Fund budget are \$4.7 million, a 35% change of the final 2014 budget of \$7 million. The reason for the large decrease is due mainly to the waste management operations being taken out of the General Fund and set up as a proprietary fund in 2015. In 2014, had the waste management operations been shown separately, the General Fund budget would have been \$4.8 million and the 2015 budget is 2% less. The City will use its revenues to finance programs currently offered. Budgeted expenditures in the General Fund are expected to decrease in 2015 to \$5.5 million from \$5.8 million the in 2014. The City has added no major new programs or initiatives to the 2015 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease \$0.87 million at the close of 2015.

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. 6th Street, Dumas, Texas, 79029.

ADDITIONAL COMPONENT UNIT INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF DUMAS, TEXAS
Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 97,681	\$ 293,495	\$ 391,176	\$ 57,352
Investments	-	-	-	119
Accounts receivable, net	193,585	487,796	681,381	171
Taxes receivable, net	539,513	-	539,513	61,690
Fines, fees and court costs receivable, net	85,407	-	85,407	-
Internal balances	1,525,863	(1,525,863)	-	-
Inventories, at cost	82,537	-	82,537	-
Paving and utility assessment receivable	59,678	-	59,678	-
Other receivables	14,706	-	14,706	-
Prepaid expenses	13,966	30,062	44,028	118
Officer life insurance policy	-	-	-	7,678
Restricted cash and cash equivalents	1,282,260	917,159	2,199,419	-
Restricted investments	-	112,696	112,696	-
Prepaid bond insurance	118,729	171,073	289,802	-
Capital assets, net	14,031,867	20,199,813	34,231,680	5,729,417
Total Assets	18,045,792	20,686,231	38,732,023	5,856,545
LIABILITIES				
Overdraft payable	1,065,859	-	1,065,859	-
Accounts payable	141,499	338,201	479,700	39,917
Accrued expenses	104,468	59,595	164,063	-
Accrued interest payable	54,551	45,930	100,481	6,358
Intergovernmental payable	258,050	-	258,050	-
Insurance claim payable	155,434	-	155,434	-
Due to component unit	61,690	-	61,690	-
Customer deposits	1,518	355,931	357,449	1,000
Accrued vacation	146,652	20,151	166,803	-
Noncurrent liabilities:				
Due within one year	783,576	1,455,251	2,238,827	123,492
Due in more than one year	11,986,386	14,962,097	26,948,483	3,225,095
Total Liabilities	14,759,683	17,237,156	31,996,839	3,395,862
NET POSITION				
Net investment in capital assets	3,307,610	4,627,462	7,935,072	2,380,830
Restricted for:				
Debt service	217,766	-	217,766	-
Tourism	495,352	-	495,352	-
Public safety	26,078	-	26,078	-
Law enforcement	7,790	-	7,790	-
Municipal court	198,208	-	198,208	-
Unrestricted	(966,695)	(1,178,387)	(2,145,082)	79,853
Total Net Position	\$ 3,286,109	\$ 3,449,075	\$ 6,735,184	\$ 2,460,683

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

CITY OF DUMAS, TEXAS
Statement of Activities
Year Ended September 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
City commission	\$ 40,240	\$ -	\$ -	\$ -
Administration	859,545	85,407	-	-
Information Systems	126,188	-	-	-
Warehouse	256,748	-	-	-
Engineering	101,586	61,080	-	-
Purchasing	29,578	-	-	-
Communications	75,852	-	-	-
Public safety	2,606	18,269	-	-
Police	2,450,453	451,562	-	-
Fire	1,324,648	-	3,675	-
Streets	735,408	-	-	-
Sanitation	793,925	1,966,040	-	48,373
Landfill	1,050,488	137,862	-	-
Recycling	54,790	13,011	-	-
Culture and recreation	568,032	57,793	180	-
Parks	643,077	-	-	19,332
Interest expense	420,903	-	-	-
Total Governmental Activities	<u>9,534,067</u>	<u>2,791,024</u>	<u>3,855</u>	<u>67,705</u>
Business-Type Activities:				
Gas	2,572,524	2,997,171	-	-
Water	1,276,359	2,709,847	-	-
Wastewater	684,138	1,747,716	-	-
Pheasant Trails Golf Course	495,806	250,815	-	-
Total Business-Type Activities	<u>5,028,827</u>	<u>7,705,549</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$14,562,894</u>	<u>\$ 10,496,573</u>	<u>\$ 3,855</u>	<u>\$ 67,705</u>
Component Unit:				
Dumas Economic Development Corp	\$ 821,239	\$ 34,096	\$ -	\$ -

General Revenues and Transfers

Taxes
Sales
Property, levied for general purposes
Property, levied for debt service
Franchise
Occupancy
Other
Miscellaneous
Investment income
(Loss) gain on disposition of capital assets
Transfers, net
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (40,240)	\$ -	\$ (40,240)	\$ -
(774,138)	-	(774,138)	-
(126,188)	-	(126,188)	-
(256,748)	-	(256,748)	-
(40,506)	-	(40,506)	-
(29,578)	-	(29,578)	-
(75,852)	-	(75,852)	-
15,663	-	15,663	-
(1,998,891)	-	(1,998,891)	-
(1,320,973)	-	(1,320,973)	-
(735,408)	-	(735,408)	-
1,220,488	-	1,220,488	-
(912,626)	-	(912,626)	-
(41,779)	-	(41,779)	-
(510,059)	-	(510,059)	-
(623,745)	-	(623,745)	-
(420,903)	-	(420,903)	-
<u>(6,671,483)</u>	<u>-</u>	<u>(6,671,483)</u>	<u>-</u>
-	424,647	424,647	-
-	1,433,488	1,433,488	-
-	1,063,578	1,063,578	-
-	(244,991)	(244,991)	-
-	2,676,722	2,676,722	-
<u>(6,671,483)</u>	<u>2,676,722</u>	<u>(3,994,761)</u>	<u>-</u>
			(787,143)
2,661,575	-	2,661,575	774,508
504,642	-	504,642	-
326,138	-	326,138	-
372,876	-	372,876	-
605,503	-	605,503	-
26,593	-	26,593	-
44,708	-	44,708	-
9,351	39,117	48,468	31
(17,863)	664	(17,199)	13,728
2,026,394	(2,026,394)	-	-
<u>6,559,917</u>	<u>(1,986,613)</u>	<u>4,573,304</u>	<u>788,267</u>
(111,566)	690,109	578,543	1,124
3,397,675	2,758,966	6,156,641	2,459,559
<u>\$ 3,286,109</u>	<u>\$ 3,449,075</u>	<u>\$ 6,735,184</u>	<u>\$ 2,460,683</u>

CITY OF DUMAS, TEXAS
 Balance Sheet - Governmental Funds
 September 30, 2014

	General Fund	Construction Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 79,539	\$ 79,539
Utility receivables, net	193,585	-	-	193,585
Taxes receivable, net				
Sales	341,817	-	-	341,817
Occupancy	-	-	177,714	177,714
Property	19,982	-	-	19,982
Fines, fees and court costs receivable, net	85,407	-	-	85,407
Due from other funds	1,496,258	-	-	1,496,258
Inventories	82,537	-	-	82,537
Paving and utility assessments receivable	59,678	-	-	59,678
Prepaid expenses	13,966	-	-	13,966
Other receivables	10,778	-	-	10,778
Restricted assets				
Cash and cash equivalents	-	356,482	925,778	1,282,260
Total Assets	<u>\$ 2,304,008</u>	<u>\$ 356,482</u>	<u>\$ 1,183,031</u>	<u>\$ 3,843,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Overdraft payable	\$ 1,065,859	\$ -	\$ -	\$ 1,065,859
Accounts payable	113,799	-	1,134	114,933
Accrued payroll	104,468	-	-	104,468
Intergovernmental payable	99,752	-	158,298	258,050
Due to component unit	61,690	-	-	61,690
Accrued vacation	146,652	-	-	146,652
Utility customer deposits	1,518	-	-	1,518
Total Liabilities	<u>1,593,738</u>	<u>-</u>	<u>159,432</u>	<u>1,753,170</u>
Deferred Inflows of Resources				
Unavailable revenue - property tax	16,923	-	-	16,923
Unavailable revenue - 2008 paving assessment program	42,705	-	-	42,705
Unavailable revenue - fees and fines	85,407	-	-	85,407
Total deferred inflows of resources	<u>145,035</u>	<u>-</u>	<u>-</u>	<u>145,035</u>
Fund Balances				
Nonspendable	113,476	-	-	113,476
Restricted	-	356,482	945,194	1,301,676
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	451,759	-	78,405	530,164
Total Fund Balance	<u>565,235</u>	<u>356,482</u>	<u>1,023,599</u>	<u>1,945,316</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,304,008</u>	<u>\$ 356,482</u>	<u>\$ 1,183,031</u>	<u>\$ 3,843,521</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, 2014

Total Fund Balances - Governmental Funds	\$	1,945,316
 Amounts reported for <i>governmental activities</i> 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.		(130,325)
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 \$25,675,613 and accumulated depreciation was \$11,643,746.		14,031,867
Bond insurance costs are reported as expenditures in the governmental funds, but are capitalized and amortized in the statement of net position.		118,729
Long-term liabilities for landfill closure costs of \$1,524,039, compensated absences of \$46,455, and bond and note obligations (including accrued interest of \$54,551) of \$11,254,019 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.		(12,824,513)
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.		145,035
Net Position of Governmental Activities - Statement of net position	\$	3,286,109

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
Year Ended September 30, 2014

	General Fund	Construction Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 504,642	\$ -	\$ 326,138	\$ 830,780
Sales and use taxes	2,661,575	-	-	2,661,575
Franchise tax	372,876	-	-	372,876
Occupancy	1,200	-	604,303	605,503
Other taxes	14,244	-	-	14,244
Penalty and interest on taxes	12,349	-	-	12,349
Licenses and permits	61,080	-	-	61,080
Intergovernmental grants and subsidies	52,228	-	-	52,228
Charges for services	2,174,706	-	-	2,174,706
Fines and forfeitures	451,562	-	18,269	469,831
Investment earnings	2,137	7,206	8	9,351
Other grants and contributions	4,699	-	14,633	19,332
Other income	53,845	-	-	53,845
Total Revenues	<u>6,367,143</u>	<u>7,206</u>	<u>963,351</u>	<u>7,337,700</u>
EXPENDITURES				
Current				
General government:				
City commission	34,094	-	-	34,094
Administration	794,279	-	-	794,279
Information systems	118,083	-	-	118,083
Warehouse	252,812	-	-	252,812
Engineering	108,746	-	-	108,746
Purchasing	29,724	-	-	29,724
Communications	70,113	-	-	70,113
Fire	1,231,421	-	-	1,231,421
Police	2,241,290	-	28,534	2,269,824
Streets	707,577	-	-	707,577
Solid Waste:				
Sanitation	641,738	-	-	641,738
Landfill	732,478	-	-	732,478
Recycling	44,927	-	-	44,927
Recreation and culture				
Parks	474,466	-	15,983	490,449
Capital outlay	547,866	2,080,044	-	2,627,910
Debt service:				
Principal	2,222,844	-	80,000	2,302,844
Interest and administrative fees	201,718	68,440	148,118	418,276
Total Expenditures	<u>10,454,176</u>	<u>2,148,484</u>	<u>824,479</u>	<u>13,427,139</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,087,033)</u>	<u>(2,141,278)</u>	<u>138,872</u>	<u>(6,089,439)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	1,712,007	2,465,000	-	4,177,007
Proceeds from bond premium	-	101,306	-	101,306
Proceeds from sales of forfeiture assets	1,037	-	-	1,037
Transfers in	2,351,910	-	25,000	2,376,910
Transfers out	(247,927)	-	(102,589)	(350,516)
Total Other Financing Sources (Uses)	<u>3,817,027</u>	<u>2,566,306</u>	<u>(77,589)</u>	<u>6,305,744</u>
Net Change in Fund Balances	<u>(270,006)</u>	<u>425,028</u>	<u>61,283</u>	<u>216,305</u>
Fund Balances - October 1	<u>835,241</u>	<u>(68,546)</u>	<u>962,316</u>	<u>1,729,011</u>
Fund Balances - September 30	<u>\$ 565,235</u>	<u>\$ 356,482</u>	<u>\$ 1,023,599</u>	<u>\$ 1,945,316</u>

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 216,305

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. 26,253

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. 2,627,910

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. (1,023,781)

Proceeds from the sale of assets are recorded in the fund financial statements, whereas in the government-wide financial statements only the gain (loss) is recorded. (18,900)

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 increase in net position. 76,270

Current year amortization of bond insurance is a decrease in net position. (7,956)

Current year bond prepaid insurance is an expenditure in the governmental funds, but increases assets in the statement of net position, and, therefore, an increase in prepaid bond insurance is an increase in net position. 13,477

Increase in accrued interest payable is a decrease in net position. (25,758)

Decrease in accrued compensated absences is an increase in net position. 15,567

Increase in long-term landfill liability is a decrease in net position. (53,094)

Current year accretion of bond premiums of \$17,610 is an increase in net position. 17,610

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 \$212,007, proceeds from debt issuance of \$3,965,000, proceeds of bond premium of \$101,306 net of bond payments of \$455,000, debt principal payments of \$1,547,246 and capital lease payments of \$300,598 result in a decrease in net position. (1,975,469)

Change in Net Position of Governmental Activities \$ (111,566)

CITY OF DUMAS, TEXAS
Statement of Net Position - Proprietary Funds
September 30, 2014

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable, net	88,687	237,275
Prepaid expenses and deposits	13,966	13,966
Restricted cash and cash equivalents	61,008	182,227
Restricted investments	112,696	-
Total Current Assets	276,357	433,468
Noncurrent Assets:		
Prepaid bond insurance cost	-	46,459
Capital assets, net	635,971	7,231,836
Total Noncurrent Assets	635,971	7,278,295
Total Assets	912,328	7,711,763
LIABILITIES		
Current Liabilities:		
Accounts payable	87,023	21,117
Due to other funds	489,990	981,470
Insurance claims payable	-	-
Unapplied utility account credits	38,173	-
Sales tax payable	2,967	-
Accrued interest	-	12,473
Accrued wages	7,568	5,854
Accrued vacation	10,517	3,713
Current portion of long-term debt	29,256	659,262
Total Current Liabilities	665,494	1,683,889
Long-Term Liabilities (net of current portion):		
Utility customer deposits	173,704	182,227
Long-term debt due after one year	14,449	4,223,977
Total Noncurrent Liabilities	188,153	4,406,204
Total Liabilities	853,647	6,090,093
NET POSITION		
Net investment in capital assets	592,266	2,395,056
Unrestricted	(533,585)	(773,386)
Total Net Position	58,681	1,621,670
Total Liabilities and Net Position	\$ 912,328	\$ 7,711,763

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	
\$ 293,495	\$ -	\$ 293,495	\$	18,142
161,537	297	487,796		3,928
-	2,130	30,062		-
673,924	-	917,159		-
-	-	112,696		-
<u>1,128,956</u>	<u>2,427</u>	<u>1,841,208</u>		<u>22,070</u>
124,614	-	171,073		-
11,527,214	804,792	20,199,813		-
<u>11,651,828</u>	<u>804,792</u>	<u>20,370,886</u>		<u>-</u>
<u>12,780,784</u>	<u>807,219</u>	<u>22,212,094</u>		<u>22,070</u>
221,861	8,200	338,201		26,566
-	24,798	1,496,258		-
-	-	-		155,434
-	-	38,173		-
-	725	3,692		-
33,457	-	45,930		-
1,075	3,233	17,730		-
653	5,268	20,151		-
697,901	68,833	1,455,251		-
<u>954,947</u>	<u>111,057</u>	<u>3,415,386</u>		<u>182,000</u>
-	-	355,931		-
10,723,670	-	14,962,097		-
<u>10,723,670</u>	<u>-</u>	<u>15,318,028</u>		<u>-</u>
<u>11,678,617</u>	<u>111,057</u>	<u>18,733,414</u>		<u>182,000</u>
904,181	735,959	4,627,462		-
197,986	(39,797)	(1,148,782)		(159,930)
<u>1,102,167</u>	<u>696,162</u>	<u>3,478,680</u>		<u>(159,930)</u>
<u>\$ 12,780,784</u>	<u>\$ 807,219</u>	<u>\$ 22,212,094</u>	<u>\$</u>	<u>22,070</u>
		\$ (29,605)		
		<u>\$ 3,449,075</u>		

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended September 30, 2014

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
OPERATING REVENUE		
Charges for services	\$ 2,900,234	\$ 2,565,224
Late charges	77,922	34,540
Tapping and surcharge fees	18,496	36,920
Other and miscellaneous	519	73,163
Total Operating Revenues	<u>2,997,171</u>	<u>2,709,847</u>
OPERATING EXPENSES		
Current		
Salaries and wages	329,827	243,936
Employee benefits	92,714	66,217
Gas purchases	1,656,358	-
Departmental operating costs	52,776	27,122
Professional and technical services	20,197	133,437
Repairs and maintenance	46,704	73,007
Other purchased services	8,196	25,164
Property and facility	28,848	267,207
Supplies	39,963	37,837
Lease agreements	193,266	196,579
Warehouse	42,743	39,749
Bad debts	5,934	2,752
Insurance claims and premiums	-	-
Bond issuance cost	-	-
Depreciation	47,233	89,415
Total Operating Expenses	<u>2,564,759</u>	<u>1,202,422</u>
Operating Income (Loss)	<u>432,412</u>	<u>1,507,425</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	281	11,173
Sale of assets	664	-
Interest expense	(10,103)	(75,471)
Total Nonoperating Revenues (Expenses)	<u>(9,158)</u>	<u>(64,298)</u>
Income Before Transfers	<u>423,254</u>	<u>1,443,127</u>
CONTRIBUTIONS AND TRANSFERS		
Transfers in	-	41,036
Transfers out	(422,889)	(1,067,889)
Total Contributions and Transfers	<u>(422,889)</u>	<u>(1,026,853)</u>
Change in Net Position	365	416,274
Net Position - Beginning of Year	58,316	1,205,396
Net Position - End of Year	<u>\$ 58,681</u>	<u>\$ 1,621,670</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
\$ 1,708,838	\$ 238,048	\$ 7,412,344	\$ 827,571
26,441	-	138,903	-
12,437	-	67,853	-
-	12,767	86,449	-
<u>1,747,716</u>	<u>250,815</u>	<u>7,705,549</u>	<u>827,571</u>
60,535	197,620	831,918	-
17,555	49,582	226,068	-
-	-	1,656,358	-
-	16,523	96,421	-
40,306	6,107	200,047	-
73,826	10,567	204,104	-
3,832	6,024	43,216	-
107,698	29,800	433,553	-
32,036	8,586	118,422	-
87,783	79,545	557,173	-
20,749	28,471	131,712	-
2,873	-	11,559	-
-	-	-	795,790
39,801	-	39,801	-
98,148	59,275	294,071	-
<u>585,142</u>	<u>492,100</u>	<u>4,844,423</u>	<u>795,790</u>
<u>1,162,574</u>	<u>(241,285)</u>	<u>2,861,126</u>	<u>31,781</u>
27,663	-	39,117	-
-	-	664	-
<u>(99,434)</u>	<u>(4,924)</u>	<u>(189,932)</u>	<u>-</u>
<u>(71,771)</u>	<u>(4,924)</u>	<u>(150,151)</u>	<u>-</u>
<u>1,090,803</u>	<u>(246,209)</u>	<u>2,710,975</u>	<u>31,781</u>
61,553	247,927	350,516	-
<u>(886,132)</u>	<u>-</u>	<u>(2,376,910)</u>	<u>-</u>
<u>(824,579)</u>	<u>247,927</u>	<u>(2,026,394)</u>	<u>-</u>
266,224	1,718	684,581	31,781
835,943	694,444	2,794,099	(191,711)
<u>\$ 1,102,167</u>	<u>\$ 696,162</u>	<u>\$ 3,478,680</u>	<u>\$ (159,930)</u>
		<u>\$ 5,528</u>	
		<u>\$ 690,109</u>	

CITY OF DUMAS, TEXAS
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2014

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,983,497	\$ 2,832,966
Receipts from internal services provided	-	-
Payments to suppliers and contractors	(2,069,686)	(961,105)
Payments for interfund services used	-	-
Payments to and on behalf of employees	(419,293)	(309,050)
Net Cash Provided (Used) by Operating Activities	<u>494,518</u>	<u>1,562,811</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund lending	(53,649)	836,917
Transfers, net	(422,889)	(1,026,853)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(476,538)</u>	<u>(189,936)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for interest on debt	(10,103)	(166,378)
Proceeds from debt issuance	-	-
Proceeds from bond issuance premium	-	-
Payment of bond issuance costs and bond insurance	-	-
Principal payments on debt	(14,298)	(633,698)
Purchase of capital assets	-	(583,871)
Proceeds from sale of assets	664	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(23,737)</u>	<u>(1,383,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(281)	-
Investment income	281	11,173
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>11,173</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,757)	101
Cash and Cash Equivalents - October 1	<u>66,765</u>	<u>182,126</u>
Cash and Cash Equivalents - September 30	<u>\$ 61,008</u>	<u>\$ 182,227</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
\$ 1,703,539	\$ 250,518	\$ 7,770,520	\$ -
-	-	-	823,959
(199,927)	(185,460)	(3,416,178)	-
-	-	-	(798,143)
(77,435)	(245,661)	(1,051,439)	-
1,426,177	(180,603)	3,302,903	25,816
(50,012)	(18,435)	714,821	(7,674)
(824,579)	247,927	(2,026,394)	-
(874,591)	229,492	(1,311,573)	(7,674)
(331,687)	(4,924)	(513,092)	-
1,785,000	-	1,785,000	-
73,360	-	73,360	-
(9,759)	-	(9,759)	-
(638,635)	(42,495)	(1,329,126)	-
(1,513,700)	(1,720)	(2,099,291)	-
-	-	664	-
(635,421)	(49,139)	(2,092,244)	-
-	-	(281)	-
27,663	-	39,117	-
27,663	-	38,836	-
(56,172)	(250)	(62,078)	18,142
1,023,591	250	1,272,732	-
\$ 967,419	\$ -	\$ 1,210,654	\$ 18,142

CITY OF DUMAS, TEXAS
Statement of Cash Flows - Proprietary Funds - continued
Year Ended September 30, 2014

	Business-type Activities	
	Gas Utility Fund	Water Utility Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 432,412	\$ 1,507,425
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	47,233	89,415
Changes in:		
Accounts receivable, net	(18,558)	123,018
Prepaid expenses	(403)	(403)
Accounts payable	25,702	(157,848)
Unapplied utility account credits	9,376	-
Insurance claims payable	-	-
Sales tax payable	984	-
Accrued wages	2,411	2,306
Accrued vacation	837	(1,203)
Utility customer deposits	(5,476)	101
Net Cash Provided (Used) by Operating Activities	\$ 494,518	\$ 1,562,811
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	61,008	182,227
	\$ 61,008	\$ 182,227
NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired through capital lease issuance	\$ 58,003	\$ 7,934
Capitalized interest	-	89,181

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
\$ 1,162,574	\$ (241,285)	\$ 2,861,126	\$ 31,781
98,148	59,275	294,071	-
(44,177)	(297)	59,986	(3,612)
-	2,131	1,325	-
208,977	(1,774)	75,057	386
-	-	9,376	-
-	-	-	(2,739)
-	(194)	790	-
584	299	5,600	-
71	1,242	947	-
-	-	(5,375)	-
<u>\$ 1,426,177</u>	<u>\$ (180,603)</u>	<u>\$ 3,302,903</u>	<u>\$ 25,816</u>
\$ 293,495	\$ -	\$ 293,495	\$ 18,142
673,924	-	917,159	-
<u>\$ 967,419</u>	<u>\$ -</u>	<u>\$ 1,210,654</u>	<u>\$ 18,142</u>
\$ 7,934	\$ -	\$ 73,871	\$ -
207,170	-	296,351	-

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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 \$774,508 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, 2014

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

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

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. 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).

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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, 2014

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, 2014

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, 2014 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, 2014, 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, 2014, 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, 2014 are as follows:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventories, long-term receivables, and prepaids	\$ 113,476	\$ -	\$ -	\$ 113,476
Restricted to:				
Construction	-	356,482	-	356,482
Tourism	-	-	495,352	495,352
Public Safety	-	-	26,078	26,078
Law Enforcement	-	-	7,790	7,790
Municipal Court	-	-	198,208	198,208
Debt Service	-	-	217,766	217,766
Unassigned	451,759	-	78,405	530,164
	<u>\$ 565,235</u>	<u>\$ 356,482</u>	<u>\$ 1,023,599</u>	<u>\$ 1,945,316</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, 2014

n. Use of Estimates

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

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, 2014 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, 2014

As of September 30, 2014, 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	\$ -	\$ 112,695	\$ 112,695	\$ -	\$ 112,695
LOGIC Investments	-	1	1	-	1
TexPool Investments	-	-	-	119	119
Total Portfolio	\$ -	\$ 112,696	\$ 112,696	\$ 119	\$ 112,815

As of September 30, 2014, 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 49 days and 59 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, 2014, the City's investment in TexPool was rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

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

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

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

C. Receivables

The receivables detailed below are reported net of allowances for doubtful accounts in the fund financial statements as of September 30, 2014:

	Governmental		Proprietary Funds			
	Funds		Gas	Water	Wastewater	Pheasant Trails
	General	Utility	Utility	Utility	Golf Course	Total
Receivables:						
Refuse Collections	\$ 198,378	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	-	100,360	239,369	163,397	-	503,126
Fines, fees and court costs	2,127,343	-	-	-	-	-
Other	-	-	-	-	297	297
Gross receivables	2,325,721	100,360	239,369	163,397	297	503,423
Less: allowance for uncollectibles	(2,046,729)	(11,673)	(2,094)	(1,860)	-	(15,627)
Net total receivables	\$ 278,992	\$ 88,687	\$ 237,275	\$ 161,537	\$ 297	\$ 487,796

Taxes receivable for the General and Other Governmental Funds as of September 30, 2014 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	\$ 341,817	\$ -	\$ 341,817
Occupancy Tax	177,714	-	177,714
Property Taxes	22,209	(2,227)	19,982
	\$ 541,740	\$ (2,227)	\$ 539,513

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

D. Interfund Balances and Activity

1. *Transfers To and From Other Funds*

Transfers to and from other funds for the year ended September 30, 2014, consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Golf Course Fund	\$ 247,927	Subsidize Fund Operations
Water Utility Fund	Christmas Decorations Fund	10,000	Subsidize Fund Operations
Water Utility Fund	General Fund	650,000	Subsidize Fund Operations
Gas Utility Fund	Park Improvement Fund	15,000	Subsidize Fund Operations
Gas Utility Fund	General Fund	407,889	General Fund Indirect Cost Allocation
Water Utility Fund	General Fund	407,889	General Fund Indirect Cost Allocation
Wastewater Utility Fund	General Fund	407,889	General Fund Indirect Cost Allocation
Wastewater Utility Fund	General Fund	478,243	Subsidize Fund Operations
Debt Service Fund	Water Utility Fund	41,036	Service of Debt Obligations
Debt Service Fund	Wastewater Utility Fund	<u>61,553</u>	Service of Debt Obligations
		<u>\$ 2,727,426</u>	

2. *Interfund Receivables and Payables*

Interfund receivables and payables as of September 30, 2014, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Gas Utility Fund	\$ 489,990	Subsidize Fund Operations
General Fund	Water Utility Fund	981,470	Subsidize Fund Operations
General Fund	Pheasant Trails Golf Course	<u>24,798</u>	Subsidize Fund Operations
		<u>\$ 1,496,258</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, 2014

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 9/30/2013	Collections	Payments	Balance 9/30/2014
Due to Component Unit	\$ 69,509	\$ 774,508	\$ (782,327)	\$ 61,690
	\$ 69,509	\$ 774,508	\$ (782,327)	\$ 61,690

E. Restricted Assets

Restricted assets consisted of the following at September 30, 2014:

Governmental Activities	
Debt Service	\$ 217,766
Cash and Investments in Construction Fund (Unspent Bond Proceeds)	356,482
Restricted Cash in Special Revenue Funds	708,012
	1,282,260
Business-type Activities	
Customer Deposits / Escrow	355,931
Capital Projects (Unspent Bond Proceeds)	673,924
	1,029,855
Total	\$ 2,312,115

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

F. Capital Assets

Capital asset activity for the period ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 481,688	\$ -	\$ -	\$ 481,688
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>481,688</u>	<u>-</u>	<u>-</u>	<u>481,688</u>
Capital assets, being depreciated:				
Infrastructure	1,888,092	96,260	-	1,984,352
Buildings	6,480,450	2,080,043	-	8,560,493
Vehicles, Furniture and Equipment	<u>14,623,532</u>	<u>451,607</u>	<u>(426,059)</u>	<u>14,649,080</u>
Total capital assets being depreciated	<u>22,992,074</u>	<u>2,627,910</u>	<u>(426,059)</u>	<u>25,193,925</u>
Less accumulated depreciation:				
Infrastructure	(1,762,330)	(26,276)	-	(1,788,606)
Buildings	(920,500)	(178,274)	-	(1,098,774)
Vehicles, Furniture and Equipment	<u>(8,344,294)</u>	<u>(819,231)</u>	<u>407,159</u>	<u>(8,756,366)</u>
Total accumulated depreciation	<u>(11,027,124)</u>	<u>(1,023,781)</u>	<u>407,159</u>	<u>(11,643,746)</u>
Capital assets, net	<u>\$ 12,446,638</u>	<u>\$ 1,604,129</u>	<u>\$ (18,900)</u>	<u>\$ 14,031,867</u>
Business-Type activities:				
Capital assets, not being depreciated:				
Land	\$ 552,814	\$ 1,720	\$ -	\$ 554,534
Construction in Process	<u>13,413,070</u>	<u>2,411,716</u>	<u>(508,552)</u>	<u>15,316,234</u>
Total capital assets not being depreciated	<u>13,965,884</u>	<u>2,413,436</u>	<u>(508,552)</u>	<u>15,870,768</u>
Capital assets, being depreciated:				
Infrastructure	15,851,773	490,759	-	16,342,532
Buildings and improvements	334,302	-	-	334,302
Vehicles, Furniture and Equipment	<u>1,501,503</u>	<u>73,870</u>	<u>(44,927)</u>	<u>1,530,446</u>
Total capital assets being depreciated	<u>17,687,578</u>	<u>564,629</u>	<u>(44,927)</u>	<u>18,207,280</u>
Less accumulated depreciation:				
Infrastructure	(12,327,104)	(275,720)	-	(12,602,824)
Buildings and improvements	(186,100)	(5,569)	-	(191,669)
Vehicles, Furniture and Equipment	<u>(1,115,887)</u>	<u>(12,782)</u>	<u>44,927</u>	<u>(1,083,742)</u>
Total accumulated depreciation	<u>(13,629,091)</u>	<u>(294,071)</u>	<u>44,927</u>	<u>(13,878,235)</u>
Capital assets, net	<u>\$ 18,024,371</u>	<u>\$ 2,683,994</u>	<u>\$ (508,552)</u>	<u>\$ 20,199,813</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

Depreciation was charged to functions as follows:

Governmental Activities

General Government	\$ 67,313
Emergency Management (Public Safety)	6,730
Fire Department (Public Safety)	106,379
Information Services	8,422
Communications	6,031
Landfill	267,194
Parks and Recreation	169,897
Police (Public Safety)	195,239
Recycle	5,426
Solid Waste	154,501
Streets	29,438
Warehouse	7,211
	<u>\$ 1,023,781</u>

Business-type Activities

Gas Utility Fund	\$ 47,233
Water Utility Fund	89,415
Wastewater Utility Fund	98,148
Golf Course Fund	59,275
	<u>\$ 294,071</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

Dumas Economic Development Corporation reported \$153,183 in depreciation for the fiscal year ended September 30, 2014. 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	\$ 617,747	\$ -	\$ (1,272)	\$ 616,475
Construction in Process	1,155,322	1,106,126	(2,261,448)	-
Total capital assets not being depreciated	<u>1,773,069</u>	<u>1,106,126</u>	<u>(2,262,720)</u>	<u>616,475</u>
Capital assets, being depreciated:				
Infrastructure	1,621,652	2,388	-	1,624,040
Buildings and improvements	1,638,462	2,281,382	-	3,919,844
Furniture and Equipment	20,952	-	-	20,952
Total capital assets being depreciated	<u>3,281,066</u>	<u>2,283,770</u>	<u>-</u>	<u>5,564,836</u>
Less accumulated depreciation:				
Infrastructure	(212,819)	(53,668)	-	(266,487)
Buildings and improvements	(64,940)	(99,515)	-	(164,455)
Furniture and Equipment	(20,952)	-	-	(20,952)
Total accumulated depreciation	<u>(298,711)</u>	<u>(153,183)</u>	<u>-</u>	<u>(451,894)</u>
Capital assets, net	<u>\$ 4,755,424</u>	<u>\$ 3,236,713</u>	<u>\$ (2,262,720)</u>	<u>\$ 5,729,417</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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, 2014 are as follows:

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Governmental activities					
Bonds payable					
2008 Certificates of Obligation	\$ 2,640,000	\$ -	\$ (80,000)	\$ 2,560,000	\$ 85,000
2011 Certificates of Obligation	5,150,000	-	(375,000)	4,775,000	385,000
2014 Certificates of Obligation	-	2,465,000	-	2,465,000	-
	7,790,000	2,465,000	(455,000)	9,800,000	470,000
2008 Bond Premium	69,824	-	(3,520)	66,304	3,520
2011 Bond Premium	144,148	-	(10,291)	133,857	10,291
2014 Bond Premium	-	101,306	(3,799)	97,507	5,065
	213,972	101,306	(17,610)	297,668	18,876
Notes payable					
Happy State Bank	-	1,500,000	(1,500,000)	-	-
JP Chase	46,745	-	(46,745)	-	-
WT Services	501	-	(501)	-	-
	47,246	1,500,000	(1,547,246)	-	-
Capital leases					
Wells Fargo Lease	19,328	-	(18,529)	799	799
Chase Lease	686,990	-	(82,670)	604,320	85,263
Califirst - Police Dept	22,044	-	(22,044)	-	-
Califirst - Fire Dept	13,742	-	(13,742)	-	-
Government Capital Corporation	276,812	-	(66,930)	209,882	68,059
Branch Banking and Trust	25,756	-	(10,223)	15,533	10,356
Branch Banking and Trust	145,719	-	(31,640)	114,079	32,050
IBM Lease	-	51,590	(15,275)	36,315	17,150
HCB Lease	-	160,417	(39,545)	120,872	81,023
	1,190,391	212,007	(300,598)	1,101,800	294,700
Other long-term liabilities					
Compensated absences	62,022	-	(15,567)	46,455	-
Landfill	1,470,945	53,094	-	1,524,039	-
Total governmental activity					
Long-term liabilities	<u>\$ 10,774,576</u>	<u>\$ 4,331,407</u>	<u>\$ (2,336,021)</u>	<u>\$ 12,769,962</u>	<u>\$ 783,576</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Business-type Activities					
2004 Certificates of Obligation	\$ 940,000	\$ -	\$ (460,000)	\$ 480,000	\$ 480,000
2012 Certificates of Obligation	8,170,000	-	(335,000)	7,835,000	345,000
2013 Certificates of Obligation	5,255,000	-	(200,000)	5,055,000	205,000
2014 Certificates of Obligation	-	1,785,000	-	1,785,000	-
	<u>14,365,000</u>	<u>1,785,000</u>	<u>(995,000)</u>	<u>15,155,000</u>	<u>1,030,000</u>
2012 Bond Premium	198,625	-	(10,500)	188,125	10,500
2013 Bond Premium	393,747	-	(20,365)	373,382	20,366
2014 Bond Premium	-	73,360	(2,751)	70,609	3,669
	<u>592,372</u>	<u>73,360</u>	<u>(33,616)</u>	<u>632,116</u>	<u>34,535</u>
Notes payable					
First State Bank of Stratford	779,257	-	(273,519)	505,738	284,625
Capital leases					
PNC Equipment Lease	13,097	-	(13,097)	-	-
TCF Equipment Lease	98,232	-	(29,400)	68,832	68,832
HCB Lease	-	73,872	(18,210)	55,662	37,259
	<u>111,329</u>	<u>73,872</u>	<u>(60,707)</u>	<u>124,494</u>	<u>106,091</u>
Total Business-type Activity					
Long-term liabilities	<u>\$ 15,847,958</u>	<u>\$ 1,858,872</u>	<u>\$ (1,360,091)</u>	<u>\$ 16,417,348</u>	<u>\$ 1,455,251</u>
Component Unit					
Happy State Bank	\$ 728,304	\$ 981,398	\$ (1,709,702)	\$ -	\$ -
Happy State Bank	1,487,000	-	(1,487,000)	-	-
Happy State Bank	-	208,530	(208,530)	-	-
Happy State Bank	-	52,000	(52,000)	-	-
Happy State Bank	-	3,354,587	(6,000)	3,348,587	123,492
Total Component Unit Activity					
Long-term liabilities	<u>\$ 2,215,304</u>	<u>\$ 4,596,515</u>	<u>\$ (3,463,232)</u>	<u>\$ 3,348,587</u>	<u>\$ 123,492</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

2. Summary of Obligations

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2014 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%.	\$ 2,560,000
\$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%.	4,775,000
\$2,465,000 2014 Certificates of Obligation, annual installments of \$100,000 to \$310,000 through September 2034; interest at 2.00% to 4.50%.	2,465,000
\$75,698 Wells Fargo Capital Lease, quarterly principal and interest payments of \$6,588 through October 2014; interest at 2.7%.	799
\$882,834 Chase Equipment Finance Capital Lease, monthly principal and interest payments of \$25,753 through January 2021; interest at 3.1%.	604,320
\$51,590 IBM Credit Capital Lease, monthly principal and interest payments of \$1,500 through March 2016; interest at 3.00%.	36,315
\$160,417 Houston Community Bank Equipment Lease, monthly principal and interest payments of \$13,691 through June 2016; interest at 1.48%.	120,872
\$161,395 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 8,342 through February 2018; interest at 1.29%.	114,079
\$30,852 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 2,627 through February 2016; interest at 1.29%.	15,533
\$276,812 Government Capital Corporation Capital Lease, annual principal and interest payments of 73,868 through April 2017; interest at 6.7%.	209,882
Total Governmental Activities debt	<u>\$ 10,901,800</u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

A summary of Business-type Activity Debt outstanding at September 30, 2014 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%.	\$ 480,000
\$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%.	7,835,000
\$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%.	5,055,000
\$1,785,000 2014 Certificates of Obligation, annual installments of \$100,000 to \$310,000 through September 2034; interest at 2.00% to 4.50%.	1,785,000
\$866,743 First State Bank Note Payable, quarterly principal and interest payments of \$75,150 through June 2016; interest at 4.0%	505,738
\$159,301 TCF Equipment Lease, monthly principal and interest payments of \$2,800 through July 2015; interest at 4.95%.	68,832
\$73,872 Houston Community Bank Equipment Lease, monthly principal and interest payments of \$6,305 through June 2016; interest at 1.48%.	<u>55,662</u>
Total Business-type debt	<u><u>\$ 15,785,232</u></u>

3. Component Unit

\$3,354,587 Happy State Bank Note Payable, monthly interest installments with all principal due December 2014; interest at 3.3%.	<u>\$ 3,348,587</u>
Total Component Unit debt	<u><u>\$ 3,348,587</u></u>

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

4. Debt Service Requirements

Debt service requirements for long-term debt as of September 30, 2014 are as follows:

Year Ending September 30	Governmental Activities		Total Requirements
	Principal	Interest	
2015	\$ 470,000	\$ 422,687	\$ 892,687
2016	538,000	369,110	907,110
2017	484,400	355,875	840,275
2018	502,300	342,149	844,449
2019	510,200	326,403	836,603
2020-2024	2,445,000	1,363,156	3,808,156
2025-2029	2,686,500	863,893	3,550,393
2030-2034	2,163,600	254,379	2,417,979
Totals	\$ 9,800,000	\$ 4,297,652	\$ 14,097,652

Year Ending September 30	Business-Type Activities		Total Requirements
	Principal	Interest	
2015	\$ 1,314,625	\$ 525,580	\$ 1,840,205
2016	828,113	454,598	1,282,711
2017	650,600	437,137	1,087,737
2018	667,700	423,225	1,090,925
2019	674,800	408,946	1,083,746
2020-2024	3,645,000	1,792,155	5,437,155
2025-2029	4,293,500	1,150,963	5,444,463
2030-2034	3,586,400	322,109	3,908,509
Total	\$ 15,660,738	\$ 5,514,713	\$ 21,175,451

Year Ending September 30	Component Unit		Total Requirements
	Principal	Interest	
2015	\$ 123,492	\$ 103,724	\$ 227,216
2016	127,455	99,761	227,216
2017	131,529	95,687	227,216
2018	135,732	91,484	227,216
2019	140,070	87,146	227,216
2020-2024	770,427	365,653	1,136,080
2025-2029	901,661	234,419	1,136,080
2030-2034	1,018,221	83,594	1,101,815
Total	\$ 3,348,587	\$ 1,161,468	\$ 4,510,055

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

5. Capital Leases

Assets acquired through capital leases as of September 30, 2014 were as follows:

Assets	Governmental Activities	Business-type Activities
Machinery and Equipment	\$ 1,066,253	\$ 746,950
Less: Accumulated Depreciation	(238,128)	(214,518)
Total	\$ 828,125	\$ 532,432

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2014, were as follows:

Year Ended September 30	Governmental Activities	Business-type Activities
2015	\$ 321,775	\$ 109,009
2016	261,544	12,894
2017	224,611	5,993
2018	119,968	-
2019	103,012	-
2020-2021	154,315	-
Total minimum lease payments	1,185,225	127,896
Less amount representing interest	(83,425)	(3,402)
Present value of minimum lease payments	\$ 1,101,800	\$ 124,494

6. Interest Costs Incurred

Long-term debt interest cost incurred for Business-type Activities for the year ended September 30, 2014 was as follows:

Interest charged to expense	\$ 189,932
Interest capitalized	296,351
Total interest incurred	\$ 486,283

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, 2014

H. Deferred Inflows of Resources

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

<u>Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
Paving and utility assessments	General	\$ 42,705
Property taxes	General	16,923
Fines, fees and court costs	General	85,407
		<u>\$ 145,035</u>

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets consisted of the following as of September 30, 2014:

<u>Description</u>	<u>Amount</u>
Business-type Activities:	
Gas Utility and Water Utility Fund Customer Deposits / Escrow	<u>\$ 355,931</u>

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.

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:

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

	Plan Year 2013	Plan Year 2014
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

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

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

Annual required contribution (ARC)	\$	286,505
Interest on Net Pension obligation		-
Adjustment to ARC		-
Annual Pension Cost (APC)		286,505
Contributions made		(286,505)
Increase (decrease) in net pension obligation(asset)		-
Net Pension Obligation(Asset) - as of beginning of year		-
Net Pension Obligation(Asset) - as of end of year	\$	-

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2012	\$ 314,840	\$ 314,840	100.0%	-
9/30/2013	291,765	291,765	100.0%	-
9/30/2014	286,505	286,505	100.0%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, is as follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization	26.2 Years - Closed Period	25.1 Years - Closed Period	30.0 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	3.0%	3.0%	3.0%
Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress:

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Schedule of Actuarial Liabilities and Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)=(1)/(2)	(4)=(2)-(1)	(5)	(6)=(4)/(5)
12/31/2013	\$ 13,479,177	\$ 14,920,526	90.3%	\$ 1,441,349	\$ 5,155,767	28.0%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required 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 2014, 2013, and 2012 were \$8,064, \$7,701, and \$7,950, respectively, which equaled the required contributions each year.

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2012	0.05%	0.05%	100%
2013	0.05%	0.05%	100%
2014	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. 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 \$1,524,039 reported as landfill closure and postclosure care liability as of September 30, 2014, represents the cumulative amount reported to date based on the use of 73.33% of the estimated capacity of MSW 2285 and 1.43% of the estimated capacity of MSW 2279. The City will recognize the remaining estimated cost of closure and postclosure of \$2,919,978 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 2014. MSW 211B was closed during fiscal year 2014. No postclosure charges were charged against the closure and postclosure care cost accrued liability for MSW 211B during the year. The City expects to close 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, 2014. The landfill, water wells and wastewater treatment plant projects have estimated costs of approximately \$1,030,000 to complete. This commitment will be funded through unspent bond proceeds.

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.

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

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:

<u>Fiscal Year Ended:</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
9/30/2012	\$ 65,976	\$ 700,252	\$ (631,478)	\$ 134,750
9/30/2013	134,750	733,167	(709,744)	158,173
9/30/2014	158,173	526,869	(529,608)	155,434

The City contributes \$475.92 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. For FY 2013-14, excess loss coverage was provided by HM Life Insurance Company with individual deductible limits at \$65,000 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 change in reinsurance carrier to Optum Health with the same contract limits was entered into effective October 1, 2014.

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

CITY OF DUMAS, TEXAS
Notes to Financial Statements
September 30, 2014

M. Upcoming Accounting Pronouncement

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 this new statement 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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Budget Basis	with Final Budget
REVENUES				
Taxes:				
Property	\$ 514,511	\$ 514,511	\$ 504,642	\$ (9,869)
Sales	2,705,250	2,705,250	2,661,575	(43,675)
Occupancy	1,170	1,170	1,200	30
Franchise	513,431	513,431	372,876	(140,555)
Other	10,500	10,500	14,244	3,744
Penalty and interest on taxes	13,500	13,500	12,349	(1,151)
Licenses, fees and permits	105,720	105,720	61,080	(44,640)
Intergovernmental grants and subsidiaries	17,700	17,700	52,228	34,528
Charges for services	2,191,100	2,191,100	2,174,706	(16,394)
Penalties, fines and forfeitures	643,700	643,700	451,562	(192,138)
Investment earnings	7,000	7,000	2,137	(4,863)
Other grants and contributions	24,600	24,600	4,699	(19,901)
Other revenue	73,730	73,730	53,845	(19,885)
Total Revenues	6,821,912	6,821,912	6,367,143	(454,769)
EXPENDITURES				
<i>Current</i>				
General government:				
City commission	33,724	33,724	34,094	(370)
Administration	796,815	796,815	794,279	2,536
Information systems	161,145	161,145	118,083	43,062
Warehouse	254,314	254,314	252,812	1,502
Engineering	108,749	108,749	108,746	3
Purchasing	28,071	28,071	29,724	(1,653)
Communications	134,111	134,111	70,113	63,998
Fire	1,228,557	1,228,557	1,231,421	(2,864)
Police	2,376,705	2,376,705	2,241,290	135,415
Streets	708,564	708,564	707,577	987
Solid Waste				
Sanitation	656,125	656,125	641,738	14,387
Landfill	726,384	726,384	732,478	(6,094)
Recycling	59,718	59,718	44,927	14,791
Parks	483,821	483,821	474,466	9,355
Total Expenditure	7,756,803	7,756,803	7,481,748	275,055
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(934,891)	(934,891)	(1,114,605)	(179,714)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	200,000	200,000	1,712,007	1,512,007
Transfers in	1,135,918	1,135,918	2,351,910	1,215,992
Transfers out	-	-	(247,927)	(247,927)
Total Other Financing Sources (Uses)	1,335,918	1,335,918	3,815,990	2,480,072
NET CHANGE IN FUND BALANCE	\$ 401,027	\$ 401,027	\$2,701,385	\$2,300,358
Reconciliation to Generally Accepted Accounting Principles (GAAP):				
Proceeds from sale of assets			1,037	
Capital outlay			(547,866)	
Debt service:				
Principal payments			(2,222,844)	
Interest and administrative fees			(201,718)	
Change in Fund Balance			(270,006)	
Fund Balance - October 1			835,241	
Fund Balance - September 30			<u>\$ 565,235</u>	

CITY OF DUMAS, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress - Pension Plan
 Year Ended September 30, 2014

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

12/31/2011	\$ 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%
12/31/2013	13,479,177	14,920,526	90.3%	1,441,349	5,155,767	28.0%

CITY OF DUMAS, TEXAS
Notes to Required Supplementary Information
September 30, 2014

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, 2014, 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, 2015.

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 2014-001: 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 2014-001:

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.

Davis Kinard & Co. PC
Certified Public Accountants

Plainview, Texas
January 16, 2015