

# **CITY OF DUMAS, TEXAS**

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ANNUAL FINANCIAL REPORT

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YEAR ENDED SEPTEMBER 30, 2015

**CITY OF DUMAS, TEXAS**

September 30, 2015

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## INTRODUCTORY SECTION



January 27, 2016

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, 2015. 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, 2015. 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](http://www.city-data.com)). It is the county seat of Moore County. Located approximately fifty miles north of Amarillo, the city is named for its founder, **Louis Dumas** (1856–1923). In 1891 Mr. Dumas and his associates formed the Moore County Townsite Company and platted the town on a site some five miles south of South Palo Duro Creek. The first building housed the company office, a hotel, a general store, and the city's first post office. In 2013, there were an estimated 386 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.

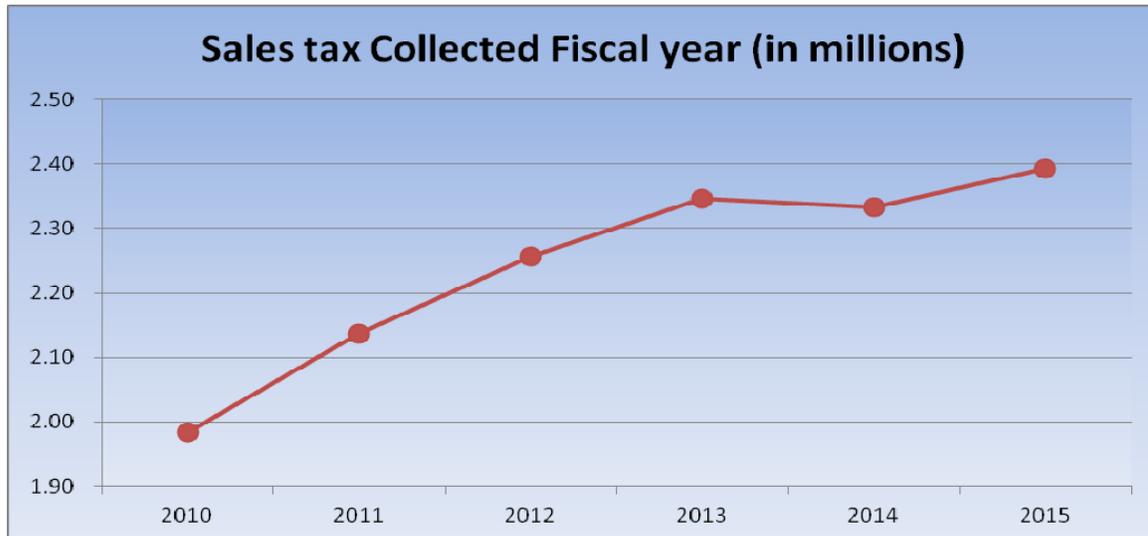
## Economic Condition and Outlook

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. Dumas has experienced economic growth and new business activity consistently for the last 6 years. The City serves as the hub for a regional trade area of more than 70,000 people and is

ranked 52<sup>nd</sup> best economy out of 536 cities nationally as of April 2015. Retail shoppers come to Dumas from New Mexico, Oklahoma and Kansas on a regular basis. ([www.dumasedc.org](http://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 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 74<sup>th</sup> out of 576 micropolitan areas.

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

Since 2010, Dumas has seen the development of several new businesses that include a new Dialysis Center, CVS Pharmacy, family medical practice, expansion of the JBS Beef Processing plant, a new RV Resort, several new restaurants 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 "Dettie Crockett". The signature is written in a cursive style.

Finance Director

**CITY OF DUMAS, TEXAS**

**PRINCIPAL OFFICIALS**

September 30, 2015

City Commission

Pat Sims - Mayor

Dr. David Bonner - Commissioner

Justin Willis - Commissioner

Ben Maples - Commissioner

Steve Bodnar - Commissioner

Administrative Officials

Arbie Taylor – City Manager

Dottie Crockett – Finance Director

Brenda Koehn – Human Resources Director

Manuel Peña Jr. – IT Director

Greg Tanner – City Inspector

Jim Nelson – Chief of Police

Paul Jenkins – Fire Chief

Jack Braswell – Gas Superintendent

Reece Spencer – Water/Wastewater Superintendent

Isidro Renteria – Landfill Superintendent

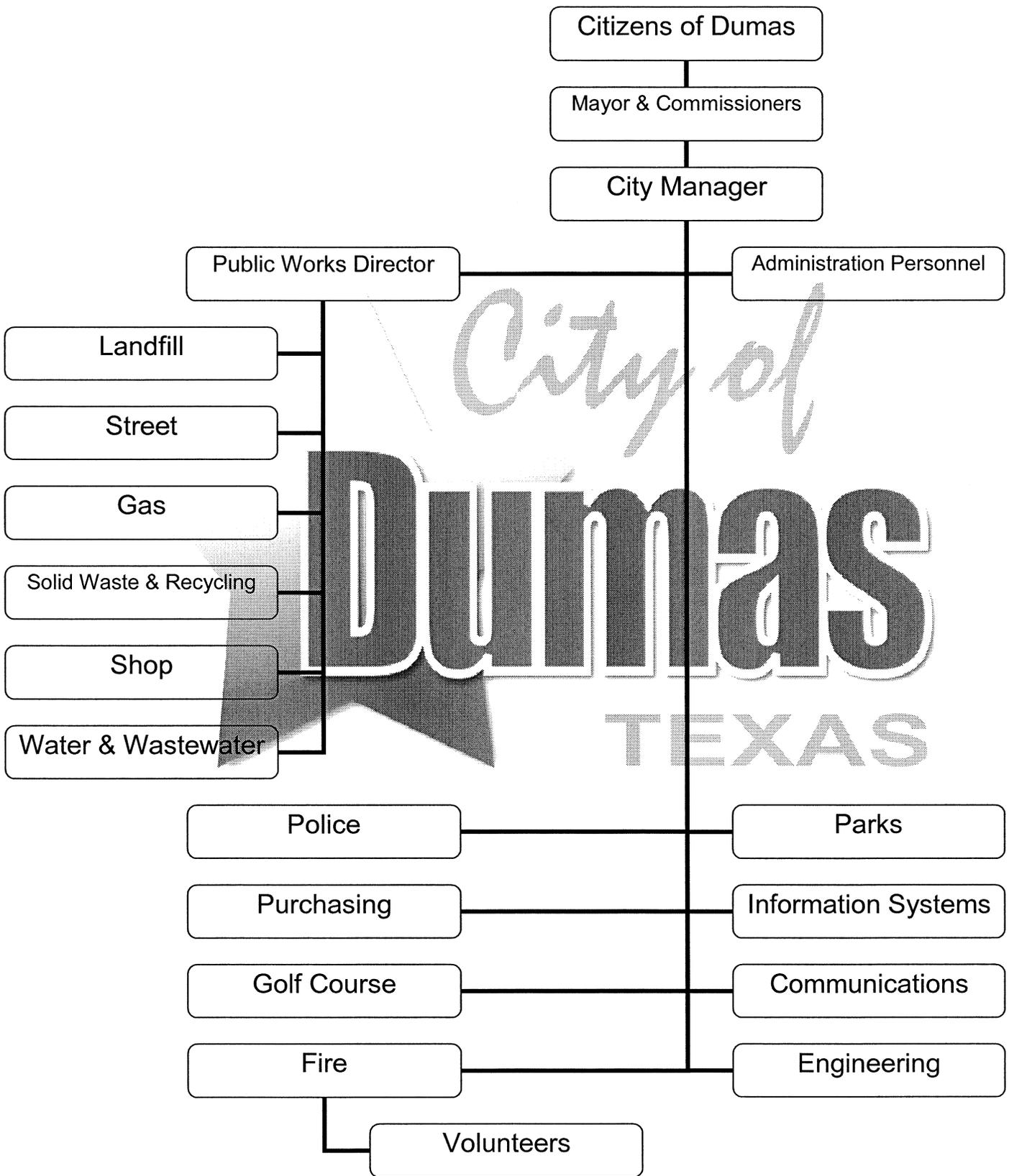
Eric Davidson – Solid Waste Superintendent

Karla Smith – Park Superintendent

Loke Marquez – Shop Superintendent

Tommy Brooks – Emergency Management Coordinator

# 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, 2015, 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, 2015, 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, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 3 through 10 and 50 through 54 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 27, 2016, 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.

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

Plainview, Texas  
January 27, 2016

**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, 2015. 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 \$4.03 million as a result of this year's operations. Financial position of our business-type activities decreased by \$0.16 million. Financial position of Dumas Economic Development Corporation increased by just over \$67,000, or 2.7%.

During the year, the City had expenses that were \$10.3 million, more than the \$5.6 million generated in tax and other revenues for governmental programs.

In the City's business-type activities, revenues increased to \$9.9 million or 29% and expenses increased to \$9.5 million or 60%.

Total cost of all of the City's governmental programs, after charges for services and operating grants, was \$9.6 million. The total cost of Dumas Economic Development Corporation's programs, after charges for services and operating grants was \$0.73 million.

The General Fund ended the year with a fund balance of just over \$0.6 million, which is a \$216,000 increase over last year's balance.

The resources available for appropriation were \$0.13 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**

During fiscal year 2015, the City adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27, resulting in the City recording its proportionate share of the net pension liability of \$682,015, deferred outflow of resources of \$692,630, and deferred inflow of resources of \$16,988. The comparative information presented for September 30, 2015 has not been restated to reflect this change. See Note 11 for further information.

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 \$3.3 million to \$1.7 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$(1.0) million at September 30, 2015. The decrease in governmental net position was mainly a result of expenses exceeding revenues by about \$4.0 million.

In 2015, financial position of business-type activities decreased by \$0.16 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change	Component Unit	
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)		2015	2014 (not restated)
Current assets	\$ 2,617	\$ 4,014	\$ 1,123	\$ 486	\$ 3,740	\$ 4,500	-17%	\$ 213	\$ 128
Capital assets	5,081	14,032	26,513	20,200	31,594	34,232	-8%	5,576	5,729
<b>Total assets</b>	<b>7,698</b>	<b>18,046</b>	<b>27,636</b>	<b>20,686</b>	<b>35,334</b>	<b>38,732</b>	<b>-9%</b>	<b>5,789</b>	<b>5,857</b>
Deferred outflows of resources	577	-	115	-	692	-	100%	14	-
Long-term liabilities	3,889	11,986	22,658	14,962	26,547	26,948	-1%	3,122	3,245
Other liabilities	2,675	2,774	2,034	2,275	4,709	5,049	-7%	166	151
<b>Total liabilities</b>	<b>6,564</b>	<b>14,760</b>	<b>24,692</b>	<b>17,237</b>	<b>31,256</b>	<b>31,997</b>	<b>-2%</b>	<b>3,288</b>	<b>3,396</b>
Deferred inflows of resources	12	-	5	-	17	-	100%	-	-
Net position									
Net investment in capital assets	1,628	3,308	3,389	4,627	5,017	7,935	-37%	2,351	2,381
Restricted	1,070	945	-	-	1,070	945	13%	-	-
Unrestricted	(999)	(967)	(335)	(1,178)	(1,334)	(2,145)	-38%	164	80
<b>Total net position</b>	<b>\$ 1,699</b>	<b>\$ 3,286</b>	<b>\$ 3,054</b>	<b>\$ 3,449</b>	<b>\$ 4,753</b>	<b>\$ 6,735</b>	<b>-29%</b>	<b>\$ 2,515</b>	<b>\$ 2,461</b>

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)
<b>Revenues</b>								
Program revenues								
Charges for services	\$ 648	\$ 2,791	\$ 9,925	\$ 7,706	\$ 10,573	\$ 10,497	\$ 60	\$ 34
Grants & contributions	21	71	-	-	21	71	-	-
General revenues								
Property taxes	933	505	-	-	933	505	-	-
Sales tax and other taxes	3,870	3,993	-	-	3,870	3,993	798	775
Interest revenue	7	9	50	39	57	48	-	-
Miscellaneous Revenue	122	27	-	-	122	27	3	14
<b>Total revenues</b>	<b>5,601</b>	<b>7,396</b>	<b>9,975</b>	<b>7,745</b>	<b>15,576</b>	<b>15,141</b>	<b>861</b>	<b>823</b>
<b>Expenses</b>								
General government	1,797	1,490	-	-	1,797	1,490	-	-
Public Safety	5,295	3,778	-	-	5,295	3,778	-	-
Highways and streets	886	735	-	-	886	735	-	-
Sanitation	-	1,899	2,308	-	2,308	1,899	-	-
Culture and recreation	2,124	1,211	-	-	2,124	1,211	-	-
Interest and fiscal charges	208	421	-	-	208	421	-	-
Gas	-	-	2,705	2,573	2,705	2,573	-	-
Water	-	-	2,089	1,276	2,089	1,276	-	-
Wastewater	-	-	1,768	684	1,768	684	-	-
Golf course	-	-	583	496	583	496	-	-
Component Unit	-	-	-	-	-	-	794	821
<b>Total expenses</b>	<b>10,310</b>	<b>9,534</b>	<b>9,453</b>	<b>5,029</b>	<b>19,763</b>	<b>14,563</b>	<b>794</b>	<b>821</b>
Increase (decrease) before transfers	(4,709)	(2,138)	522	2,716	(4,187)	578	67	2
Transfers	684	2,026	(684)	(2,026)	-	-	-	-
<b>Change in net position</b>	<b>(4,025)</b>	<b>(112)</b>	<b>(162)</b>	<b>690</b>	<b>(4,187)</b>	<b>578</b>	<b>67</b>	<b>2</b>
Net position, beginning of year	3,286	3,398	3,449	2,759	6,735	6,157	2,461	2,460
Prior period adjustments	2,438	-	(233)	-	2,205	-	(13)	-
<b>Net position, end of year</b>	<b>\$ 1,699</b>	<b>\$ 3,286</b>	<b>\$ 3,054</b>	<b>\$ 3,449</b>	<b>\$ 4,753</b>	<b>\$ 6,735</b>	<b>\$ 2,515</b>	<b>\$ 2,462</b>

The cost of all governmental activities this year was \$10.3 million. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities was \$4.8 million because \$.65 million of these costs were paid by those who directly benefited from the programs and \$0.02 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 \$1.8 million, which is less than last year’s total of \$1.9 million. Included in this year’s total change in fund balance is an increase of \$0.22 million in the City’s General Fund. The financial position of Dumas Economic Development Corporation increased slightly to \$2.5 million from \$2.46 million.

**CAPTIAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2015, the City had \$32 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 decrease of \$2.6 million or 7.7% above last year.

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

	Primary <u>Government</u>	Component <u>Unit</u>
Land	\$ (15)	\$ -
Buildings	143	-
Machinery and equipment	(3,942)	-
Infrastructure	11,382	-
Construction in progress	<u>(15,316)</u>	<u>-</u>
Total	<u>\$ (7,748)</u>	<u>\$ -</u>

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

	Governmental		Business-Type		Total Primary		Total Percent Change 2014-2015
	Activities		Activities		Government		
	2015	2014	2015	2014	2015	2014	
Land	\$ 157	\$ 176	\$ 864	\$ 860	\$ 1,021	\$ 1,036	1%
Buildings and improvements	5,123	5,077	6,882	6,784	12,005	11,861	-1%
Vehicles, furniture & equipment	7,056	10,655	5,181	5,525	12,237	16,180	24%
Infrastructure	504	1,984	29,205	16,343	29,709	18,327	-62%
Construction in progress	-	-	-	15,316	-	15,316	100%
<b>Total</b>	<b>\$ 12,840</b>	<b>\$ 17,892</b>	<b>\$ 42,132</b>	<b>\$ 44,828</b>	<b>\$ 54,972</b>	<b>\$ 62,720</b>	12%

**Debt**

At year-end, the City had \$29.1 million in bonds, loans, capital leases, landfill closure costs, and long-term compensated absences outstanding versus \$29.2 last year – a decrease of \$.04 million. More detailed information about the City’s long-term liabilities is presented in Note 7 to the financial statements.

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

	Governmental		Business-Type		Total		Total Percent Change 2014-2015
	Activities		Activities				
	2015	2014	2015	2014	2015	2014	
General obligation bonds	\$ 2,886	\$ 2,626	\$ -	\$ -	\$ 2,886	\$ 2,626	-10%
Revenue bonds and notes	-	-	21,794	23,259	21,794	23,259	6%
<b>Total</b>	<b>\$ 2,886</b>	<b>\$ 2,626</b>	<b>\$ 21,794</b>	<b>\$ 23,259</b>	<b>\$ 24,680</b>	<b>\$ 25,885</b>	5%

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rates. One of those factors is the economy. The City's population continues to increase slightly each year. Another factor was the expected lower revenues expected from gas and water due to the mild winter and wet summer. The City Commissioners considered these factors when adopting the 2016 budget.

Amounts available for appropriation in the General Fund budget are \$4.8 million, a 4% change of the final 2015 budget of \$4.7 million. The City will use its revenues to finance programs currently offered. Budgeted expenditures in the General Fund are expected to increase in 2016 to \$5.9 million from \$5.6 million in 2015. The City has added no major new programs or initiatives to the 2016 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease \$1 million before transfers at the close of 2016.

## **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 this report or need additional financial information, contact the City's administrative office at City Hall, 124 W. 6<sup>th</sup> Street, Dumas, Texas, 79029.

## **ADDITIONAL COMPONENT UNIT INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

**CITY OF DUMAS, TEXAS**  
Statement of Net Position  
September 30, 2015

	<b>Primary Government</b>			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 119,276
Accounts receivable, net	-	1,035,873	1,035,873	200
Taxes receivable, net	602,084	-	602,084	70,328
Fines, fees and court costs receivable, net	154,045	-	154,045	-
Internal balances	1,017,245	(1,017,245)	-	-
Inventories, at cost	84,543	-	84,543	-
Paving and utility assessment receivable	35,872	-	35,872	-
Other receivables	42,535	-	42,535	-
Prepaid expenses	14,381	28,762	43,143	10,607
Officer life insurance policy	-	-	-	12,558
Restricted cash and cash equivalents	661,237	-	661,237	-
Restricted investments	-	112,977	112,977	-
Prepaid bond insurance	4,852	239,732	244,584	-
Water rights, net	-	723,055	723,055	-
Capital assets, net	5,080,830	26,513,266	31,594,096	5,575,959
<b>Total Assets</b>	<u>7,697,624</u>	<u>27,636,420</u>	<u>35,334,044</u>	<u>5,788,928</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges for bond refunding	294,495	-	294,495	-
Deferred outflows - pension	283,251	114,884	398,135	14,444
<b>Total Deferred Outflows of Resources</b>	<u>577,746</u>	<u>114,884</u>	<u>692,630</u>	<u>14,444</u>
<b>LIABILITIES</b>				
Accounts payable	54,910	92,215	147,125	28,830
Accrued expenses	100,044	92,241	192,285	-
Accrued interest payable	24,514	58,353	82,867	8,182
Intergovernmental payable	243,208	-	243,208	-
Insurance claim payable	158,276	-	158,276	-
Due to component unit	70,328	-	70,328	-
Customer deposits	50	366,827	366,877	1,500
Accrued vacation	130,395	38,609	169,004	-
Noncurrent liabilities:				
Due within one year	1,893,658	1,386,163	3,279,821	127,473
Due in more than one year	3,403,676	22,461,259	25,864,935	3,097,080
Net pension liability	485,215	196,800	682,015	24,743
<b>Total Liabilities</b>	<u>6,564,274</u>	<u>24,692,467</u>	<u>31,256,741</u>	<u>3,287,808</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>12,086</u>	<u>4,902</u>	<u>16,988</u>	<u>616</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,627,826	3,388,899	5,016,725	2,351,406
Restricted for:				
Debt service	221,308	-	221,308	-
Tourism	597,270	-	597,270	-
Public safety	26,078	-	26,078	-
Law enforcement	8,487	-	8,487	-
Municipal court	216,910	-	216,910	-
Unrestricted	(998,869)	(334,964)	(1,333,833)	163,542
<b>Total Net Position</b>	<u>\$ 1,699,010</u>	<u>\$ 3,053,935</u>	<u>\$ 4,752,945</u>	<u>\$ 2,514,948</u>

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

**CITY OF DUMAS, TEXAS**  
Statement of Activities  
Year Ended September 30, 2015

	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
City commission	\$ 50,791	\$ -	\$ -	\$ -
Administration	992,434	67,676	-	-
Information Systems	191,091	-	-	-
Warehouse	320,507	-	-	-
Engineering	113,903	60,922	-	-
Purchasing	31,690	-	-	-
Communications	96,416	-	-	-
Public safety	33,490	20,101	-	-
Police	3,409,714	436,415	-	-
Fire	1,851,418	-	3,920	-
Streets	885,859	-	-	-
Culture and recreation	552,072	62,913	60	-
Parks	1,572,026	-	-	17,196
Interest expense and issuance costs	208,363	-	-	-
Total Governmental Activities	<u>10,309,774</u>	<u>648,027</u>	<u>3,980</u>	<u>17,196</u>
<b>Business-Type Activities:</b>				
Waste management	2,308,411	2,396,230	-	-
Gas	2,705,347	3,001,075	-	-
Water	2,089,444	2,454,487	-	-
Wastewater	1,767,575	1,823,902	-	-
Pheasant Trails Golf Course	582,601	248,955	-	-
Total Business-Type Activities	<u>9,453,378</u>	<u>9,924,649</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$19,763,152</u>	<u>\$ 10,572,676</u>	<u>\$ 3,980</u>	<u>\$ 17,196</u>
<b>Component Unit:</b>				
Dumas Economic Development Corp	<u>\$ 794,153</u>	<u>\$ 59,678</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues and Transfers**

Taxes  
Sales  
Property, levied for general purposes  
Property, levied for debt service  
Franchise  
Occupancy  
Other  
Miscellaneous  
Investment income  
Transfers, net  
Total General Revenues and Transfers

**Change in Net Position**

**Net Position - Beginning**  
**Prior Period Adjustment**  
**Net Position - Ending**

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (50,791)	\$ -	\$ (50,791)	\$ -
(924,758)	-	(924,758)	-
(191,091)	-	(191,091)	-
(320,507)	-	(320,507)	-
(52,981)	-	(52,981)	-
(31,690)	-	(31,690)	-
(96,416)	-	(96,416)	-
(13,389)	-	(13,389)	-
(2,973,299)	-	(2,973,299)	-
(1,847,498)	-	(1,847,498)	-
(885,859)	-	(885,859)	-
(489,099)	-	(489,099)	-
(1,554,830)	-	(1,554,830)	-
(208,363)	-	(208,363)	-
<u>(9,640,571)</u>	<u>-</u>	<u>(9,640,571)</u>	<u>-</u>
-	87,819	87,819	-
-	295,728	295,728	-
-	365,043	365,043	-
-	56,327	56,327	-
-	(333,646)	(333,646)	-
-	471,271	471,271	-
<u>(9,640,571)</u>	<u>471,271</u>	<u>(9,169,300)</u>	<u>-</u>
			(734,475)
2,700,531	-	2,700,531	797,744
607,217	-	607,217	-
325,882	-	325,882	-
491,841	-	491,841	-
646,525	-	646,525	-
30,240	-	30,240	-
122,425	-	122,425	3,876
7,070	50,171	57,241	18
683,560	(683,560)	-	-
<u>5,615,291</u>	<u>(633,389)</u>	<u>4,981,902</u>	<u>801,638</u>
(4,025,280)	(162,118)	(4,187,398)	67,163
3,286,109	3,449,075	6,735,184	2,460,683
2,438,181	(233,022)	2,205,159	(12,898)
<u>\$ 1,699,010</u>	<u>\$ 3,053,935</u>	<u>\$ 4,752,945</u>	<u>\$ 2,514,948</u>

**CITY OF DUMAS, TEXAS**  
 Balance Sheet - Governmental Funds  
 September 30, 2015

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Taxes receivable, net				
Sales	372,504	-	-	372,504
Occupancy	-	-	204,670	204,670
Property	24,910	-	-	24,910
Fines, fees and court costs receivable, net	154,045	-	-	154,045
Due from other funds	1,208,768	-	469,272	1,678,040
Inventories	84,543	-	-	84,543
Paving and utility assessments receivable	35,872	-	-	35,872
Prepaid expenses	14,381	-	-	14,381
Other receivables	7,453	-	-	7,453
Restricted assets				
Cash and cash equivalents	-	221,308	439,929	661,237
<b>Total Assets</b>	<b>\$ 1,902,476</b>	<b>\$ 221,308</b>	<b>\$1,113,871</b>	<b>\$ 3,237,655</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 36,102	\$ -	\$ 18	\$ 36,120
Accrued payroll	100,044	-	-	100,044
Due to other funds	672,938	-	-	672,938
Intergovernmental payable	70,169	-	173,039	243,208
Due to component unit	70,328	-	-	70,328
Accrued vacation	130,395	-	-	130,395
Utility customer deposits	50	-	-	50
<b>Total Liabilities</b>	<b>1,080,026</b>	<b>-</b>	<b>173,057</b>	<b>1,253,083</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property tax	21,851	-	-	21,851
Unavailable revenue - 2008 paving assessment program	16,344	-	-	16,344
Unavailable revenue - fees and fines	154,045	-	-	154,045
<b>Total deferred inflows of resources</b>	<b>192,240</b>	<b>-</b>	<b>-</b>	<b>192,240</b>
<b>Fund Balances</b>				
Nonspendable	118,452	-	-	118,452
Restricted	-	221,308	848,745	1,070,053
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	511,758	-	92,069	603,827
<b>Total Fund Balance</b>	<b>630,210</b>	<b>221,308</b>	<b>940,814</b>	<b>1,792,332</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,902,476</b>	<b>\$ 221,308</b>	<b>\$1,113,871</b>	<b>\$ 3,237,655</b>

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, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	1,792,332
 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.		(129,841)
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 \$12,840,458 and accumulated depreciation was \$7,759,538.		5,080,830
Bond insurance costs are reported as expenditures in the governmental funds, but are capitalized and amortized in the statement of net position.		4,852
Long-term liabilities for compensated absences of \$49,835, and bond and note obligations (including accrued interest of \$24,514) of \$5,247,499 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.		(5,321,848)
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 a net increase to net position.		192,240
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability in the amount of \$485,215, a deferred outflow of resources of \$283,251 and a deferred inflow of resources of \$12,086. The net effect is to decrease net position.		(214,050)
Charges incurred during the refunding of bonds payable are deferred in the statement of net position. The net effect is an increase in net position.		294,495
 <b>Net Position of Governmental Activities - Statement of net position</b>		<b>\$ 1,699,010</b>

**CITY OF DUMAS, TEXAS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
Year Ended September 30, 2015

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 602,289	\$ 325,882	\$ -	\$ 928,171
Sales and use taxes	2,700,531	-	-	2,700,531
Franchise tax	491,841	-	-	491,841
Occupancy	1,260	-	645,265	646,525
Other taxes	17,832	-	-	17,832
Penalty and interest on taxes	12,408	-	-	12,408
Licenses and permits	60,922	-	-	60,922
Intergovernmental grants and subsidies	3,980	-	-	3,980
Charges for services	62,913	-	-	62,913
Fines and forfeitures	436,415	-	19,139	455,554
Investment earnings	2,723	4,344	3	7,070
Other grants and contributions	2,022	-	15,174	17,196
Other income	148,786	-	-	148,786
Total Revenues	<u>4,543,922</u>	<u>330,226</u>	<u>679,581</u>	<u>5,553,729</u>
<b>EXPENDITURES</b>				
Current				
General government:				
City commission	50,802	-	-	50,802
Administration	808,798	-	-	808,798
Information systems	156,938	-	-	156,938
Warehouse	294,542	-	-	294,542
Engineering	114,339	-	-	114,339
Purchasing	31,893	-	-	31,893
Communications	83,919	-	-	83,919
Fire	1,290,196	-	-	1,290,196
Police	2,487,908	-	15,279	2,503,187
Streets	743,179	-	-	743,179
Recreation and culture	-	-	552,072	552,072
Parks	494,061	-	1,740	495,801
Capital outlay	155,501	-	1,471	156,972
Debt service:				
Principal	231,657	110,000	-	341,657
Interest	61,486	114,095	-	175,581
Issuance costs	-	110,227	-	110,227
Total Expenditures	<u>7,005,219</u>	<u>334,322</u>	<u>570,562</u>	<u>7,910,103</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(2,461,297)</u>	<u>(4,096)</u>	<u>109,019</u>	<u>(2,356,374)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	1,527,476	2,375,000	-	3,902,476
Proceeds from bond premium	-	256,921	-	256,921
Payment to bond refunding escrow agent	-	(2,521,694)	-	(2,521,694)
Proceeds from sales of forfeiture assets	31,903	-	962	32,865
Transfers in	1,376,568	-	25,000	1,401,568
Transfers out	(258,937)	(102,589)	(356,482)	(718,008)
Total Other Financing Sources (Uses)	<u>2,677,010</u>	<u>7,638</u>	<u>(330,520)</u>	<u>2,354,128</u>
<b>Net Change in Fund Balances</b>	<u>215,713</u>	<u>3,542</u>	<u>(221,501)</u>	<u>(2,246)</u>
<b>Fund Balances - October 1 (Restated)</b>	<u>414,497</u>	<u>217,766</u>	<u>1,162,315</u>	<u>1,794,578</u>
<b>Fund Balances - September 30</b>	<u>\$ 630,210</u>	<u>\$ 221,308</u>	<u>\$ 940,814</u>	<u>\$ 1,792,332</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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,246)

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 increase to the net position.	484
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.	156,882
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources.	(570,040)
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. This is the remaining net book value of retired assets.	(2,474,444)
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.	47,205
Current year amortization of bond insurance is a decrease in net position.	(115)
Decrease in accrued interest payable is an increase in net position.	30,037
Increase in accrued compensated absences is a decrease in net position.	(3,380)
Deferred charges incurred during the refunding of bonds payable are expenditures in the fund financial statements but are deferred in the statement of net position. This results in an increase to net position.	301,474
Current year accretion of bond premiums of \$5,947 is an increase in net position, whereas current year amortization of deferred charges of \$6,979 on bond refunding is a decrease in net position.	(1,032)
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 \$27,476, proceeds from debt issuance of \$3,875,000, proceeds of bond premium of \$256,921, refunding of prepaid bond insurance of \$23,622, refunding of bond premium of \$66,304, net of bond payments of \$2,300,000 and capital lease payments of \$267,750 result in a decrease in net position.	(1,548,965)

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

Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of revenues. Contributions made after the measurement date caused the change in net position to increase in the amount of \$182,548. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$143,688. The net effect is an increase in net position.

38,860

**Change in Net Position of Governmental Activities**

\$ (4,025,280)

**CITY OF DUMAS, TEXAS**  
Statement of Net Position - Proprietary Funds  
September 30, 2015

	Business-type Activities	
	Waste Management Fund	Gas Utility Fund
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable, net	281,067	183,142
Prepaid expenses and deposits	-	14,381
Due from other funds	203,666	-
Restricted investments	-	112,977
<b>Total Current Assets</b>	<b>484,733</b>	<b>310,500</b>
<b>Noncurrent Assets:</b>		
Prepaid bond insurance cost	83,534	-
Water rights, net	-	-
Capital assets, net	7,869,767	742,901
<b>Total Noncurrent Assets</b>	<b>7,953,301</b>	<b>742,901</b>
<b>Total Assets</b>	<b>8,438,034</b>	<b>1,053,401</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows-pension	51,134	25,819
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	15,028	50,736
Due to other funds	-	515,681
Insurance claims payable	-	-
Unapplied utility account credits	-	41,172
Sales tax payable	3,342	6,492
Accrued interest	20,104	-
Accrued wages	17,682	9,233
Accrued vacation	16,469	10,954
Current portion of long-term debt	460,226	20,789
<b>Total Current Liabilities</b>	<b>532,851</b>	<b>655,057</b>
<b>Long-Term Liabilities (net of current portion):</b>		
Utility customer deposits	-	176,738
Net pension liability	87,594	44,229
Long-term debt due after one year	8,214,869	28,151
<b>Total Noncurrent Liabilities</b>	<b>8,302,463</b>	<b>249,118</b>
<b>Total Liabilities</b>	<b>8,835,314</b>	<b>904,175</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflow pension liability	2,182	1,102
<b>NET POSITION</b>		
Net investment in capital assets	(805,328)	693,961
Unrestricted	457,000	(520,018)
<b>Total Net Position</b>	<b>(348,328)</b>	<b>173,943</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 8,489,168</b>	<b>\$ 1,079,220</b>

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.				
Water Utility Fund	Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds Funds	Governmental Activities - Internal Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -
353,071	218,593	-	1,035,873	35,082
14,381	-	-	28,762	-
-	-	-	203,666	-
-	-	-	112,977	-
<u>367,452</u>	<u>218,593</u>	<u>-</u>	<u>1,381,278</u>	<u>35,082</u>
42,278	113,920	-	239,732	-
723,055	-	-	723,055	-
5,630,074	11,404,241	866,283	26,513,266	-
6,395,407	11,518,161	866,283	27,476,053	-
6,762,859	11,736,754	866,283	28,857,331	35,082
20,978	4,714	12,239	114,884	-
19,265	1,250	5,936	92,215	18,790
570,973	48,081	56,709	1,191,444	17,324
-	-	-	-	158,276
-	-	-	41,172	-
-	-	1,017	10,851	-
10,952	27,297	-	58,353	-
7,375	1,165	4,763	40,218	-
4,534	220	6,432	38,609	-
410,913	462,818	31,417	1,386,163	-
<u>1,024,012</u>	<u>540,831</u>	<u>106,274</u>	<u>2,859,025</u>	<u>194,390</u>
190,089	-	-	366,827	-
35,936	8,076	20,965	196,800	-
3,800,031	10,277,945	140,263	22,461,259	-
4,026,056	10,286,021	161,228	23,024,886	-
<u>5,050,068</u>	<u>10,826,852</u>	<u>267,502</u>	<u>25,883,911</u>	<u>194,390</u>
895	201	522	4,902	-
2,142,185	663,478	694,603	3,388,899	-
(409,311)	250,937	(84,105)	(305,497)	(159,308)
<u>1,732,874</u>	<u>914,415</u>	<u>610,498</u>	<u>3,083,402</u>	<u>(159,308)</u>
\$ 6,783,837	\$ 11,741,468	\$ 878,522	\$ 28,972,215	\$ 35,082
			\$ (29,467)	
			<u>\$ 3,053,935</u>	

**CITY OF DUMAS, TEXAS**

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
Year Ended September 30, 2015

	Business-type Activities	
	Waste Management Fund	Gas Utility Fund
<b>OPERATING REVENUE</b>		
Charges for services	\$ 2,357,568	\$ 2,875,206
Late charges	38,662	91,648
Tapping and surcharge fees	-	23,744
Other and miscellaneous	-	10,477
<b>Total Operating Revenues</b>	<u>2,396,230</u>	<u>3,001,075</u>
<b>OPERATING EXPENSES</b>		
Current		
Salaries and wages	670,404	337,690
Employee benefits	206,702	91,241
Gas purchases	-	1,776,993
Departmental operating costs	122,413	38,988
Professional and technical services	1,385	36,294
Repairs and maintenance	35,075	53,930
Other purchased services	25,237	8,030
Property and facility	12,734	22,438
Supplies	10,715	38,314
Franchise fees	124,603	190,137
Warehouse	271,708	29,911
Insurance claims and premiums	-	-
Landfill closure costs	55,422	-
Depreciation	454,513	82,531
<b>Total Operating Expenses</b>	<u>1,990,911</u>	<u>2,706,497</u>
<b>Operating Income (Loss)</b>	<u>405,319</u>	<u>294,578</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	15,356	281
Gain (loss) on retirement of assets	-	1,625
Interest expense	(317,505)	(526)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(302,149)</u>	<u>1,380</u>
<b>Income Before Transfers</b>	<u>103,170</u>	<u>295,958</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>		
Transfers in	356,482	-
Transfers out	(344,142)	(359,142)
<b>Total Contributions and Transfers</b>	<u>12,340</u>	<u>(359,142)</u>
<b>Change in Net Position</b>	115,510	(63,184)
<b>Net Position - Beginning of Year</b>	-	58,681
<b>Prior Period Adjustments</b>	(463,838)	178,446
<b>Net Position - End of Year</b>	<u>\$ (348,328)</u>	<u>\$ 173,943</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.				
Water Utility Fund	Wastewater Utility Fund	Pheasant Trails Golf Course	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 2,364,188	\$ 1,779,981	\$ 244,565	\$ 9,621,508	\$ 904,909
33,165	29,280	-	192,755	-
57,134	14,641	-	95,519	-
-	-	4,390	14,867	-
<u>2,454,487</u>	<u>1,823,902</u>	<u>248,955</u>	<u>9,924,649</u>	<u>904,909</u>
274,520	60,066	171,863	1,514,543	-
78,698	17,865	49,200	443,706	-
-	-	-	1,776,993	-
61,738	-	22,928	246,067	-
65,053	44,965	9,857	157,554	-
45,036	24,415	16,020	174,476	-
25,107	12,503	4,754	75,631	-
197,058	123,003	28,328	383,561	-
43,807	29,768	10,346	132,950	-
191,551	92,915	100,390	699,596	-
43,430	22,006	23,675	390,730	-
-	-	-	-	904,287
-	-	-	55,422	-
221,062	365,030	62,394	1,185,530	-
<u>1,247,060</u>	<u>792,536</u>	<u>499,755</u>	<u>7,236,759</u>	<u>904,287</u>
1,207,427	1,031,366	(250,800)	2,687,890	622
10,500	24,034	-	50,171	-
(694,298)	(599,273)	(79,014)	(1,370,960)	-
(148,131)	(375,776)	(3,859)	(845,797)	-
<u>(831,929)</u>	<u>(951,015)</u>	<u>(82,873)</u>	<u>(2,166,586)</u>	<u>-</u>
375,498	80,351	(333,673)	521,304	622
56,734	61,553	258,937	733,706	-
(354,142)	(359,840)	-	(1,417,266)	-
<u>(297,408)</u>	<u>(298,287)</u>	<u>258,937</u>	<u>(683,560)</u>	<u>-</u>
78,090	(217,936)	(74,736)	(162,256)	622
1,621,670	1,102,167	696,162	3,478,680	(159,930)
33,114	30,184	(10,928)	(233,022)	-
<u>\$ 1,732,874</u>	<u>\$ 914,415</u>	<u>\$ 610,498</u>	<u>\$ 3,083,402</u>	<u>\$ (159,308)</u>
			\$ 138	
			<u>\$ (162,118)</u>	

**CITY OF DUMAS, TEXAS**  
Statement of Cash Flows - Proprietary Funds  
Year Ended September 30, 2015

	Business-type Activities	
	Waste	Gas
	Management Fund	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 2,358,686	\$ 2,941,297
Receipts from internal services provided	-	-
Payments to suppliers and contractors	(612,620)	(2,220,982)
Payments for interfund services used	-	-
Payments to and on behalf of employees	(884,121)	(430,371)
Net Cash Provided (Used) by Operating Activities	861,945	289,944
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund lending	(203,666)	25,691
Transfers, net	12,340	(359,142)
Net Cash Provided (Used) by Noncapital Financing Activities	(191,326)	(333,451)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for interest on debt	(335,626)	(526)
Principal payments on debt	(385,000)	(18,600)
Purchase of capital assets	(11,195)	-
Proceeds from sale of assets	-	1,625
Net Cash Provided (Used) by Capital Financing Activities	(731,821)	(17,501)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(281)
Investment income	15,356	281
Net Cash Provided (Used) by Investing Activities	15,356	-
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(45,846)	(61,008)
 <b>Cash and Cash Equivalents - October 1</b>	45,846	61,008
 <b>Cash and Cash Equivalents - September 30</b>	\$ -	\$ -

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

Business-type Activities - cont.				
Water Utility Fund	Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 2,398,398	\$ 1,801,240	\$ 249,252	\$ 9,748,873	\$ -
-	-	-	-	873,755
(675,047)	(570,186)	(216,140)	(4,294,975)	-
-	-	-	-	(909,221)
<u>(353,754)</u>	<u>(78,921)</u>	<u>(220,049)</u>	<u>(1,967,216)</u>	<u>-</u>
<u>1,369,597</u>	<u>1,152,133</u>	<u>(186,937)</u>	<u>3,486,682</u>	<u>(35,466)</u>
(410,497)	48,081	31,911	(508,480)	17,324
(297,408)	(298,287)	258,937	(683,560)	-
<u>(707,905)</u>	<u>(250,206)</u>	<u>290,848</u>	<u>(1,192,040)</u>	<u>17,324</u>
(171,669)	(379,578)	(3,859)	(891,258)	-
(646,097)	(672,472)	(68,833)	(1,791,002)	-
(36,653)	(841,330)	(31,219)	(920,397)	-
-	-	-	1,625	-
<u>(854,419)</u>	<u>(1,893,380)</u>	<u>(103,911)</u>	<u>(3,601,032)</u>	<u>-</u>
-	-	-	(281)	-
10,500	24,034	-	50,171	-
<u>10,500</u>	<u>24,034</u>	<u>-</u>	<u>49,890</u>	<u>-</u>
(182,227)	(967,419)	-	(1,256,500)	(18,142)
<u>182,227</u>	<u>967,419</u>	<u>-</u>	<u>1,256,500</u>	<u>18,142</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF DUMAS, TEXAS**  
Statement of Cash Flows - Proprietary Funds - continued  
Year Ended September 30, 2015

	Business-type Activities	
	Waste Management Fund	Gas Utility Fund
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING</b>		
<b>ACTIVITIES</b>		
Operating Income (Loss)	\$ 405,319	\$ 294,578
<b>Adjustments to Reconcile Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities</b>		
Depreciation and amortization	445,763	82,531
Changes in:		
Accounts receivable, net	(37,544)	(69,336)
Prepaid expenses	-	(415)
Deferred outflows	(23,150)	(11,689)
Accounts payable	-	(25,532)
Unapplied utility account credits	-	2,999
Insurance claims payable	-	-
Sales tax payable	-	3,525
Accrued wages	-	1,665
Accrued vacation	-	437
Utility customer deposits	-	3,034
Deferred inflows	2,182	1,102
Landfill closure costs	55,422	-
Net pension liability	13,953	7,045
Net Cash Provided (Used) by Operating Activities	\$ 861,945	\$ 289,944
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ -	\$ -
Restricted cash and cash equivalents	-	-
	\$ -	\$ -
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Assets acquired through capital lease issuance	\$ 24,625	\$ 23,835

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

Business-type Activities - cont.				
Water Utility Fund	Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Proprietary Funds	Governmental Activities - Internal Service Fund
\$ 1,207,427	\$ 1,031,366	\$ (250,800)	\$ 2,687,890	\$ 622
221,062	365,030	62,394	1,176,780	-
(63,951)	(22,662)	297	(193,196)	(31,154)
(415)	-	2,130	1,300	-
(9,497)	(2,134)	(5,541)	(52,011)	-
(1,852)	(220,611)	(2,264)	(250,259)	(7,776)
-	-	-	2,999	-
-	-	-	-	2,842
-	-	292	3,817	-
1,521	90	1,530	4,806	-
821	(433)	1,164	1,989	-
7,862	-	-	10,896	-
895	201	522	4,902	-
-	-	-	55,422	-
5,724	1,286	3,339	31,347	-
<u>\$ 1,369,597</u>	<u>\$ 1,152,133</u>	<u>\$ (186,937)</u>	<u>\$ 3,486,682</u>	<u>\$ (35,466)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 171,680	\$ 220,140	\$ -

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: 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.

*A. 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 \$797,744 for the year. Separate DEDC financial information can be obtained by contacting Dumas Economic Development Corporation, PO Box 595, Dumas, Texas, 79029.

*B. Government-wide and fund financial statements*

*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, 2015

**Note 1: Summary of Significant Accounting Policies - continued**

*B. Government-wide and fund financial statements – continued*

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

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

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

*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.

*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 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.

*Construction Fund:* This fund is used to account for the City's major construction projects for governmental activities.

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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: Summary of Significant Accounting Policies – continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued*

*Waste Management Fund:* This fund accounts for the billing, collection, transportation, and disposal of garbage, refuse, and other waste products 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.

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.

*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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: Summary of Significant Accounting Policies – continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued*

Financial Statement Amounts

*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.

*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).

Investments

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

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.

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.

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.

The City has deferred inflows of resources for unavailable revenue from property tax and fines and for its proportionate share of TMRS's deferred inflow related to pension as described in Note 11. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available. The City only has one deferred outflow of resources, for its proportionate share of TMRS's deferred outflow related to pensions as described in Note 11.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: Summary of Significant Accounting Policies - continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued*

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.

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.

Inventories

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

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

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: Summary of Significant Accounting Policies – continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued*

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 3.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

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.

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, 2015 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, 2015, the City did not have any committed funds.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 1: Summary of Significant Accounting Policies - continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – continued*

Fund balance – continued

*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, 2015, 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.

Fund balance - continued

Details of constraints on fund balances of governmental funds at September 30, 2015 are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventories, long-term receivables, and prepaids	\$ 118,452	\$ -	\$ -	\$ 118,452
Restricted to:				
Tourism	-	-	597,270	597,270
Public Safety	-	-	26,078	26,078
Law Enforcement	-	-	8,487	8,487
Municipal Court	-	-	216,910	216,910
Debt Service	-	221,308	-	221,308
Unassigned	511,758	-	92,069	603,827
	<u>\$ 630,210</u>	<u>\$ 221,308</u>	<u>\$ 940,814</u>	<u>\$ 1,792,332</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.

Use of Estimates

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

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 2: 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, 2015 it had no custodial credit risk for deposits.

City Policies and Legal and Contractual Provisions Governing Investments:

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

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

As of September 30, 2015, 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	\$ -	\$ 112,976	\$ 112,976	\$ -	\$ 112,976
LOGIC Investments	-	1	1	-	1
<b>Total Portfolio</b>	<b>\$ -</b>	<b>\$ 112,977</b>	<b>\$ 112,977</b>	<b>\$ -</b>	<b>\$ 112,977</b>

As of September 30, 2015, no holding in the portfolio had a stated maturity date beyond twelve months and the dollar weighted average maturity of the total LOGIC portfolios was 49 days.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 2: Deposits and Investments – continued**

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.

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 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.

**Note 3: Receivables**

The receivables detailed below are reported net of allowances for doubtful accounts in the fund financial statements as of September 30, 2015:

	Governmental		Proprietary Funds				
	Funds		Waste	Gas	Water	Wastewater	Total
	General	Management	Utility	Utility	Utility	Utility	
Receivables:							
Refuse Collections	\$ -	\$ 281,649	\$ -	\$ -	\$ -	\$ -	\$ 281,649
Utilities	-	-	194,815	355,165	220,453	-	770,433
Fines, fees and court costs	2,802,704	-	-	-	-	-	-
Other	-	2,139	-	-	-	-	2,139
Gross receivables	2,802,704	283,788	194,815	355,165	220,453	-	1,054,221
Less: allowance for uncollectibles	(2,648,659)	(2,721)	(11,673)	(2,094)	(1,860)	-	(18,348)
Net total receivables	\$ 154,045	\$ 281,067	\$ 183,142	\$ 353,071	\$ 218,593	\$ -	\$ 1,035,873

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 3: Receivables – continued**

Taxes receivable for the General and Other Governmental Funds as of September 30, 2015 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	\$ 372,504	\$ -	\$ 372,504
Occupancy Tax	204,670	-	204,670
Property Taxes	26,879	(1,969)	24,910
	<u>\$ 604,053</u>	<u>\$ (1,969)</u>	<u>\$ 602,084</u>

**Note 4: Interfund Balances and Activity**

Transfers To and From Other Funds

Transfers to and from other funds for the year ended September 30, 2015, consisted of the following:

Transfer From	Transfer To	Amount	Purpose
General Fund	Golf Course Fund	\$ 258,937	Subsidize Fund Operations
Water Utility Fund	Christmas Decorations Fund	10,000	Subsidize Fund Operations
Gas Utility Fund	Park Improvement Fund	15,000	Subsidize Fund Operations
Waste Management Fund	General Fund	344,142	General Fund Indirect Cost Allocation
Gas Utility Fund	General Fund	344,142	General Fund Indirect Cost Allocation
Water Utility Fund	General Fund	344,142	General Fund Indirect Cost Allocation
Wastewater Utility Fund	General Fund	344,142	General Fund Indirect Cost Allocation
Construction Fund	Waste Management Fund	356,482	Transfer Fund Assets
Debt Service Fund	Water Utility Fund	41,036	Service of Debt Obligations
Debt Service Fund	Wastewater Utility Fund	61,553	Service of Debt Obligations
Wastewater Utility Fund	Water Fund	15,698	Subsidize Fund Operations
		<u>\$ 2,135,274</u>	

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 4: Interfund Balances and Activity – continued**

Interfund Receivables and Payables

Interfund receivables and payables as of September 30, 2015, 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	\$ 515,681	Subsidize Fund Operations
General Fund	Water Utility Fund	570,973	Subsidize Fund Operations
General Fund	Wastewater Utility Fund	48,081	Subsidize Fund Operations
General Fund	Pheasant Trails Golf Course	56,709	Subsidize Fund Operations
General Fund	Internal Service Fund	17,324	Subsidize Fund Operations
Waste Magement	General Fund	203,666	Subsidize Fund Operations
Other Non-major Funds	General Fund	469,272	Subsidize Fund Operations
		<u>\$ 1,881,706</u>	

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

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.

	<u>Balance</u>	<u>Collections</u>	<u>Payments</u>	<u>Balance</u>
	<u>9/30/2014</u>			<u>9/30/2015</u>
Due to Component Unit	\$ 61,690	\$ 797,744	\$ (789,106)	\$ 70,328

**Note 5: Restricted Assets**

Restricted assets consisted of the following at September 30, 2015:

<b>Governmental Activities</b>		
Debt Service		\$ 221,308
Restricted Cash in Special Revenue Funds		439,929
		<u>661,237</u>
<b>Business-type Activities</b>		
Customer Deposits / Escrow		366,827
		<u>366,827</u>
<b>Total</b>		<u>\$ 1,028,064</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 6: Capital Assets**

Capital asset activity for the period ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 176,421	\$ -	\$ (19,389)	\$ 157,032
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>176,421</u>	<u>-</u>	<u>(19,389)</u>	<u>157,032</u>
Capital assets, being depreciated:				
Infrastructure	1,984,352	-	(1,480,482)	503,870
Buildings and structures	5,076,908	46,588	-	5,123,496
Vehicles, Furniture and Equipment	10,654,556	110,294	(3,708,880)	7,055,970
Total capital assets being depreciated	<u>17,715,816</u>	<u>156,882</u>	<u>(5,189,362)</u>	<u>12,683,336</u>
Less accumulated depreciation:				
Infrastructure	(1,788,606)	(6,487)	1,480,482	(314,611)
Buildings and structures	(1,715,343)	(216,105)	-	(1,931,448)
Vehicles, Furniture and Equipment	(6,419,856)	(347,448)	1,253,825	(5,513,479)
Total accumulated depreciation	<u>(9,923,805)</u>	<u>(570,040)</u>	<u>2,734,307</u>	<u>(7,759,538)</u>
Capital assets, net	<u>\$ 7,968,432</u>	<u>\$ (413,158)</u>	<u>\$ (2,474,444)</u>	<u>\$ 5,080,830</u>
<b>Business-Type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 859,801	\$ 4,372	\$ -	\$ 864,173
Construction in Process	15,316,234	-	(15,316,234)	-
Total capital assets not being depreciated	<u>16,176,035</u>	<u>4,372</u>	<u>(15,316,234)</u>	<u>864,173</u>
Capital assets, being depreciated:				
Infrastructure	16,342,532	15,316,234	(2,453,820)	29,204,946
Buildings and structures	6,784,586	117,542	(20,617)	6,881,511
Vehicles, Furniture and Equipment	5,524,970	275,667	(619,191)	5,181,446
Total capital assets being depreciated	<u>28,652,088</u>	<u>15,709,443</u>	<u>(3,093,628)</u>	<u>41,267,903</u>
Less accumulated depreciation:				
Infrastructure	(12,602,824)	(609,895)	1,615,694	(11,597,025)
Buildings and structures	(316,775)	(139,071)	14,080	(441,766)
Vehicles, Furniture and Equipment	(3,420,252)	(394,142)	234,375	(3,580,019)
Total accumulated depreciation	<u>(16,339,851)</u>	<u>(1,143,108)</u>	<u>1,864,149</u>	<u>(15,618,810)</u>
Capital assets, net	<u>\$ 28,488,272</u>	<u>\$ 14,570,707</u>	<u>\$ (16,545,713)</u>	<u>\$ 26,513,266</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 6: Capital Assets – continued**

Depreciation was charged to functions as follows:

**Governmental Activities**

General Government	\$ 22,663
Emergency Management (Public Safety)	2,950
Fire Department (Public Safety)	108,773
Information Services	9,170
Parks and Recreation	205,395
Police (Public Safety)	185,075
Streets	33,800
Warehouse	2,214
	<u>\$ 570,040</u>

**Business-type Activities**

Waste Management Fund	\$ 454,513
Gas Utility Fund	82,531
Water Utility Fund	178,640
Wastewater Utility Fund	365,030
Golf Course Fund	62,394
	<u>\$ 1,143,108</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 6: Capital Assets – continued**

Dumas Economic Development Corporation reported \$153,458 in depreciation for the fiscal year ended September 30, 2015. 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	\$ 616,475	\$ -	\$ -	\$ 616,475
Total capital assets not being depreciated	<u>616,475</u>	<u>-</u>	<u>-</u>	<u>616,475</u>
Capital assets, being depreciated:				
Infrastructure	1,624,040	-	-	1,624,040
Buildings and improvements	3,919,844	-	-	3,919,844
Furniture and Equipment	20,952	-	-	20,952
Total capital assets being depreciated	<u>5,564,836</u>	<u>-</u>	<u>-</u>	<u>5,564,836</u>
Less accumulated depreciation:				
Infrastructure	(266,487)	(53,502)	-	(319,989)
Buildings and improvements	(164,455)	(99,956)	-	(264,411)
Furniture and Equipment	(20,952)	-	-	(20,952)
Total accumulated depreciation	<u>(451,894)</u>	<u>(153,458)</u>	<u>-</u>	<u>(605,352)</u>
Capital assets, net	<u>\$ 5,729,417</u>	<u>\$ (153,458)</u>	<u>\$ -</u>	<u>\$ 5,575,959</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations**

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, 2015 are as follows:

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
Governmental activities					
Bonds payable					
2008 Certificates of Obligation	\$ 2,560,000	\$ -	\$ (2,275,000)	\$ 285,000	\$ 90,000
2015 Certificates of Obligation	-	2,375,000	(25,000)	2,350,000	20,000
	2,560,000	2,375,000	(2,300,000)	2,635,000	110,000
2008 Bond Premium	66,304	-	(66,304)	-	-
2015 Bond Premium	-	256,921	(5,947)	250,974	14,273
	66,304	256,921	(72,251)	250,974	14,273
Notes payable					
Happy State Bank	-	1,500,000	-	1,500,000	1,500,000
Capital leases					
Wells Fargo Lease	799	-	(799)	-	-
Chase Lease	604,320	-	(85,263)	519,057	87,937
Government Capital Corporation	209,882	-	(69,357)	140,525	69,943
Branch Banking and Trust	15,533	-	(10,335)	5,198	5,198
Branch Banking and Trust	114,079	-	(32,066)	82,013	32,466
IBM Lease	36,315	-	(17,149)	19,166	17,670
HCB Lease	120,872	-	(52,781)	68,091	54,086
HSB Lease	-	27,475	-	27,475	2,085
	1,101,800	27,475	(267,750)	861,525	269,385
Other long-term liabilities					
Compensated absences	46,455	3,380	-	49,835	-
Total governmental activity					
Long-term liabilities	<u>\$ 3,774,559</u>	<u>\$ 4,162,776</u>	<u>\$ (2,640,001)</u>	<u>\$ 5,297,334</u>	<u>\$ 1,893,658</u>

The City issued General Obligation Refunding bonds, Series 2015 to refund the Certificate of Obligation, Series 2008 in order to restructure the County's debt service and to pay costs related to the issuance of the bonds. The proceeds were used to refund \$2,190,000 of the outstanding bonds. The refunding bonds were issued with a premium of \$256,921 which is being amortized over the life of the Series 2015 bonds. In regard to this issue, the City recognized cash flow savings of \$184,861 with an effective interest rate of 3.044%

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations – continued**

	Balance October 1	Issued	Retirements	Balance September 30	Due Within One Year
<b>Business-type Activities</b>					
2004 Certificates of Obligation	\$ 480,000	\$ -	\$ (480,000)	\$ -	\$ -
2011 Certificates of Obligation	4,775,000	-	(385,000)	4,390,000	390,000
2012 Certificates of Obligation	7,835,000	-	(345,000)	7,490,000	355,000
2013 Certificates of Obligation	5,055,000	-	(205,000)	4,850,000	210,000
2014 Certificates of Obligation	4,250,000	-	-	4,250,000	100,000
	22,395,000	-	(1,415,000)	20,980,000	1,055,000
2011 Bond Premium	231,364	-	(15,357)	216,007	10,291
2012 Bond Premium	188,125	-	(10,500)	177,625	10,500
2013 Bond Premium	373,382	-	(20,366)	353,016	20,366
2014 Bond Premium	70,609	-	(3,669)	66,940	8,734
	863,480	-	(49,892)	813,588	49,891
<b>Notes payable</b>					
First State Bank of Stratford	505,738	-	(284,625)	221,113	221,113
<b>Capital leases</b>					
TCF Equipment Lease	68,832	171,680	(68,830)	171,682	31,417
HCB Lease	55,662	-	(22,544)	33,118	24,871
HSB Lease	-	48,460	-	48,460	3,871
	124,494	220,140	(91,374)	253,260	60,159
<b>Other long-term liabilities</b>					
Landfill	1,524,039	55,422	-	1,579,461	-
<b>Total Business-type Activity</b>					
Long-term liabilities	<u>\$ 25,412,751</u>	<u>\$ 275,562</u>	<u>\$ (1,840,891)</u>	<u>\$ 23,847,422</u>	<u>\$ 1,386,163</u>
<b>Component Unit</b>					
Happy State Bank	<u>\$ 3,348,587</u>	<u>\$ -</u>	<u>\$ (124,034)</u>	<u>\$ 3,224,553</u>	<u>\$ 127,473</u>
<b>Total Component Unit Activity</b>					
Long-term liabilities	<u>\$ 3,348,587</u>	<u>\$ -</u>	<u>\$ (124,034)</u>	<u>\$ 3,224,553</u>	<u>\$ 127,473</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations – continued**

Summary of Obligations

A summary of Tax-Supported General Obligation Debt outstanding at September 30, 2015 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%.	\$ 285,000
\$2,375,000 2015 General Obligation Refunding Bonds, annual installments of \$25,000 to \$385,000 through September 2033; interest at 2.00% to 4.00%.	2,350,000
\$1,500,000 Line of Credit, principal and interest due at maturity on May 21, 2016; interest at 4%	1,500,000
\$882,834 Chase Equipment Finance Capital Lease, monthly principal and interest payments of \$25,753 through January 2021; interest at 3.1%.	519,057
\$51,590 IBM Credit Capital Lease, monthly principal and interest payments of \$1,500 through March 2016; interest at 3.00%.	19,166
\$160,417 Houston Community Bank Equipment Lease, monthly principal and interest payments of \$13,691 through June 2016; interest at 1.48%.	68,091
\$161,395 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 8,342 through February 2018; interest at 1.29%.	82,013
\$30,852 Branch Banking and Trust Company Capital Lease, quarterly principal and interest payments of 2,627 through February 2016; interest at 1.29%.	5,198
\$276,812 Government Capital Corporation Capital Lease, annual principal and interest payments of 73,868 through April 2017; interest at 6.7%.	140,525
\$27,475 Happy State Bank Equipment Lease, monthly principal and interest payments of \$6,513 through June 2027; interest at 4.92%.	<u>27,475</u>
Total Governmental Activities debt	<u>\$ 4,996,525</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations – continued**

A summary of Business-type Activity Debt outstanding at September 30, 2015 follows:

\$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%.	\$ 4,390,000
\$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%.	7,490,000
\$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%.	4,850,000
\$4,250,000 2014 Certificates of Obligation, annual installments of \$100,000 to \$310,000 through September 2034; interest at 2.00% to 4.50%.	4,250,000
\$866,743 First State Bank Note Payable, quarterly principal and interest payments of \$75,150 through June 2016; interest at 4.0%	221,113
\$171,680 TCF Equipment Lease, monthly principal and interest payments of \$2,800 through July 2015; interest at 4.95%.	171,682
\$73,872 Houston Community Bank Equipment Lease, monthly principal and interest payments of \$6,305 through June 2016; interest at 1.48%.	33,118
\$48,460 Happy State Bank Equipment Lease, monthly principal and interest payments of \$6,513 through June 2027; interest at 4.92%.	<u>48,460</u>
Total Business-type debt	<u><u>\$ 21,454,373</u></u>
<u>Component Unit</u>	
\$3,354,587 Happy State Bank Note Payable, monthly principal and interest payments of \$18,935 through September 8, 2034; interest at 3.15%.	<u>\$ 3,224,553</u>
Total Component Unit debt	<u><u>\$ 3,224,553</u></u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations – continued**

Debt Service Requirements

Debt service requirements for long-term debt as of September 30, 2015 are as follows:

Year Ending September 30	Governmental Activities		Total Requirements
	Principal	Interest	
2016	\$ 1,610,000	\$ 133,582	\$ 1,743,582
2017	115,000	86,044	201,044
2018	120,000	83,388	203,388
2019	120,000	80,613	200,613
2020	125,000	78,213	203,213
2021-2025	680,000	338,915	1,018,915
2026-2030	800,000	211,800	1,011,800
2031-2033	565,000	45,800	610,800
Totals	\$ 4,135,000	\$ 1,058,355	\$ 5,193,355

Year Ending September 30	Business-Type Activities		Total Requirements
	Principal	Interest	
2016	\$ 1,276,113	\$ 695,853	\$ 1,971,966
2017	1,040,000	669,431	1,709,431
2018	1,070,000	646,306	1,716,306
2019	1,085,000	621,031	1,706,031
2020	1,110,000	595,394	1,705,394
2021-2025	5,555,000	2,490,544	8,045,544
2026-2030	6,465,000	1,442,069	7,907,069
2031-2034	3,600,000	280,106	3,880,106
Total	\$ 21,201,113	\$ 7,440,734	\$ 28,641,847

Year Ending September 30	Component Unit		Total Requirements
	Principal	Interest	
2016	\$ 127,473	\$ 99,713	\$ 227,186
2017	131,546	95,670	227,216
2018	135,750	91,466	227,216
2019	140,089	87,127	227,216
2020	144,566	82,650	227,216
2021-2025	795,157	340,923	1,136,080
2026-2030	930,603	205,477	1,136,080
2031-2034	819,369	51,533	870,902
Total	\$ 3,224,553	\$ 1,054,559	\$ 4,279,112

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 7: Long-Term Obligations – continued**

Capital Leases

Assets acquired through capital leases as of September 30, 2015 were as follows:

Assets	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and Equipment	\$ 1,092,228	\$ 807,840
Less: Accumulated Depreciation	<u>(402,941)</u>	<u>(167,530)</u>
Total	\$ <u>689,287</u>	\$ <u>640,310</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2015, were as follows:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2016	\$ 290,622	\$ 66,483
2017	227,679	47,563
2018	122,248	41,265
2019	105,292	72,007
2020	105,292	4,233
2021-2025	62,699	21,167
2025-2027	<u>4,558</u>	<u>18,158</u>
Total minimum lease payments	918,390	270,876
Less amount representing interest	<u>(56,865)</u>	<u>(17,616)</u>
Present value of minimum lease payments	\$ <u>861,525</u>	\$ <u>253,260</u>

Interest Costs Incurred

Long-term debt interest cost incurred for Business-type Activities for the year ended September 30, 2015 was as follows:

Interest charged to expense	\$ <u>845,797</u>
Total interest incurred	\$ <u>845,797</u>

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

No interest was capitalized during the year.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 8: Water Rights**

The City has long-term contracts with several individuals for the right of access to their land, to drill water wells and to purchase water. The water rights are capitalized in the accompanying financial statements and amortized over the estimated useful lives of the contracts.

Water rights activity for the year ended September was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water rights	\$ 1,696,884	\$ -	\$ -	\$ 1,696,884
Accumulated amortization	(931,407)	(42,422)	-	(973,829)
Water rights, net	\$ 765,477	\$ (42,422)	\$ -	\$ 723,055

**Note 9: Deferred Inflows of Resources**

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

Description	Fund	Deferred Amount
Paving and utility assessments	General	\$ 16,344
Property taxes	General	21,851
Fines, fees and court costs	General	154,045
		\$ 192,240

**Note 10: Liabilities Payable from Restricted Assets**

Liabilities payable from restricted assets consisted of the following as of September 30, 2015:

Description	Amount
Business-type Activities:	
Gas Utility and Water Utility Fund Customer Deposits / Escrow	\$ 366,827

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits**

***Texas Municipal Retirement System***

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. A member city may elect to increase the annuities of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases as a rate equal to 70% of the increase (if any) in the Consumer Price Index – all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The City does not provide supplemental death benefits. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

*Employees covered by benefit terms:* At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	37
Active employees	63
Total	<u>149</u>

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits – continued**

*Texas Municipal Retirement System – continued*

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The City did not change its employee contribution rate during the year. The contribution rates for the City were 6.4% and 6.48% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$300,942, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:* The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits – continued**

*Texas Municipal Retirement System – continued*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.04%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

*Discount Rate:* The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits – continued**

*Texas Municipal Retirement System – continued*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 14,920,526	\$ 14,326,345	\$ 594,181
Changes for the year:			
Service Cost	471,299	-	471,299
Interest	1,034,728	-	1,034,728
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(23,291)	-	(23,291)
Changes of assumptions	-	-	-
Contributions - employer	-	300,942	(300,942)
Contributions - employee	-	258,987	(258,987)
Net investment income	-	819,488	(819,488)
Benefit payments, including refunds of employee contributions	(748,682)	(748,682)	-
Administrative expense	-	(8,557)	8,557
Other changes	-	(701)	701
Net changes	734,054	621,477	112,577
Balance at 12/31/2014	<u>\$ 15,654,580</u>	<u>\$ 14,947,822</u>	<u>\$ 706,758</u>

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in		1% Increase in
	Discount Rate (6.0%)	Discount Rate (7.0%)	Discount Rate (8.0%)
City's net pension liability	\$ 2,932,814	\$ 706,758	\$ (1,110,865)

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$284,441

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits – continued**

*Texas Municipal Retirement System – continued*

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial economic experience	\$ -	\$ 17,604
Changes in actual assumptions	-	-
Difference between projected and actuarial investment earnings	146,685	-
Contributions subsequent to the measurement date	265,894	-
Total	\$ 412,579	\$ 17,604

\$265,894 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2016	\$ 30,985
2017	30,985
2018	30,985
2019	36,126
2020	-
Thereafter	-
	\$ 129,081

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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 11: Employee Retirement Benefits – continued**

*Texas Municipal Retirement System – continued*

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 2015, 2014, and 2013 were \$8,991, \$8,064, and \$7,701, respectively, which equaled the required contributions each year.

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
2013	0.05%	0.05%	100%
2014	0.05%	0.05%	100%
2015	0.05%	0.05%	100%

**Note 12: 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 \$1,579,461 reported as landfill closure and postclosure care liability as of September 30, 2015, represents the cumulative amount reported to date based on the use of 74.04% of the estimated capacity of MSW 2285 and 2.15% of the estimated capacity of MSW 2279. The City will recognize the remaining estimated cost of closure and postclosure of \$2,931,522 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 2015. 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 fiscal year 2015. 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.

**CITY OF DUMAS, TEXAS**  
Notes to Financial Statements  
September 30, 2015

**Note 13: Commitments and Contingencies and Litigation**

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.

**Note 14: Litigation**

There was no litigation pending against the City at September 30, 2015 that management believes could have a material adverse effect on the financial condition of the City.

**Note 15: 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:

Fiscal Year Ended:	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
9/30/2013	\$ 134,750	\$ 733,167	\$ (709,744)	\$ 158,173
9/30/2014	158,173	526,869	(529,608)	155,434
9/30/2015	155,434	912,469	(909,221)	158,682

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 2014-15, excess loss coverage was provided by Unimerica 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.

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, 2015

**Note 16: Prior Period Adjustments**

The City's management has noted that several prior period adjustments are warranted regarding the City's financial statements in order for them to more closely reflect current governmental GAAP. Below is a summary of the prior period adjustments reflected in the attached financial statements:

	Government-wide		Fund-level					
	Government	Business	General Fund	Waste Management Fund	Gas Utility Fund	Water Fund	Wastewater Fund	Pheasant Golf Course
Beginning net assets/fund balance, before adjustment.	\$ 3,286,109	\$ 3,449,075	\$ 565,235	\$ -	\$ 58,681	\$ 1,621,670	\$ 1,102,167	\$ 696,162
To transfer assets to Waste Mangement Fund.	(150,792)	150,792	(150,792)	150,792				
To transfer capital assets & related liabilities to Waste Mangement Fund.	475,579	(475,579)		(475,579)				
To record beginning net pension liability.	(252,910)	(102,580)		(45,657)	(23,054)	(18,731)	(4,210)	(10,928)
To record transfer of bond issuance costs and bond premium.	141,225	(141,225)		(141,225)				
To record prior year unbilled utility revenue.	54	159,190	54	47,832	25,119	51,845	34,394	
To record capital assets previously not recorded.	2,225,024	176,381			176,381			
Rounding	1	(1)		(1)				
Net change	2,438,181	(233,022)	(150,738)	(463,838)	178,446	33,114	30,184	(10,928)
Beginning net assets/fund balance, as restated	\$ 5,724,290	\$ 3,216,053	\$ 414,497	\$ (463,838)	\$ 237,127	\$ 1,654,784	\$ 1,132,351	\$ 685,234

**Note 17: Going Concern**

During fiscal year 2015, the City experienced a cash shortfall due to a significant decline in utility revenue. In order to address this temporary cash shortfall, the City had to take out a \$1,500,000 short-term note with a local financial institution and borrowed funds from restricted cash balances in order to fund operating expenses.

In order to increase revenue, the City increased the property tax rate from \$0.17041 to \$0.29089 per \$100 valuation. In addition, the City increased the minimum gas rate from \$7.05 to \$20, the consumption gas rate from \$7.05 to \$7.45 / ccf, and the minimum water rate by \$10 for all classes. Management continues to seek further ways to increase revenues and reduce operating expenses.

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, 2015

	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 616,820	\$ 616,820	\$ 602,289	\$ (14,531)
Sales	2,770,734	2,770,734	2,700,531	(70,203)
Occupancy	1,190	1,190	1,260	70
Franchise	523,232	523,232	491,841	(31,391)
Other	14,000	14,000	17,832	3,832
Penalty and interest on taxes	13,500	13,500	12,408	(1,092)
Licenses, fees and permits	87,523	87,523	60,922	(26,601)
Intergovernmental grants and subsidiaries	18,200	18,200	3,980	(14,220)
Charges for services	70,100	70,100	62,913	(7,187)
Penalties, fines and forfeitures	480,200	480,200	436,415	(43,785)
Investment earnings	3,000	3,000	2,723	(277)
Other grants and contributions	-	-	2,022	2,022
Other revenue	73,730	73,730	148,786	75,056
<b>Total Revenues</b>	<u>4,672,229</u>	<u>4,672,229</u>	<u>4,543,922</u>	<u>(128,307)</u>
<b>EXPENDITURES</b>				
<i>Current</i>				
General government:				
City commission	43,524	43,524	50,802	(7,278)
Administration	1,075,374	1,075,374	808,798	266,576
Information systems	163,324	163,324	156,938	6,386
Warehouse	314,991	314,991	294,542	20,449
Engineering	114,327	114,327	114,339	(12)
Purchasing	32,788	32,788	31,893	895
Communications	124,500	124,500	83,919	40,581
Fire	1,258,385	1,258,385	1,290,196	(31,811)
Police	2,317,074	2,317,074	2,487,908	(170,834)
Streets	728,041	728,041	743,179	(15,138)
Parks	488,108	488,108	494,061	(5,953)
Total Expenditure	<u>6,660,436</u>	<u>6,660,436</u>	<u>6,556,575</u>	<u>103,861</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,988,207)	(1,988,207)	(2,012,653)	(24,446)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	40,000	40,000	1,527,476	1,487,476
Transfers in	1,135,918	1,135,918	1,376,568	240,650
Transfers out	-	-	(258,937)	(258,937)
Total Other Financing Sources (Uses)	<u>1,175,918</u>	<u>1,175,918</u>	<u>2,645,107</u>	<u>1,469,189</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (812,289)</u>	<u>\$ (812,289)</u>	<u>\$ 632,454</u>	<u>\$ 1,444,743</u>
Reconciliation to Generally Accepted Accounting Principles (GAAP):				
Proceeds from sale of assets			31,903	
Capital outlay			(155,501)	
Debt service:				
Principal payments			(231,657)	
Interest and administrative fees			(61,486)	
Change in Fund Balance			<u>215,713</u>	
Fund Balance - October 1			414,497	
Fund Balance - September 30			<u>\$ 630,210</u>	

CITY OF DUMAS, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Year Ended December 31, 2014
		<u>2014</u>
<b>Total Pension Liability</b>		
Service cost	\$	471,299
Interest on total pension liability		1,034,728
Changes of benefit terms		-
Differences between expected and actual experience		(23,291)
Change of assumptions		-
Benefit payments/refunds of contributions		(748,682)
Net change in total pension liability		<u>734,054</u>
Total pension liability, beginning		<u>14,920,526</u>
Total pension liability, ending (a)	\$	<u><u>15,654,580</u></u>
<b>Fiduciary Net Position</b>		
Contributions - Employer	\$	300,942
Contributions - Employee		258,987
Net investment income		819,488
Benefit payments/refunds of contributions		(748,682)
Administrative expenses		(8,557)
Other		(701)
Net change in fiduciary net position		<u>621,477</u>
Fiduciary net position, beginning		<u>14,326,345</u>
Fiduciary net position, ending (b)	\$	<u><u>14,947,822</u></u>
Net pension liability / (asset), ending = (a) - (b)		<u><u>706,758</u></u>
Fiduciary net position as a percentage of total pension liability		95.49 %
Pensionable covered payroll	\$	5,179,743
Net pension liability as a percentage of covered payroll		13.64 %

CITY OF DUMAS, TEXAS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 FOR FISCAL YEAR 2015

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<u>Year Ending</u> <u>Septemeber 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Pensionable</u> <u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a Percentage of</u> <u>Covered Payroll</u>
2015	\$ 338,406	\$ 341,044	\$ (2,638)	\$ 5,363,015	6.4 %

**CITY OF DUMAS, TEXAS**  
Notes to Required Supplementary Information  
September 30, 2015

**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)".

**CITY OF DUMAS, TEXAS**  
Notes to Required Supplementary Information  
September 30, 2015

**Note A: Net Pension Liability – Texas Municipal Retirement System**

Assumptions

The following methods and assumptions were used to determine contribution rates:

<b>Valuation date</b>	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
<b>Actuarial cost method</b>	Entry age normal
<b>Amortization method</b>	Level percentage of payroll, closed
<b>Remaining amortization period</b>	25 years
<b>Asset valuation method</b>	10-year smoothed market; 15% soft corridor
<b>Inflation</b>	3.00%
<b>Salary increases</b>	3.50% to 12.00%, including inflation
<b>Investment rate of return</b>	7.00%
<b>Retirement age</b>	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the 2005 – 2009.
<b>Mortality</b>	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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, 2015, 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 27, 2016.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Finding 2015-001: The City collects various revenues the use of which is restricted by enabling legislation. These funds are commingled with the City's regular operating funds. As of September 30, 2015, the City did not have adequate cash reserves to cover restricted balances.

### Management's Response to Finding 2015-001:

The City plans to closely monitor its spending and strives to increase revenue in order to establish sufficient funds in its restricted cash balances in order to be in compliance.

### **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 27, 2016