

CITY OF DUMAS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2008

CITY OF DUMAS, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2008

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K. B. "BART" TEMPLETON, C.P.A.
COY BARTON, C.P.A.

INDEPENDENT AUDITOR'S REPORT

***Unqualified Opinion on Basic Financial Statements Accompanied By
Required Supplementary Information and Other Supplementary Information***

To the Honorable Mayor and
Members of the City Commission
City of Dumas
Dumas, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dumas, Texas (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Commission
City of Dumas
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Management's Discussion and Analysis and Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund on pages 3 through 10 and 17 and 18 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, other matters, and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise City of Dumas, Texas' basic financial statements.

Although the Combining and Other Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Keeney, Hembree & Company
(Original signature on file)

December 16, 2008

CITY OF DUMAS, TEXAS
Introductory To Management's Discussion and Analysis
For the Year Ended September 30, 2008

To the Citizens of City of Dumas, Texas:

The Annual Financial Report of City of Dumas, Texas for the year ended September 30, 2008, is hereby submitted. The City is responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Combining Schedules, Other Schedules, and Reports on Internal Control and on Compliance and Other Matters.

City of Dumas was incorporated March 4, 1955, under the provisions of Home Rule Charter, Vernon's Annotated Civil Statutes, Article 1165, et seq. of the State of Texas. Citizens of Dumas elect the mayor and four commission members. The City operates under a Commission - Manager form of government.

This financial report is designed to provide the citizens of our City information concerning the financial condition of the City.

Sincerely,

(Original signature on file)

Mike Milligan
Mayor

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, 2008. Please read it in conjunction with our transmittal letter on page 3, the Independent Auditor's Report on pages 1 and 2, and the City's Basic Financial Statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The City's net assets from governmental activities decreased by \$3.40 million as a result of this year's operations and prior period adjustment of \$1.42 million due to unfunded defined benefit retirement obligation. While net assets of our business-type activities increased by \$2.30 million, net assets of Dumas Economic Development Corporation increased by \$0.27 million, or nearly 17.7%.

During the year, the City had expenses that were \$7.35 million more than the \$6.37 million generated in tax and other revenues for governmental programs (before special items).

In the City's business-type activities, revenues increased to \$7.77 million (or 4.4%) while expenses decreased to \$6.38 million (or 1.1%).

Total cost of all of the City's programs, after charges for services and operating grants, was \$4.74 million. The total cost of Dumas Economic Development Corporation's programs, after charges for services and operating grants, was \$0.39 million.

The General Fund ended the year with a fund balance of \$(0.047) million, which is a decrease over last year's balance of \$1.43 million. This decrease was due mainly to the transfer out to Pheasant Trails Golf Course of \$2.12 million.

The resources available for appropriation were \$0.54 million more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). 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 (starting on page 13) 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

City of Dumas, Texas
Management's Discussion and Analysis (continued)

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 or to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the City's individual funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the City and Dumas Economic Development Corporation are better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

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

City of Dumas, Texas
Management's Discussion and Analysis (continued)

- 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 begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. The City's management establishes many other funds to help it 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 measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds - The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (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 funds (the other category of proprietary funds) report activities that provide supplies and services for the City's other programs and activities - such as the City's self-insurance program.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Dumas, Texas
Management's Discussion and Analysis (continued)

Net assets of the City's governmental activities decreased from \$3.55 million to \$0.15 million. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$0.34 million at September 30, 2008. The decrease in governmental net assets was mainly the result of the transfer out to the Pheasant Trails Golf Course Fund of \$2.12 million and prior period adjustment of \$1.42 million.

In 2008, net assets of our business-type activities increased by \$2.30 million. This increase is due mainly to the transfer to the Pheasant Trails Golf Course Fund.

Table I
City of Dumas, Texas

NET ASSETS
(in thousands)

	Governmental Activities 2008	Business- Type Activities 2008	Total Primary Government 2008	Component Unit 2008	Total 2008	Total 2007
Current and other assets	\$ 4,861	\$ 2,388	\$ 7,249	\$ 777	\$ 8,026	\$ 4,074
Capital assets	<u>3,459</u>	<u>5,206</u>	<u>8,665</u>	<u>1,343</u>	<u>10,008</u>	<u>10,113</u>
Total Assets	<u>8,320</u>	<u>7,594</u>	<u>15,914</u>	<u>2,120</u>	<u>18,034</u>	<u>14,187</u>
Long-term liabilities	6,914	4,271	11,185	294	11,479	6,777
Other Liabilities	<u>1,255</u>	<u>413</u>	<u>1,668</u>	<u>12</u>	<u>1,680</u>	<u>1,700</u>
Total Liabilities	<u>8,169</u>	<u>4,684</u>	<u>12,853</u>	<u>306</u>	<u>13,159</u>	<u>8,477</u>
Net Assets:						
Invested in capital assets, net of related debt	(436)	-	(436)	-	(436)	2,455
Restricted for debt service	243	-	243	-	243	-
Unrestricted	<u>344</u>	<u>2,910</u>	<u>3,254</u>	<u>1,814</u>	<u>5,068</u>	<u>3,255</u>
Total Net Assets	<u>\$ 151</u>	<u>\$ 2,910</u>	<u>\$ 3,061</u>	<u>\$ 1,814</u>	<u>\$ 4,875</u>	<u>\$ 5,710</u>

City of Dumas, Texas
Management's Discussion and Analysis (continued)

Table II
City of Dumas, Texas

CHANGES IN NET ASSETS
(in thousands)

	Governmental Activities 2008	Business- Type Activities 2008	Total Primary Government 2008	Component Unit 2008	Total 2008	Total 2007
Revenues:						
Program Revenues:						
Charges for services	\$ 2,120	\$ 7,269	\$ 9,389	\$ -	\$ 9,389	\$ 9,040
Operating grants and contributions	493	-	493	-	493	110
General Revenues:						
Property taxes, penalties, and interest	536	-	536	-	536	509
Sales tax and other taxes	3,003	-	3,003	647	3,650	3,567
Interest revenue	24	62	86	2	88	132
Miscellaneous revenue	193	514	707	17	724	397
Total Revenues	6,369	7,845	14,214	666	14,880	13,755
Expenses:						
General government	1,244	-	1,244	-	1,244	348
Public safety	3,406	-	3,406	-	3,406	3,065
Highways and streets	622	-	622	-	622	582
Sanitation	1,201	-	1,201	-	1,201	1,033
Culture and recreation	810	-	810	-	810	786
Interest and fiscal charges	67	-	67	-	67	65
Gas	-	4,115	4,115	-	4,115	4,209
Water	-	1,379	1,379	-	1,379	1,344
Wastewater	-	658	658	-	658	706
Golf course	-	404	404	-	404	376
Dumas Economic Development Corporation	-	-	-	393	393	800
Total Expenses	7,350	6,556	13,906	393	14,299	13,314
Increase (decrease) in net assets before transfers and special items						
	(981)	1,289	308	273	581	441
Transfers	(1,007)	1,007	-	-	-	-
Disposition of assets	-	-	-	-	-	(386)
Change in Net Assets	(1,988)	2,296	308	273	581	55
Net Assets at 10/1/07	3,555	614	4,169	1,541	5,710	5,655
Prior period adjustment	(1,416)	-	(1,416)	-	(1,416)	-
Net Assets at 9/30/08	\$ 151	\$ 2,910	\$ 3,061	\$ 1,814	\$ 4,875	\$ 5,710

City of Dumas, Texas
Management's Discussion and Analysis (continued)

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

- The City monitored the expenditures during the year.

The cost of all governmental activities this year was \$7.35 million. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities was \$4.74 million because some of the costs were paid by those who directly benefited from the programs (\$2.12 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.49 million).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$3.42 million, which is more than last year's total of \$1.65 million. Included in this year's total change in fund balance is a decrease of \$1.48 million in the City's General Fund. The net assets of Dumas Economic Development Corporation increased by \$0.27 million to a total of \$1.81 million.

The City's General Fund balance of \$(0.47) million reported on page 13 differs from the General Fund's budgetary fund balance of \$1.44 million reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund on pages 17-18. This is principally due to the transfer out to the Pheasant Trails Golf Course Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had \$8.67 million invested in a broad range of capital assets, including land, buildings, machinery 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 just over \$0.70 million, or 0.8% below last year.

Dumas Economic Development Corporation had \$1.34 million of capital assets at the end of September 2008. This amount represents a net decrease of \$0.03 million, or 2.5%, below last year.

City of Dumas, Texas
 Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

	Primary Government	Dumas Economic Development Corporation
Machinery and equipment	\$ 343	\$ -
Buildings	6	-
Construction in progress	856	-
Total	<u>\$ 1,205</u>	<u>\$ -</u>

Debt

At year-end, the City had \$11.18 million in bonds, loans, capital leases, landfill closure costs, and unfunded defined benefit retirement obligation outstanding versus \$7.88 million last year – an increase of \$3.31 million. More detailed information about the City's long-term liabilities is presented in Note III.B.6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2009 budget and tax rates. One of those factors is the economy. The City's population has increased slightly from the prior year. The City Commissioners considered this factor when adopting the 2009 budget.

Amounts available for appropriation in the General Fund budget are \$5.40 million, an increase of 18.4% over the final 2008 budget of \$4.56 million. The City will use its revenues to finance programs currently offered. Budgeted expenditures in the General Fund are expected to increase nearly 10.4% to \$6.019 million from \$5.45 million in 2008. The City has added no major new programs or initiatives to the 2009 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase \$0.42 million at the close of 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF DUMAS, TEXAS
Statement of Net Assets
September 30, 2008

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 4,162,927	\$ 1,934,438	\$ 6,097,365	\$ 718,706
Investments - Current	-	106,416	106,416	-
Receivables (net of allowance for uncollectibles)	627,034	304,498	931,532	3,016
Due from Primary Government	-	-	-	53,842
Inventories	56,551	-	56,551	-
Prepaid Items	11,419	23,534	34,953	1,539
Capital Assets:				
Land	420,735	293,458	714,193	156,703
Buildings, net	1,887,141	185,945	2,073,086	564,303
Machinery and Equipment, net	1,100,177	4,521,768	5,621,945	622,221
Construction in Progress	50,780	204,953	255,733	-
Other Assets	2,910	18,695	21,605	-
Total Assets	<u>8,319,674</u>	<u>7,593,705</u>	<u>15,913,379</u>	<u>2,120,330</u>
LIABILITIES				
Accounts Payable and Other Current Liabilities	1,140,556	391,941	1,532,497	5,872
Intergovernmental Payable	40,475	7,953	48,428	-
Due to Component Unit	53,842	-	53,842	-
Accrued Interest Payable	19,841	13,400	33,241	6,643
Noncurrent Liabilities				
Due Within One Year	340,665	456,625	797,290	23,236
Due in More Than One Year	6,573,523	3,814,042	10,387,565	270,664
Total Liabilities	<u>8,168,902</u>	<u>4,683,961</u>	<u>12,852,863</u>	<u>306,415</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(436,751)	-	(436,751)	-
Restricted for Debt Service	243,348	-	243,348	-
Unrestricted Net Assets	344,175	2,909,744	3,253,919	1,813,915
Total Net Assets	<u>\$ 150,772</u>	<u>\$ 2,909,744</u>	<u>\$ 3,060,516</u>	<u>\$ 1,813,915</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Activities
For the Year Ended September 30, 2008

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
City Commission	\$ 24,701	\$ -	\$ -
Administration	1,077,838	115,908	3,366
Information Systems	12,789	-	-
Warehouse	52,565	-	-
Engineering	22,739	-	-
Purchasing	1,849	-	-
Communications	51,112	-	-
Public Safety	94,299	-	94,299
Police	2,006,119	639,850	21,479
Fire Protection	1,305,687	-	124,043
Highways and Streets	621,826	-	-
Sanitation	1,201,147	1,363,817	-
Culture and Recreation	377,427	-	-
Parks	432,643	-	250,000
Debt Service - Interest and Fiscal Charges	67,059	-	-
Total Governmental Activities:	7,349,800	2,119,575	493,187
BUSINESS-TYPE ACTIVITIES:			
Gas Utility Fund	4,114,733	4,472,671	-
Water Utility Fund	1,379,239	1,578,737	-
Wastewater Utility Fund	657,857	1,005,580	-
Pheasant Trails Golf Course Fund	403,585	212,000	-
Total Business-Type Activities:	6,555,414	7,268,988	-
TOTAL PRIMARY GOVERNMENT:	\$ 13,905,214	\$ 9,388,563	\$ 493,187
Component Unit:			
Nonmajor Component Unit	393,027	-	-
TOTAL COMPONENT UNITS:	\$ 393,027	\$ -	\$ -

General Revenues:

Taxes:
Property Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Gross Receipts Business Tax
Franchise Taxes
Other Taxes
Penalty and Interest
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers
Change in Net Assets
Net Assets--Beginning
Prior Period Adjustment
Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Nonmajor Component Unit
\$ (24,701)	\$ -	\$ (24,701)	\$ -
(958,564)	-	(958,564)	-
(12,789)	-	(12,789)	-
(52,565)	-	(52,565)	-
(22,739)	-	(22,739)	-
(1,849)	-	(1,849)	-
(51,112)	-	(51,112)	-
-	-	-	-
(1,344,790)	-	(1,344,790)	-
(1,181,644)	-	(1,181,644)	-
(621,826)	-	(621,826)	-
162,670	-	162,670	-
(377,427)	-	(377,427)	-
(182,643)	-	(182,643)	-
(67,059)	-	(67,059)	-
<u>(4,737,038)</u>	<u>-</u>	<u>(4,737,038)</u>	<u>-</u>
-	357,938	357,938	-
-	199,498	199,498	-
-	347,723	347,723	-
-	(191,585)	(191,585)	-
<u>-</u>	<u>713,574</u>	<u>713,574</u>	<u>-</u>
<u>(4,737,038)</u>	<u>713,574</u>	<u>(4,023,464)</u>	<u>-</u>
-	-	-	(393,027)
-	-	-	(393,027)
201,198	-	201,198	-
326,656	-	326,656	-
1,946,320	-	1,946,320	646,618
332,234	-	332,234	-
374,842	-	374,842	-
349,616	-	349,616	-
8,249	-	8,249	-
192,787	513,182	705,969	2,100
23,580	61,797	85,377	17,303
(1,006,935)	1,006,935	-	-
<u>2,748,547</u>	<u>1,581,914</u>	<u>4,330,461</u>	<u>666,021</u>
(1,988,491)	2,295,488	306,997	272,994
3,555,367	614,256	4,169,623	1,540,921
(1,416,104)	-	(1,416,104)	-
<u>\$ 150,772</u>	<u>\$ 2,909,744</u>	<u>\$ 3,060,516</u>	<u>\$ 1,813,915</u>

CITY OF DUMAS, TEXAS
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 353,033	\$ 3,224,291	\$ 585,000	\$ 4,162,324
Taxes Receivable	336,121	-	2,175	338,296
Allowance for Uncollectible Taxes (credit)	(1,427)	-	(721)	(2,148)
Receivables (net of allowance for uncollectibles)	122,179	-	118,857	241,036
Special Assessments Receivable, net	23,291	-	-	23,291
Intergovernmental Receivables	-	-	26,114	26,114
Inventories	56,551	-	-	56,551
Prepaid Items	11,419	-	-	11,419
Total Assets	\$ 901,167	\$ 3,224,291	\$ 731,425	\$ 4,856,883
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 140,641	\$ 19,046	\$ 101,697	\$ 261,384
Wages and Salaries Payable	204,706	-	2,192	206,898
Compensated Absences Payable	113,710	-	726	114,436
Cash and Cash Equivalent - Overdraft	382,050	-	3,658	385,708
Intergovernmental Payable	40,475	-	-	40,475
Due to Component Unit	53,842	-	-	53,842
Deferred Revenues	12,841	-	361,105	373,946
Total Liabilities	948,265	19,046	469,378	1,436,689
Fund Balances:				
Reserved For:				
Debt Service	-	-	243,348	243,348
Inventories	56,551	-	-	56,551
Unreserved and Undesignated:				
Reported in the General Fund	(103,649)	-	-	(103,649)
Reported in the Special Revenue Fund	-	-	18,699	18,699
Reported in the Capital Projects Fund	-	3,205,245	-	3,205,245
Total Fund Balances	(47,098)	3,205,245	262,047	3,420,194
Total Liabilities and Fund Balances	\$ 901,167	\$ 3,224,291	\$ 731,425	\$ 4,856,883

The notes to the Financial Statements are an integral part of this statement.

CITY OF DUMAS, TEXAS
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets
 September 30, 2008

Total Fund Balances - Governmental Funds	\$	3,420,194
The City uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to decrease net assets.		(168,172)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,431,634 and the accumulated depreciation was \$7,876,016. In addition, long-term liabilities, including bonds payable, landfill closure costs, capital leases payable, and unfunded defined benefit retirement obligation are not due and payable in the current period and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		263,998
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.		700,627
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(431,728)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(3,634,147)
Net Assets of Governmental Activities	<u>\$</u>	<u>150,772</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008

EXHIBIT C-3

	General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 201,198	\$ -	\$ 326,656	\$ 527,854
General Sales and Use Taxes	1,946,320	-	-	1,946,320
Gross Receipts Business Tax	332,234	-	-	332,234
Franchise Tax	374,842	-	-	374,842
Other Taxes	-	-	349,616	349,616
Penalty and Interest on Taxes	8,249	-	-	8,249
Licenses and Permits	89,839	-	-	89,839
Intergovernmental Revenue and Grants	-	250,000	224,161	474,161
Charges for Services	1,363,817	-	-	1,363,817
Fines	638,132	-	1,718	639,850
Investment Earnings	13,135	2,948	7,497	23,580
Rents	26,069	-	-	26,069
Contributions	19,026	-	-	19,026
Other Revenue	88,912	3,077	31,276	123,265
Total Revenues	5,101,773	256,025	940,924	6,298,722
EXPENDITURES:				
Current:				
General Government:				
City Commission	19,713	-	-	19,713
Administration	203,023	-	-	203,023
Information Systems	12,789	-	-	12,789
Warehouse	52,565	-	-	52,565
Engineering	18,818	-	-	18,818
Purchasing	1,849	-	-	1,849
Communications	25,679	-	-	25,679
Public Safety	-	-	94,299	94,299
Police	1,924,423	-	7,819	1,932,242
Fire Protection	1,051,758	-	124,919	1,176,677
Highways and Streets	615,228	-	-	615,228
Sanitation:				
Sanitation	459,956	-	-	459,956
Landfill	524,359	-	-	524,359
Recycling	49,045	-	-	49,045
Culture and Recreation	-	-	359,500	359,500
Parks	371,531	-	12,090	383,621
Debt Service:				
Debt Service - Principal	114,001	-	251,686	365,687
Debt Service - Interest and Fiscal Charges	12,101	-	41,760	53,861
Capital Outlay:				
Capital Outlay	264,941	50,780	19,219	334,940
Total Expenditures	5,721,779	50,780	911,292	6,683,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	(620,006)	205,245	29,632	(385,129)
OTHER FINANCING SOURCES (USES):				
Proceeds from Bonds	-	3,000,000	-	3,000,000
Proceeds from Capital Leases	112,000	-	-	112,000
Proceeds from Loans	48,509	-	-	48,509
Transfers In	1,100,000	-	15,000	1,115,000
Transfers Out (Use)	(2,121,935)	-	-	(2,121,935)
Total Other Financing Sources (Uses)	(861,426)	3,000,000	15,000	2,153,574
Net Change in Fund Balances	(1,481,432)	3,205,245	44,632	1,768,445
Fund Balance - October 1 (Beginning)	1,434,334	-	217,415	1,651,749
Fund Balance - September 30 (Ending)	\$ (47,098)	\$ 3,205,245	\$ 262,047	\$ 3,420,194

The notes to the Financial Statements are an integral part of this statement.

CITY OF DUMAS, TEXAS
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended September 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	1,768,445
<p>The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.</p>		
		(93,907)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase net assets.</p>		
		700,627
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(431,728)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.</p>		
		(3,931,928)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(1,988,491)</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2008

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 207,636	\$ 207,636	\$ 201,198	\$ (6,438)
General Sales and Use Taxes	1,813,520	1,813,520	1,946,320	132,800
Gross Receipts Business Tax	301,200	301,200	332,234	31,034
Franchise Tax	379,475	379,475	374,842	(4,633)
Penalty and Interest on Taxes	10,500	10,500	8,249	(2,251)
Licenses and Permits	41,830	41,830	89,839	48,009
Intergovernmental Revenue and Grants	23,000	23,000	-	(23,000)
Charges for Services	1,247,413	1,247,413	1,363,817	116,404
Fines	441,890	441,890	638,132	196,242
Investment Earnings	15,000	15,000	13,135	(1,865)
Rents	22,100	22,100	26,069	3,969
Contributions	7,500	7,500	19,026	11,526
Other Revenue	51,925	51,925	88,912	36,987
Total Revenues	4,562,989	4,562,989	5,101,773	538,784
EXPENDITURES:				
Current:				
General Government:				
City Commission	23,517	23,517	19,713	3,804
Administration	209,137	209,137	203,023	6,114
Information Systems	29,367	29,367	12,789	16,578
Warehouse	64,358	64,358	52,565	11,793
Engineering	25,101	25,101	18,818	6,283
Purchasing	4,190	4,190	1,849	2,341
Communications	32,721	32,721	25,679	7,042
Public Safety:				
Police	1,758,010	1,758,010	1,924,423	(166,413)
Fire Protection	998,518	998,518	1,051,758	(53,240)
Highways and Streets	629,222	629,222	615,228	13,994
Sanitation:				
Sanitation	428,770	425,770	459,956	(34,186)
Landfill	504,494	504,494	524,359	(19,865)
Recycling	36,875	36,875	49,045	(12,170)
Culture and Recreation:				
Parks	375,591	375,591	371,531	4,060
Debt Service:				
Debt Service - Principal	58,905	58,905	114,001	(55,096)
Debt Service - Interest and Fiscal Charges	8,927	8,927	12,101	(3,174)
Capital Outlay:				
Capital Outlay	268,224	268,224	264,941	3,283
Total Expenditures	5,455,927	5,452,927	5,721,779	(268,852)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(892,938)	(889,938)	(620,006)	269,932
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	2,500	2,500	-	(2,500)
Proceeds from Capital Leases	-	-	112,000	112,000
Proceeds from Loans	-	-	48,509	48,509
Transfers In	1,100,000	1,100,000	1,100,000	-
Transfers Out (Use)	(209,244)	(209,244)	(2,121,935)	(1,912,691)
Total Other Financing Sources (Uses)	893,256	893,256	(861,426)	(1,754,682)

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2008

EXHIBIT C-5 (Cont'd)

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	318	3,318	(1,481,432)	(1,484,750)
Fund Balance - October 1 (Beginning)	1,434,334	1,434,334	1,434,334	-
Fund Balance - September 30 (Ending)	<u>\$ 1,434,652</u>	<u>\$ 1,437,652</u>	<u>\$ (47,098)</u>	<u>\$ (1,484,750)</u>

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Business-Type Activities -	
	Gas Utility Fund	Water Utility Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 460,450	\$ 620,836
Investments - Current	106,416	-
Accounts Receivable-Net of Uncollectible Allowance	133,127	104,411
Prepaid Items	11,419	12,115
Total Current Assets	711,412	737,362
Noncurrent Assets:		
Capital Assets:		
Land	49,778	54,680
Buildings, net	-	-
Machinery and Equipment, net	346,801	1,769,888
Construction in Progress	161,724	43,229
Other Assets	-	7,478
Total Noncurrent Assets	558,303	1,875,275
Total Assets	1,269,715	2,612,637
LIABILITIES		
Current Liabilities:		
Accounts Payable	34,553	21,750
Wages and Salaries Payable	162,258	142,892
Compensated Absences Payable	7,820	2,704
Claims and Judgments Payable	-	-
Cash and Cash Equivalents - Overdraft	-	-
Intergovernmental Payable	6,811	-
Accrued Interest Payable	-	9,407
Bonds Payable - Current:		
Bonds Payable - Current	-	99,576
Capital Leases Payable - Current	-	224,166
Total Current Liabilities	211,442	500,495
NonCurrent Liabilities:		
Bonds Payable - Noncurrent	-	848,938
Capital Leases Payable - Noncurrent	-	1,770,568
Total Noncurrent Liabilities	-	2,619,506
Total Liabilities	211,442	3,120,001
NET ASSETS		
Unrestricted Net Assets	1,058,273	(507,364)
Total Net Assets	\$ 1,058,273	\$ (507,364)

The notes to the Financial Statements are an integral part of this statement.

			Governmental Activities -	
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Enterprise Funds	Internal Service Fund	
\$ 848,307	\$ 4,845	\$ 1,934,438	\$ 603	
-	-	106,416	-	
66,960	-	304,498	445	
-	-	23,534	-	
915,267	4,845	2,368,886	1,048	
-	189,000	293,458	-	
3,141	182,804	185,945	-	
1,920,230	484,849	4,521,768	-	
-	-	204,953	-	
11,217	-	18,695	2,910	
1,934,588	856,653	5,224,819	2,910	
2,849,855	861,498	7,593,705	3,958	
2,007	5,081	63,391	14,606	
2,199	5,522	312,871	-	
671	4,484	15,679	-	
-	-	-	55,366	
-	-	-	102,158	
-	1,142	7,953	-	
3,645	348	13,400	-	
120,000	-	219,576	-	
-	12,883	237,049	-	
128,522	29,460	869,919	172,130	
1,155,000	-	2,003,938	-	
-	39,536	1,810,104	-	
1,155,000	39,536	3,814,042	-	
1,283,522	68,996	4,683,961	172,130	
1,566,333	792,502	2,909,744	(168,172)	
\$ 1,566,333	\$ 792,502	\$ 2,909,744	\$ (168,172)	

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2008

	Business-Type Activities -	
	Gas Utility Fund	Water Utility Fund
OPERATING REVENUES:		
Charges for Water Services	\$ -	\$ 1,578,737
Charges for Gas Services	4,472,671	-
Charges for Wastewater Services	-	-
Charges for Golf Course Services	-	-
Other Revenue	287,221	192,938
Total Operating Revenues	4,759,892	1,771,675
OPERATING EXPENSES:		
Personnel Services - Salaries and Wages	290,497	203,926
Personnel Services - Employee Benefits	85,386	60,694
Purchased Professional & Technical Services	45,873	80,560
Purchased Property Services	64,650	37,495
Other Operating Expenses	654,779	460,426
Supplies	2,935,057	356,698
Depreciation	38,491	58,366
Total Operating Expenses	4,114,733	1,258,165
Operating Income (Loss)	645,159	513,510
NON-OPERATING REVENUES (EXPENSES):		
Bond Issuance Cost	-	(1,496)
Investment Earnings	17,854	18,395
Rent Income	-	-
Interest Expense	-	(119,578)
Total Non-operating Revenue (Expenses)	17,854	(102,679)
Income (Loss) Before Transfers	663,013	410,831
Transfer In	-	-
Transfers Out	(505,000)	(160,000)
Change in Net Assets	158,013	250,831
Total Net Assets - October 1 (Beginning)	900,260	(758,195)
Total Net Assets - September 30 (Ending)	\$ 1,058,273	\$ (507,364)

The notes to the Financial Statements are an integral part of this statement.

Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Enterprise Funds	Governmental Activities -
			Internal Service Fund
\$ -	\$ -	\$ 1,578,737	\$ -
-	-	4,472,671	-
1,005,580	-	1,005,580	-
-	212,000	212,000	-
19,037	3,426	502,622	710,120
<u>1,024,617</u>	<u>215,426</u>	<u>7,771,610</u>	<u>710,120</u>
52,764	133,617	680,804	-
16,542	39,960	202,582	-
23,246	96,947	246,626	-
1,169	13,488	116,802	-
388,346	14,935	1,518,486	804,046
27,239	56,649	3,375,643	-
101,216	44,223	242,296	-
<u>610,522</u>	<u>399,819</u>	<u>6,383,239</u>	<u>804,046</u>
<u>414,095</u>	<u>(184,393)</u>	<u>1,388,371</u>	<u>(93,926)</u>
(2,243)	-	(3,739)	-
25,008	540	61,797	19
-	10,560	10,560	-
<u>(45,092)</u>	<u>(3,766)</u>	<u>(168,436)</u>	<u>-</u>
<u>(22,327)</u>	<u>7,334</u>	<u>(99,818)</u>	<u>19</u>
391,768	(177,059)	1,288,553	(93,907)
-	2,121,935	2,121,935	-
<u>(450,000)</u>	<u>-</u>	<u>(1,115,000)</u>	<u>-</u>
(58,232)	1,944,876	2,295,488	(93,907)
<u>1,624,565</u>	<u>(1,152,374)</u>	<u>614,256</u>	<u>(74,265)</u>
<u>\$ 1,566,333</u>	<u>\$ 792,502</u>	<u>\$ 2,909,744</u>	<u>\$ (168,172)</u>

CITY OF DUMAS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

	Business-Type Activities	
	Gas Utility Fund	Water Utility Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 4,450,914	\$ 1,589,252
Cash Received from Other Revenues	287,221	192,938
Cash Payments to Employees for Services	(358,119)	(242,061)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(2,993,299)	(364,535)
Cash Payments for Other Operating Expenses	(762,539)	(578,481)
Net Cash Provided by Operating Activities	<u>624,178</u>	<u>597,113</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Debt Proceeds, Payments and Expenses	-	(383,434)
Operating Transfer In (Out)	(505,000)	(160,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(505,000)</u>	<u>(543,434)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(161,724)	(61,946)
Miscellaneous from Capital Activities	-	1,495
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(161,724)</u>	<u>(60,451)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Investment Securities	(3,843)	-
Interest and Dividends on Investments	17,854	18,395
Net Cash Provided by Investing Activities	<u>14,011</u>	<u>18,395</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(28,535)	11,623
Cash and Cash Equivalents at Beginning of the Year:	<u>488,985</u>	<u>609,213</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 460,450</u>	<u>\$ 620,836</u>

The notes to the Financial Statements are an integral part of this statement.

			Governmental Activities -
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Enterprise Funds	Internal Service Fund
\$ 1,005,205	\$ 212,019	\$ 7,257,390	\$ -
19,037	3,426	502,622	709,675
(68,142)	(171,335)	(839,657)	-
-	-	-	(709,675)
(27,443)	(55,808)	(3,441,085)	-
(412,761)	(125,370)	(1,879,151)	-
<u>515,896</u>	<u>(137,068)</u>	<u>1,600,119</u>	<u>-</u>
(89,458)	(15,855)	(488,747)	-
(450,000)	166,068	(948,932)	-
<u>(539,458)</u>	<u>150,213</u>	<u>(1,437,679)</u>	<u>-</u>
-	(45,300)	(268,970)	-
2,243	10,560	14,298	-
<u>2,243</u>	<u>(34,740)</u>	<u>(254,672)</u>	<u>-</u>
-	-	(3,843)	-
25,008	540	61,797	19
<u>25,008</u>	<u>540</u>	<u>57,954</u>	<u>19</u>
3,689	(21,055)	(34,278)	19
844,618	25,900	1,968,716	584
<u>\$ 848,307</u>	<u>\$ 4,845</u>	<u>\$ 1,934,438</u>	<u>\$ 603</u>

CITY OF DUMAS, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

	Business-Type Activities	
	Gas Utility Fund	Water Utility Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By Operating Activities:</u>		
Operating Income (Loss):	\$ 645,159	\$ 513,510
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	38,491	58,366
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	(21,757)	10,515
Decrease (increase) in Prepaid Expenses	-	(696)
Increase (decrease) in Accounts Payable	(58,242)	(7,141)
Increase (decrease) in Payroll Payables	17,764	22,559
Increase (decrease) in Intergovernmental Payable	2,763	-
Increase (decrease) in Other Payables	-	-
Increase (decrease) in Claims	-	-
Net Cash Provided by Operating Activities	<u>\$ 624,178</u>	<u>\$ 597,113</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash & Cash Equivalents - Statement of Net Assets	\$ 460,450	\$ 620,836
Cash & Equivalents - Internal Service Fund	-	-
Total Cash and Cash Equivalents	<u>\$ 460,450</u>	<u>\$ 620,836</u>

The notes to the Financial Statements are an integral part of this statement.

			Governmental Activities -
Wastewater Utility Fund	Pheasant Trails Golf Course Fund	Total Enterprise Funds	Internal Service Fund
\$ 414,095	\$ (184,393)	\$ 1,388,371	\$ (93,926)
101,216	44,223	242,296	-
(375)	19	(11,598)	(445)
-	-	(696)	-
(204)	708	(64,879)	14,606
1,164	2,242	43,729	-
-	133	2,896	-
-	-	-	41,658
-	-	-	38,107
<u>\$ 515,896</u>	<u>\$ (137,068)</u>	<u>\$ 1,600,119</u>	<u>\$ -</u>
\$ 848,307	\$ 4,845	\$ 1,934,438	\$ -
-	-	-	603
<u>\$ 848,307</u>	<u>\$ 4,845</u>	<u>\$ 1,934,438</u>	<u>\$ 603</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Dumas, Texas (the "City"), are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. City of Dumas, Texas has implemented GASBS Nos. 34 and 37 in prior years. The City is considered a Phase 3 government under GASBS No. 34.

A. The Reporting Entity

City of Dumas, Texas was incorporated March 4, 1955, under the provisions of Home Rule Charter, Vernon's Annotated Civil Statutes, Article 1165, et seq. of the State of Texas. Citizens elect the mayor and four commission members. The City operates under a Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

On March 30, 1998, Dumas Economic Development Corporation was incorporated in the State of Texas. The Corporation was organized to provide for the economic development of Dumas; to create jobs in Dumas, Texas; to solicit industry and commercial enterprises to locate or relocate in Dumas, Texas; to provide loans for businesses to locate or relocate in Dumas, Texas, or to remain in Dumas, Texas; to promote and develop industrial and manufacturing enterprises; to promote and encourage employment and public welfare; to acquire or finance land, buildings, equipment, facilities, and improvements suitable for use for professional and amateur sports, athletic, entertainment, tourist, convention, and public park purposes and events; or to promote or develop new or expanded business enterprises, including projects providing for public safety. The initial registered agent of the Corporation is the City Attorney. The seven member Board of Directors is appointed by the City Commission. The Corporation's revenues are a portion of the City's sales tax revenues. Because the City exercises significant influence over Dumas Economic Development Corporation, it has been included in the City's financial statements as a discretely presented nonfiduciary component unit.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of City of Dumas, Texas' nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, trash collections, grants, intergovernmental revenues, and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support and utility user charges.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The Charges for Services column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include swimming pool fees, fines, building permits, health permits, and utility user charges. The Operating Grants and Contributions column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include federal and state grants for specific purposes. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Funds Balance Sheet and the Proprietary Funds Statement of Net Assets and as other sources and other uses on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – Governmental and Proprietary. The City considers some governmental funds to be major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available [*GASB 2300.106a(5) and 1600.108*], and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 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, that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available [*GASB 2300.106a(5) and 1600.108*].

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount [*GASB 2300.106a(5) and 1600.108*].

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements, as well as the Financial Accounting Standards Board

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements [*GASB 2300.106a(7) and P80.104-107*]. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted for debt service, and unrestricted net assets.

D. Fund Accounting

The City reports the following major governmental funds:

1. **General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. This is a budgeted fund.
2. **Capital Projects Fund** – The Capital Projects Fund is used to account for debt proceeds used for municipal improvements including new swimming pool and walking tracks. This is not a budgeted fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Enterprise Funds** – The City's activities for which outside users are charged a fee equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City's enterprise funds are the Pheasant Trails Golf Course Fund and Utility Funds for gas, water, and wastewater. All of the City's enterprise funds are major funds.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the city on a cost reimbursement basis are accounted for in an internal service fund. The City's internal service fund is the Health Self-Insurance Fund.

Component Unit - Dumas Economic Development Corporation is a discretely presented nonfiduciary component unit.

E. Other Accounting Policies

1. Cash Flows

For purposes of the Statement of Cash Flows for governmental activities and proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased [*GASB 2300.106a(6) and 2450.106-108*].

2. Budgetary Data

The City Commission adopts an annual budget for various funds including the General Fund and Debt Service Fund. The annual budgets for the General Fund and Debt Service Fund are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Enterprise Funds are adopted under a basis consistent with generally accepted accounting principals, except that depreciation is not considered and capital outlay is budgeted as expense. The budget for the General Fund and Debt Service Fund are presented in Exhibits C-5 and J-1. The budgets for the Enterprise Funds are presented in Exhibits J-2 through J-5.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personal services, maintenance and operations, capital outlay, and debt service). All budget revisions affecting total expenditures/expenses are subject to final review by the City Commission. Management may transfer appropriations among departments without Commission approval. The City had no significant budget amendments during the year.

3. Use of Estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles and *Government Auditing Standards*, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies (continued)

3. *Use of Estimates* (continued)

reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

4. *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance is purchased for claims arising from all matters except employee health benefits. Settled claims have not exceeded the commercial coverage in any of the three preceding years. The City is self-insured for employee health benefits.

5. *Concentrations of Credit Risk*

Financial instruments which potentially subject the City to concentrations of credit risk consist principally of certificates of deposit and investments. The City places its certificates of deposit in financial institutions who have collateralized the certificates of deposit balance through FDIC coverage or pledged securities. The State of Texas has guaranteed the deposits in TexPool and Logic. The Invesco Aim investments are invested in U.S. government securities that are not insured by FDIC or any government agency.

6. *Cash and Investments*

The City maintains and controls cash and investment pools that are available for use by all funds. Each fund's portion of this pool is combined and displayed on the Combining Balance Sheet as Cash and Cash Equivalents.

Investments are carried at fair value. Cash deposits are reported at carrying amounts which reasonably estimates fair value. Additional cash and investment information is presented in Note III.A.2.

7. *Inventories*

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis, valued at average cost which approximates market value. They are reported at average cost which is recorded as an expenditure at the time individual inventory items are used. Reported inventories of the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies (continued)

8. *Fixed Assets and Depreciation*

Property, plant, and equipment of all funds and the component unit are stated at historical cost. Donated assets are valued at their estimated fair market value on the date of donation. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Capital assets, which include land, buildings, machinery and equipment, and infrastructure, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Improvements, buildings, machinery and equipment, and infrastructure of the City and component unit are depreciated using the straight-line method over the following estimated useful lives:

Improvements	2-50 years
Buildings	5-50 years
Machinery and equipment	3-30 years
Infrastructure	10-50 years

City of Dumas, Texas is a Phase 3 governmental entity for GASBS No. 34 purposes. The City elected to report infrastructure on the prospective basis beginning October 1, 2003.

9. *Deferred Compensation Plan*

The City offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

10. *Capitalized Interest*

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no capitalization of interest in the fiscal year ended September 30, 2008.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies (continued)

11. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Compensated Absences

Full-time employees of the City begin accruing vacation time the first day of employment; however, vacation leave is not available until employees have worked six months. Vacation is accrued according to the following schedule:

<u>Length of Service</u>	<u>Annual Paid Vacation</u>
0 to 5 years	6.67 hours per month
5 to 20 years	10.00 hours per month
over 20 years	13.33 hours per month

Employees are encouraged to take their vacation the year it is earned. However, employees may carry forward 80 hours into the next year. If an employee has greater than 80 hours at year end, due to City workload, the City Manager may allow time to be taken off during the first quarter of the following year. Employees, who have worked at least six months, will be paid for accumulated vacation at termination of employment.

Employees accumulate sick leave at the rate of one day per month to a maximum of 90 days or 720 hours for regular employees and 1,080 hours for firemen and patrol officers. Sick leave may be taken by employees who have completed three months of employment; however, sick hours accumulate from the time of employment. Employees who retire with

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies (continued)

12. *Compensated Absences* (continued)

the maximum available sick leave will be paid for 30 days of that balance. Sick leave of 15 days will be paid to employees with a minimum of 10 years of service, who resign, and have an accumulated sick leave balance of 90 days.

Longevity pay, at the rate of \$4.00 per month for each completed year of service as of October 1 of each year, is paid to full-time employees. Employees have the option of receiving their longevity pay bi-monthly or accumulating it for the period October 1 through September 30, to receive a lump sum payment on a supplemental check the middle of November.

The estimated current portion of the liability for vested vacation leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The entire liability is considered current. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

Employees of Dumas Economic Development Corporation earn one week of vacation for every six months worked. Any vacation must be taken by the end of each calendar year. Sick leave is paid at the rate of eight hours a month from the date of employment up to a maximum of 90 days.

13. *Interfund Charges*

The City allocates to several funds a percentage of the salaries, wages, and related costs of personnel who perform general and administrative services for such funds, but are paid through the General Fund. These interfund charges are reported in the fund financial statement.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the Governmental Funds Balance Sheet and the net assets for governmental activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that capital assets are not financial resources, and therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, landfill closure costs, capital leases payable, unfunded defined benefit retirement obligation payable, and loans payable are not due and payable in the current period and are not reported as liabilities in the funds.

The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	Historical Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Land	\$ 420,735	\$ -	\$ 420,735	
Buildings	2,526,728	559,870	1,966,858	
Machinery and equipment	8,484,171	7,316,146	1,168,025	
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	
Totals	<u>\$ 11,431,634</u>	<u>\$ 7,876,016</u>	<u>\$ 3,555,618</u>	\$ 3,555,618
 <u>Long-Term Liabilities at the Beginning of the Year</u>			 <u>Payable at the Beginning of the Year</u>	
Bonds payable less deferred charges			\$ 933,171	
Landfill closure costs			774,754	
Capital leases payable			62,494	
Unfunded defined benefit retirement obligation payable			1,416,104	
Loans payable			<u>105,097</u>	
Totals			<u>\$ 3,291,620</u>	<u>(3,291,620)</u>
Net Adjustment to Net Assets				<u>\$ 263,998</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the changes in net assets of governmental activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of these adjustments are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings	-	-	-
Machinery and equipment	284,160	284,160	284,160
Construction in progress	50,780	50,780	50,780
	<u>334,940</u>	<u>334,940</u>	<u>334,940</u>
Total Capital Outlay	<u>\$ 334,940</u>	<u>\$ 334,940</u>	<u>334,940</u>
<u>Debt Principal Payments</u>			
Bond principal	\$ 251,686	\$ 251,686	251,686
Capital lease payments	66,029	66,029	66,029
Loan principal	47,972	47,972	47,972
	<u>365,687</u>	<u>365,687</u>	<u>365,687</u>
Total Principal Payments	<u>\$ 365,687</u>	<u>\$ 365,687</u>	<u>365,687</u>
Total Adjustment to Net Assets			<u>\$ 700,627</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue:</u>			
Uncollected miscellaneous revenue from:			
Other revenues	\$ 69,522	\$ 69,522	\$ 69,522
 <u>Reclassify Proceeds of Bonds, Loans, Capital Leases, Landfill Closure Costs, and Unfunded Defined Benefit Retirement Obligation</u>			
Bond proceeds	(3,000,000)	(3,000,000)	(3,000,000)
Loan proceeds	(48,509)	(48,509)	(48,509)
Capital lease proceeds	(112,000)	(112,000)	(112,000)
Landfill closure costs proceeds	(62,789)	(62,789)	(62,789)
Unfunded defined benefit retirement obligation	(764,957)	(764,957)	(764,957)
 <u>Reclassify Certain Expenditures to Accrued Interest Payable:</u>			
Interest Payable:	(13,198)	(13,198)	(13,198)
 <u>Other Adjustments</u>			
Miscellaneous	3	3	3
Totals	\$ (3,931,928)	\$ (3,931,928)	\$ (3,931,928)

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS

A. Assets

1. Cash and Cash Equivalents

The City considers investments to be cash equivalents if they have a maturity of three months or less when purchased. The City had the following cash and cash equivalents at September 30, 2008:

	Governmental Activities				Total Governmental Activities
	General Fund	Capital Projects Fund	Other Funds	Internal Service Fund	
Petty Cash	\$ 814	\$ -	\$ -	\$ -	\$ 814
Cash in Bank	-	221,343	584,208	-	805,551
TexPool	647	-	792	603	2,042
Invesco Aim	351,572	-	-	-	351,572
Local Government Investment Cooperative	-	3,002,948	-	-	3,002,948
Certificates of Deposit	-	-	-	-	-
Total	\$ 353,033	\$ 3,224,291	\$ 585,000	\$ 603	\$ 4,162,927

	Business-Type Activities				Total Enterprise Funds
	Gas Utility Fund	Water Utility Fund	Wastewater Utility Fund	Pheasant Trails Golf Course Fund	
Petty Cash	\$ 1,114	\$ -	\$ -	\$ 200	\$ 1,314
Cash in Bank	5,460	43,522	63,438	4,645	117,065
TexPool	445,422	577,314	784,869	-	1,807,605
Invesco Aim	-	-	-	-	-
Local Government Investment Cooperative	8,454	-	-	-	8,454
Certificates of Deposit	-	-	-	-	-
Total	\$ 460,450	\$ 620,836	\$ 848,307	\$ 4,845	\$ 1,934,438

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

1. Cash and Cash Equivalents (continued)

	Nonmajor Component Unit
Petty Cash	\$ 100
Cash in Bank	35,668
TexPool	<u>682,938</u>
Total	<u>\$ 718,706</u>

2. Deposits and Investments

City Policies and Legal and Contractual Provisions Governing Deposits and Investments

Compliance with the Public Funds 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 the City 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, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

2. Deposits and Investments (continued)

As of September 30, 2008, the City of Dumas, Texas had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
TexPool	\$ 1,809,647	\$ 1,809,647	\$ -	\$ -	\$ -
Local Government Investment					
Cooperative	3,011,402	3,011,402	-	-	-
Certificates of Deposit	106,416	-	106,416	-	-
Invesco Aim	<u>351,572</u>	<u>351,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>5,279,037</u>	<u>5,172,621</u>	<u>106,416</u>	<u>-</u>	<u>-</u>
Less reported as cash and cash equivalents	<u>5,172,621</u>	<u>5,172,621</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments - Current	<u>\$ 106,416</u>	<u>\$ -</u>	<u>\$ 106,416</u>	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2008, the component unit had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
TexPool	\$ 682,938	\$ 682,938	\$ -	\$ -	\$ -
Total Investments	<u>682,938</u>	<u>682,938</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less reported as cash and cash equivalents	<u>682,938</u>	<u>682,938</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments - Current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

2. *Deposits and Investments* (continued)

Additional contractual provisions governing deposits and investments for City of Dumas, Texas and the component unit are as follows:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the City and component unit limit investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. The City and component unit's policies emphasize safety of principal and liquidity, and addresses investment diversification, yield, and maturity. During the year, the City and component unit's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At September 30, 2008, the City and component unit's deposits were covered with depository insurance in the amount of \$115,403 and \$61,976, respectively, and collateralized with securities held by the pledging financial institution's trust department or agent in the City and component unit's name in the amount of \$1,330,289 and \$-0-, respectively.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the City and component unit will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party, the City and component unit require counterparties to register the securities in the name of the City and component unit or their designated agent. All of the City's pledged securities are held by the City's agent. During the year, the City and component unit's investments in external investment pools were not subject to custodial credit risk for investments.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the City and component unit's investment in a single issuer, the City and component unit's investment policies emphasize safety of principal and liquidity. The policy requires prudence with respect to single investments. During the year, the City invested in certificates of deposit, TexPool, and Local Government Investment Cooperative, under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and Public Funds Investments Act, Chapter 2256, Texas Government Code. The City invested in the Invesco Aim Funds under the Public Funds Investments Act, Chapter 2256. The component unit invested in TexPool. The City and component unit were not exposed to

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

2. *Deposits and Investments* (continued)

any concentration of credit risk for the year ended September 30, 2008, except for the Invesco Aim Fund which is not insured by FDIC. The City had \$351,572 in this fund at September 30, 2008.

Investment Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires that internally created pool fund groups have a maximum dollar weighted maturity of 180 days and other investments shall not exceed one year from time of purchase unless specifically authorized by the Commission for a given investment. The City and component unit were not exposed to any interest rate risk at September 30, 2008.

Foreign Currency Risk for Investments

The City and component unit limit the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign investments. The City and component unit were not exposed to any foreign currency risk for investments at September 30, 2008.

Other Credit Risk Exposure

The City was exposed to repurchase agreement risk due to the Invesco Aim investments. This fund may enter into repurchase agreements which may incur losses due to decline in value of securities.

The City and component unit had no other known credit risk exposure at September 30, 2008.

Defaults and Recovery of Prior Period Losses

The City and component unit had no defaults or prior period losses for the year ended September 30, 2008.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

2. *Deposits and Investments* (continued)

Market values are based on quoted market values. The investments are reported by the City and component unit at amortized cost in accordance with Governmental Accounting Standards Board Statement (GASBS) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All gains/losses that are reported in the financial statements are for realized gains/losses. In accordance with GASBS No. 31, no unrealized gains/losses were recognized.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and Texas Government Code, Chapter 2256. The participation agreement was made and entered into by and between the City of Dumas, Texas and the Comptroller of Public Accounts, acting on behalf of the Texas Treasury Safekeeping Trust Company, Trustee of the Texas Local Government Investment Pool. The Trust Company has specifically identified the authorized investments consistent with the Investment Act. The City and component unit own an undivided beneficial interest in the assets of TexPool in an amount proportional to the total amount of the City and component unit's accounts relative to the total amount of all the participants' accounts in TexPool, computed on a daily basis.

The Local Government Investment Cooperative was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The City participates in the Liquid Asset Portfolio whose investments are exclusively in short-term marketable securities which are obligations of the United States, its agencies and instrumentalities with a maximum maturity of 13 months and repurchase agreements secured by obligations of the United States. The effective weighted average maturity of the Liquid Asset Portfolio cannot exceed 90 days. The Liquid Asset Portfolio does not invest in United States Government securities representing ownership in collateralized mortgage obligations or mortgage pools, banker's acceptances, or commercial paper.

Invesco Aim includes the Premier U.S. Government Money Portfolio Fund that invests in obligations issued by the agencies and instrumentalities of the U.S. Government. These funds vary in the level of support they receive from the U.S. Government. The U.S. Government may choose not to provide financial support to the U.S. Government sponsored agencies or instrumentalities if it is not legally obligated to do so, in which case, if the issuer defaulted, the fund holding securities of such issuer might not be able to recover its investment from the U.S. Government. These funds have a repurchase agreement risk. This fund is not insured or guaranteed by the FDIC or any government agency.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

3. *Property Taxes Receivable and Property Tax Calendar*

Property taxes receivable are recorded in the Debt Service Fund and the General Fund. At fiscal year-end, the receivables represent delinquent taxes. Delinquent taxes not paid at year-end are recorded as deferred revenue. Delinquent tax payments received through the year are recognized as revenue in the year received.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property tax revenues are recognized when collected. An allowance is established for delinquent taxes to the extent that their collectibility is improbable.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The ad valorem tax rate is allocated to the Debt Service Fund based on the projected annual requirement for debt service on general obligation debt. The total ad valorem tax rate for the year ended September 30, 2008, was \$0.12682 per \$100 valuation. Of this tax rate, \$0.0480 and \$0.07882 per \$100 valuation were allocated to the General Fund and the Debt Service Fund, respectively.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

4. Disaggregation of Receivables

Receivables at September 30, 2008, were as follows:

	Taxes	Other Governments	Due from Other Funds	Accounts Receivable	Other	Total Receivables
Governmental Activities:						
General Fund	\$ 334,694	\$ -	\$ -	\$ 122,179	\$ 23,291	\$ 480,164
Capital Projects Fund	-	-	-	-	-	-
Nonmajor Governmental Funds	1,454	26,114	-	118,857	-	146,425
Internal Service Fund	-	-	-	445	-	445
Total - Governmental Activities	<u>\$ 336,148</u>	<u>\$ 26,114</u>	<u>\$ -</u>	<u>\$ 241,481</u>	<u>\$ 23,291</u>	<u>\$ 627,034</u>
Business-Type Activities:						
Gas Utility Fund	\$ -	\$ -	\$ -	\$ 133,127	\$ -	\$ 133,127
Water Utility Fund	-	-	-	104,411	-	104,411
Wastewater Utility Fund	-	-	-	66,960	-	66,960
Pheasant Trails Golf Course Fund	-	-	-	-	-	-
Total - Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,498</u>	<u>\$ -</u>	<u>\$ 304,498</u>
Component Unit:						
Dumas Economic Development Corporation	<u>\$ -</u>	<u>\$ 53,842</u>	<u>\$ -</u>	<u>\$ 3,016</u>	<u>\$ -</u>	<u>\$ 56,858</u>

5. Intergovernmental Receivables

Intergovernmental receivables consist of the following:

Other Nonmajor Funds

City of Cactus, Texas	\$ 2,363
City of Sunray, Texas	2,363
State of Texas	<u>21,388</u>
Total Nonmajor Funds	<u>\$ 26,114</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

6. *Capital Asset Activity*

Capital asset activity for the City's governmental activities for the year ended September 30, 2008, was as follows:

	Primary Government				Balance September 30, 2008
	Balance October 1, 2007	Additions	Retirements	Other	
Governmental Activities:					
Land (not depreciated)	\$ 420,735	\$ -	\$ -	\$ -	\$ 420,735
Buildings	2,526,728	-	-	-	2,526,728
Machinery and equipment	8,484,171	284,160	15,641	1	8,752,691
Infrastructure	-	-	-	-	-
Construction in progress	-	50,780	-	-	50,780
Totals at Historical Cost	11,431,634	334,940	15,641	1	11,750,934
Less Accumulated Depreciation for:					
Buildings	559,870	79,717	-	-	639,587
Machinery and equipment	7,316,146	352,011	15,641	(2)	7,652,514
Total Accumulated Depreciation	7,876,016	431,728	15,641	(2)	8,292,101
Governmental Activities					
Capital Assets, Net	<u>\$ 3,555,618</u>	<u>\$ (96,788)</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3,458,833</u>

Construction in progress consists of one project for the construction of a swimming pool. The total estimated cost is \$3,250,000. The project was 1.56% complete at September 30, 2008. The project is expected to be completed in the summer of 2009.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

6. Capital Asset Activity (continued)

Capital asset activity for the City's business-type activities for the year ended September 30, 2008, was as follows:

	Primary Government				Balance September 30, 2008
	Balance October 1, 2007	Additions	Retirements	Other	
Business-Type Activities:					
Gas Utility Fund:					
Land (not depreciated)	\$ 49,778	\$ -	\$ -	\$ -	\$ 49,778
Buildings	117,234	-	-	-	117,234
Machinery and equipment (includes gas system)	2,201,893	-	-	48,209	2,250,102
Construction in progress	-	161,724	-	-	161,724
Totals at Historical Cost	2,368,905	161,724	-	48,209	2,578,838
Less Accumulated Depreciation	1,933,835	38,491	-	48,209	2,020,535
Net Property, Plant, and Equipment	<u>\$ 435,070</u>	<u>\$ 123,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,303</u>
Water Utility Fund:					
Land (not depreciated)	\$ 54,680	\$ -	\$ -	\$ -	\$ 54,680
Buildings	-	-	-	-	-
Machinery and equipment (includes water system)	9,498,512	18,717	-	(48,210)	9,469,019
Construction in progress	-	43,229	-	-	43,229
Totals at Historical Cost	9,553,192	61,946	-	(48,210)	9,566,928
Less Accumulated Depreciation	7,688,975	58,366	-	(48,210)	7,699,131
Net Property, Plant, and Equipment	<u>\$ 1,864,217</u>	<u>\$ 3,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,867,797</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

6. Capital Asset Activity (continued)

	Primary Government				Balance September 30, 2008
	Balance October 1, 2007	Additions	Retirements	Other	
Business-Type Activities (continued):					
Wastewater Utility Fund:					
Land (not depreciated)	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	5,711	-	-	-	5,711
Machinery and equipment (includes sewer system)	3,387,682	-	-	-	3,387,682
Construction in progress	-	-	-	-	-
Totals at Historical Cost	3,393,393	-	-	-	3,393,393
Less Accumulated Depreciation	1,368,807	101,216	-	(1)	1,470,022
Net Property, Plant, and Equipment	<u>\$ 2,024,586</u>	<u>\$ (101,216)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,923,371</u>
Pheasant Trails Golf Course Fund:					
Land (not depreciated)	\$ 189,000	\$ -	\$ -	\$ -	\$ 189,000
Buildings	252,516	5,658	-	-	258,174
Machinery and equipment	953,759	39,642	-	-	993,401
Construction in progress	-	-	-	-	-
Totals at Historical Cost	1,395,275	45,300	-	-	1,440,575
Less Accumulated Depreciation	539,699	44,223	-	-	583,922
Net Property, Plant, and Equipment	<u>\$ 855,576</u>	<u>\$ 1,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,653</u>
Total Business-Type Activities, Net	<u>\$ 5,179,449</u>	<u>\$ 26,674</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 5,206,124</u>

The construction in progress in the Gas Utility Fund consists of one project for the construction of a gas loop line. The total estimated cost of the project is \$220,000. The project was 73.5% completed at September 30, 2008. The estimated completion date is December 2008.

The construction in progress in the Water Utility Fund consists of one project for the construction of a bulk water station. The total estimated cost of the project is \$50,000. The project was 86.0% completed at September 30, 2008. The estimated completion date is December 2008.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

A. Assets (continued)

6. Capital Asset Activity (continued)

Component Unit – Capital Assets

The following is a summary of capital assets of Dumas Economic Development Corporation at September 30, 2008:

	Component Unit			Balance September 30, 2008
	Balance October 1, 2007	Additions	Retirements and Other	
Land (not depreciated)	\$ 156,703	\$ -	\$ -	\$ 156,703
Buildings	629,580	-	-	629,580
Machinery and equipment	725,443	-	-	725,443
Construction in progress	-	-	-	-
Total	1,511,726	-	-	1,511,726
Less Accumulated Depreciation	133,974	34,525	-	168,499
Net Property, Plant, and Equipment	\$ 1,377,752	\$ (34,525)	\$ -	\$ 1,343,227

In the Governmental Activities for the Primary Government, depreciation expense was charged as follows:

City Commission	\$ 4,991
Administration	15,951
Engineering	3,921
Communications	25,433
Police	73,877
Fire	129,010
Highways and streets	6,598
Sanitation	104,998
Culture and recreation	17,927
Parks	49,022
Total Depreciation Expense	\$ 431,728

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities

1. Commitments and Contingencies

Contingencies

Effective January 1, 1978, City of Dumas, Texas became a covered employer for Texas and federal unemployment. The City has elected to become a reimbursing employer, thereby reimbursing the state fund for actual benefits paid to their former employees. At the present time, the liability for reimbursement is an insignificant amount.

2. Lease Commitments

Operating Leases

The City and component unit have entered into operating leases, which contain cancellation provisions and are subject to annual appropriations by the City Commission. For the current year, rent expenditures approximated \$6,588 for the City and \$1,887 for the component unit.

The minimum lease payments under operating leases are:

	Operating Leases	
	General Fund	Component Unit
2009	\$ 8,513	\$ 2,076
2010	7,349	2,076
2011	1,575	1,188
2012	1,575	1,188
2013	1,575	1,188
Total	\$ 20,587	\$ 7,716

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

2. Lease Commitments (continued)

Capital Leases

Governmental Activities:

General Fund

The City entered into a capital lease agreement with W. T. Services, Inc. on August 24, 2006, in the principal amount of \$43,803. The lease is for the purchase of police radios and cases. The lease requires three annual payments of \$14,484, beginning August 1, 2007, with the final payment due August 1, 2009. The lease required a lease payment upon signing of \$8,760. The interest rate is 12%. The current year interest paid was \$2,850.

The City entered into a capital lease agreement with Dell Computers on March 13, 2006, in the principal amount of \$7,794. The lease is for the purchase of three personal computers and two laptop computers. The lease requires four annual payments of \$2,143, beginning April 24, 2006, with a final payment due August 24, 2009. The interest rate is 6.73%. The current year interest paid was \$262.

The City entered into a capital lease agreement with First State Bank, Dumas, Texas branch on February 6, 2006, in the principal amount of \$76,192. The lease is for the purchase of HTE software. The lease requires quarterly payments of \$5,273, beginning April 1, 2006, with the final payment due January 1, 2010. The interest rate is 5.5%. The current year interest paid was \$2,057.

The City entered into a capital lease agreement with Ford Motor Credit Company on November 15, 2006, in the principal amount of \$50,373. The lease is for the purchase of two police cars. The lease requires three annual payments beginning November 15, 2006, with a final payment due November 15, 2008. The interest rate is 6.616%. The current year interest paid was \$2,150.

The City entered into a capital lease agreement with DivLend Equipment Leasing, L.L.C. on April 7, 2008, in the principal amount of \$112,000. The lease is for the purchase of two trash packer bodies. The lease requires twelve quarterly payments of \$9,951 beginning April 2008, with a final payment due January 7, 2011. The interest rate is 4.0%. The current year interest paid was \$2,152.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

2. Lease Commitments (continued)

Business-Type Activities:

Water Utility Fund

The City entered into a capital lease agreement with First State Bank of Dumas, Texas on March 30, 2004, in the principal amount of \$2,845,516. The lease is for the performance contract between Johnson Controls, Inc. and City of Dumas, Texas to install energy conservation measures, water measures, facility improvement measures, and operational efficiency improvements for the water and gas meters. The lease requires 48 quarterly payments of \$75,150, beginning September 1, 2004, with the final payment due June 1, 2016. The interest rate is 4.0%. The current year interest paid was \$84,697.

Pheasant Trails Golf Course Fund

City of Dumas, Texas, d/b/a Pheasant Trails Golf Course, entered into a capital lease with Textron Financial Corporation on May 16, 2007, in the principal amount of \$67,412. The lease is for twenty-five E-Z Go Golf Carts. The lease requires forty-eight monthly payments of \$1,321 beginning July 15, 2007, with a final payment of \$15,000 due July 15, 2011. The interest rate is 6.38%. The current year interest paid was \$3,766.

The annual requirements for the capital leases are as follows:

Governmental Activities:

<u>General Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 88,446	\$ 6,955	\$ 95,401
2010	43,015	1,813	44,828
2011	19,609	295	19,904
2012	-	-	-
2013	-	-	-
Thereafter	-	-	-
Total Governmental Activities	\$ 151,070	\$ 9,063	\$ 160,133

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

2. Lease Commitments (continued)

Business-Type Activities:

<u>Water Utility Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 224,166	\$ 76,434	\$ 300,600
2010	233,268	67,332	300,600
2011	242,739	57,861	300,600
2012	252,458	48,142	300,600
2013	262,846	37,754	300,600
Thereafter	<u>779,257</u>	<u>47,490</u>	<u>826,747</u>
Total Water Utility Fund	<u>\$ 1,994,734</u>	<u>\$ 335,013</u>	<u>\$ 2,329,747</u>
<u>Pheasant Trails Golf Course Fund</u>			
2009	\$ 12,883	\$ 2,972	\$ 15,855
2010	13,729	2,126	15,855
2011	25,807	1,085	26,892
2012	-	-	-
2013	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total Pheasant Trails Golf Course Fund	<u>\$ 52,419</u>	<u>\$ 6,183</u>	<u>\$ 58,602</u>
<u>Business-Type Activities</u>			
2009	\$ 237,049	\$ 79,406	\$ 316,455
2010	246,997	69,458	316,455
2011	268,546	58,946	327,492
2012	252,458	48,142	300,600
2013	262,846	37,754	300,600
Thereafter	<u>779,257</u>	<u>47,490</u>	<u>826,747</u>
Total Business-Type Activities	<u>\$ 2,047,153</u>	<u>\$ 341,196</u>	<u>\$ 2,388,349</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

3. *Disaggregation of Payables*

	Accounts Payable	Loans, Leases, and Bonds Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total
Governmental Activities:							
General Fund	\$ 140,641	\$ -	\$ 318,416	\$ -	\$ 40,475	\$ 448,733	\$ 948,265
Capital Projects Fund	19,046	-	-	-	-	-	19,046
Nonmajor Governmental Funds	101,697	-	2,918	-	-	364,763	469,378
Internal Service Fund	14,606	-	-	-	-	157,524	172,130
Total Governmental Activities	<u>\$ 275,990</u>	<u>\$ -</u>	<u>\$ 321,334</u>	<u>\$ -</u>	<u>\$ 40,475</u>	<u>\$ 971,020</u>	<u>\$1,608,819</u>
Business-Type Activities:							
Gas Utility Fund	\$ 34,553	\$ -	\$ 170,078	\$ -	\$ 6,811	\$ -	\$ 211,442
Water Utility Fund	21,750	2,943,248	145,596	-	-	9,407	3,120,001
Wastewater Utility Fund	2,007	1,275,000	2,870	-	-	3,645	1,283,522
Pheasant Trails Golf Course Fund	5,081	52,419	10,006	-	1,142	348	68,996
Total Business-Type Activities	<u>\$ 63,391</u>	<u>\$ 4,270,667</u>	<u>\$ 328,550</u>	<u>\$ -</u>	<u>\$ 7,953</u>	<u>\$ 13,400</u>	<u>\$4,683,961</u>
Component Unit:							
Dumas Economic Development Corporation	<u>\$ 5,872</u>	<u>\$ 293,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,643</u>	<u>\$ 306,415</u>

4. *Risk Management*

In October 1990, the City initiated a self-insurance medical program by establishing the Group Health Benefit Plan. This Plan provides employee health benefits up to a maximum of \$1,945,000 in a lifetime. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Stop loss coverage pays for individual claims in excess of \$55,000 and aggregate claims exceeding \$750,251. All funds of the City participate in the program and make payments to the Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The unpaid claims liability of \$69,972, reported in the Fund at September 30, 2008, is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated of \$55,366 and claims included in accounts payable of \$14,606.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

4. Risk Management (continued)

	Balance October 1, 2007	Additions	Claim Payments	Balance September 30, 2008
Unpaid Claims	\$ 17,259	\$ 564,622	\$ 511,909	\$ 69,972

5. Deferred Revenues

Deferred revenues consist of the following:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	\$ 12,841	\$ -	\$ 1,454	\$ 14,295
Fines	-	-	77,077	77,077
Other taxes	-	-	219,619	219,619
Christmas decorations	-	-	13,810	13,810
Federal revenue	-	-	26,078	26,078
Other revenue	-	-	23,067	23,067
Total Deferred Revenues	\$ 12,841	\$ -	\$ 361,105	\$ 373,946

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. Long-Term Debt

A summary of changes in long-term debt for Governmental Activities for the year ended September 30, 2008, is as follows:

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amounts Outstanding 10/1/07	Issued	Retired	Amounts Outstanding 9/30/08	Due Within One Year
Series 2001 - Certificates of Obligation (87.37%)	4.1% to 5.5%	\$ 1,572,660	\$ 33,760	\$ 808,171	\$ -	\$ 126,686	\$ 681,485	\$ 135,423
Series 1998 - Public Property Finance Contractual Obligations	4.635%	1,000,000	6,000	125,000	-	125,000	-	-
Series 2008 - General Obligation Bonds	4.75% to 5.5%	3,000,000	-	-	3,000,000	-	3,000,000	70,000
Loan - Happy State Bank Dumas, Texas	3.75%	120,500	2,383	62,494	-	30,661	31,833	31,833
Loan - Government Capital Corporation	8.5%	48,509	297	-	48,509	17,311	31,198	14,965
Landfill closure costs	N/A	N/A	-	774,754	62,789	-	837,543	-
Capital lease - 2 police cars	6.616%	50,373	2,150	32,495	-	15,729	16,766	16,766
Capital lease - police radios	12.0%	43,803	2,850	24,616	-	11,634	12,982	12,982
Capital lease - Dell computers	6.73%	7,794	262	3,889	-	1,881	2,008	2,008
Capital lease - HTE software	5.5%	76,192	2,057	44,097	-	19,035	25,062	20,110
Capital lease - 2 trash packer bodies	4.00%	112,000	2,152	-	112,000	17,750	94,250	36,578
Unfunded defined benefit retirement obligation	N/A	N/A	-	1,416,104	764,957	-	2,181,061	-
Total Governmental Activities:				<u>\$ 3,291,620</u>	<u>\$ 3,988,255</u>	<u>\$ 365,687</u>	<u>\$ 6,914,188</u>	<u>\$ 340,665</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. *Long-Term Debt* (continued)

In 1998, the City issued Public Property Finance Contractual Obligations in the total amount of \$1,000,000 for the purchase of a fire truck, two sanitation trucks, a motor grader, a street sweeper, two tractors, and five pickup trucks. The certificates mature over a ten year period with an average interest rate of 4.635%. The current year interest paid was \$6,000. This Series 1998 Public Property Finance Contractual Obligation was paid off during the current year.

In 2001, the City issued Certificates of Obligation in the total amount of \$1,800,000 for the purpose of building a concession stand and restrooms for the Little League baseball park, for the street paving project, for refurbishing a water tank, and for a radio system upgrade. The certificates mature over a thirteen-year period with interest rates ranging from 4.1% to 5.5%. Annual principal payments are to be made on the Certificates of Obligation through September 1, 2013. Interest payments are made semi-annually. The current year interest paid in the Debt Service Fund was \$33,760. Approximately 12.63% of the total balance of the Series 2001 Certificates of Obligation, or \$227,340, was used for refurbishing a water tank in the Water Utility Fund. The current year interest paid in the Water Utility Fund was \$4,820.

In April 2005, the City borrowed \$120,500 from Happy State Bank, Dumas, Texas, for the purpose of purchasing a trash compactor. The loan is to be repaid in four annual payments of \$33,043.44, including principal and interest, beginning April 1, 2006. The loan is expected to be repaid in April 2009. The interest rate is 3.75%. The current year interest paid was \$2,383.

In November 2007, the City entered into a loan (Property Finance Act Contract) agreement with Government Capital Corporation, for the purpose of purchasing two police cars. The City borrowed \$48,509 at an 8.5% interest rate. The loan is secured by maintenance and operations property taxes. The loan is to be repaid in three annual installments of \$17,608 beginning December 1, 2007, and the last payment will be due December 1, 2009. The current year interest paid was \$297.

The City issued Series 2008 General Obligation Bonds dated September 1, 2008, in the amount of \$3,000,000 for permanent public purposes including a new swimming pool, walking tracks, other municipal improvements, and paying the cost of issuance. The certificates mature over a twenty-five year period with interest rates ranging from 4.75% to 5.5%. Annual principal payments are to be made each year through September 1, 2033. Interest payments are made semi-annually. The General Obligation Bonds were issued pursuant to the Constitution and general laws of the

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. *Long-Term Debt* (continued)

State of Texas, including Texas Government Code, Chapter 1331. The bonds are payable from proceeds of an annual ad valorem tax levied, within limitations prescribed by law, upon all taxable property in the City.

The City reserves the right, at its sole option, to redeem Bonds stated to mature on and after September 1, 2020, on September 1, 2018, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed at redemption. The Bonds are guaranteed under a financial guaranty insurance policy. The current year interest paid was \$-0-.

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as long-term debt and/or as an expenditure of the General Fund in each period based on landfill capacity used as of each balance sheet date. The \$837,543, reported as landfill closure and post-closure care liability at September 30, 2008, represents the cumulative amount reported to date based on the use of 31.26% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,842,049 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2008. The City expects to close the Type I landfill in approximately five years or increase capacity for the future. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan. The unfunded status of the plan as of September 30, 2008, was \$2,181,061. At the time of the audit, the latest information available from the actuaries was as of December 31, 2007. The unfunded liability is reported as a long-term liability in the Statement of Net Assets (Schedule A-1).

There are a number of limitations and restrictions in the various bond indentures. Management has indicated the City is in compliance with all significant limitations and restrictions at September 30, 2008.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. Long-Term Debt (continued)

A summary of changes in long-term debt for Business-Type Activities is as follows:

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amounts Outstanding 10/1/07	Issued	Retired	Amounts Outstanding 9/30/08	Due Within One Year
<u>Water Utility Fund</u>								
Series 2001 - Certificates of Obligation (12.63%)	4.1% to 5.5%	\$ 227,340	\$ 4,820	\$ 116,829	\$ -	\$ 18,315	\$ 98,514	\$ 19,576
Series 2004 - Certificates of Obligation (40%)	3.1% to 3.6%	960,000	30,061	878,000	-	28,000	850,000	80,000
Capital lease First State Bank	4.0%	2,845,516	84,697	2,209,921	-	215,187	1,994,734	224,166
Total Water Utility Fund				<u>3,204,750</u>	<u>-</u>	<u>261,502</u>	<u>2,943,248</u>	<u>323,742</u>
<u>Wastewater Utility Fund</u>								
Series 2004 - Certificates of Obligation (60%)	3.1% to 3.6%	1,440,000	45,092	1,317,000	-	42,000	1,275,000	120,000
Total Wastewater Utility Fund				<u>1,317,000</u>	<u>-</u>	<u>42,000</u>	<u>1,275,000</u>	<u>120,000</u>
<u>Pheasant Trails Golf Course Fund</u>								
Capital lease - Golf carts	6.38%	67,412	3,766	64,508	-	12,089	52,419	12,883
Total Pheasant Trails Golf Course Fund				<u>64,508</u>	<u>-</u>	<u>12,089</u>	<u>52,419</u>	<u>12,883</u>
Total Business-Type Activities				<u>\$ 4,586,258</u>	<u>\$ -</u>	<u>\$ 315,591</u>	<u>\$ 4,270,667</u>	<u>\$ 456,625</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. *Long-Term Debt* (continued)

A portion of the Certificates of Obligation, Series 2001, was used to refurbish a water tank in the Water Utility Fund. Approximately 12.63% of the total Certificates of Obligation, or \$227,340, was allocated to the Water Utility Fund and is reported as long-term debt of the Water Utility Fund. The Certificates of Obligation are to be paid over a 13 year period ending September 1, 2013. Interest is paid on the certificates semi-annually with interest rates ranging from 4.1% to 5.5%. The current year interest paid was \$4,820.

The City issued the Series 2004 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation in February 2004 in the total amount of \$2,400,000. The purpose of the Certificates of Obligation is for the following:

- a. Water and system improvements and extensions including the purchase of water rights, and
- b. Professional services rendered in connection with the acquisition and construction financing of the projects.

The Certificates of Obligation mature in September 2015 with annual payments. Interest payments are made semi-annually. The interest rate ranges from 3.1% to 3.6%. Approximately 60% of the total Series 2004 Certificates of Obligation, or \$1,440,000, is for the wastewater improvements and are reported in the Wastewater Utility Fund. Approximately 40% of the total Series 2004 Certificates of Obligation, or \$960,000, is for purchase of water rights and extensions and are reported in the Water Utility Fund. The current year interest paid in the Water Utility Fund and Wastewater Utility Fund was \$30,061 and \$45,092, respectively.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

6. Long-Term Debt (continued)

A summary of long-term debt for Dumas Economic Development Corporation is as follows:

Component Unit	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amount Outstanding 10/1/07	Issued	Retired	Amount Outstanding 9/30/08	Due Within One Year
Note payable - Happy State Bank Dumas, Texas	5%	\$ 400,000	\$ 9,233	\$ 315,521	\$ -	\$ 315,521	\$ -	\$ -
Note payable - Happy State Bank Dumas, Texas	5.25%	293,900	6,643	-	293,900	-	293,900	23,236
Total Nonmajor Component Unit				<u>\$ 315,521</u>	<u>\$293,900</u>	<u>\$ 315,521</u>	<u>\$ 293,900</u>	<u>\$ 23,236</u>

The original Happy State Bank loan of \$400,000 was scheduled to be paid off with a balloon payment of \$336,895 on April 1, 2008. A principle payment in the amount of \$22,790 was made on April 1, 2008, leaving a balance of \$292,731. On April 28, 2008, this amount along with \$1,169 of accrued interest was renewed in a loan with a beginning balance of \$293,900. The new loan will be amortized over a ten year period with a variable interest rate. The initial interest rate was set at 5.25%. The loan is payable in ten installments of \$38,665 due on April 28 of each year. The final payment will be April 28, 2018. The current year interest on the original \$400,000 note was \$9,233. The current year interest on the \$293,900 note with Happy State Bank was \$6,643.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

7. Debt Service Requirements – Bonds, Long-Term Loans, and Capital Leases

Debt service requirements are as follows:

Governmental Activities:

Year Ending September 30,	Principal	Interest	Total
2009	\$ 340,665	\$ 115,897	\$ 456,562
2010	273,408	101,062	374,470
2011	238,138	90,595	328,733
2012	232,266	82,400	314,666
2013	171,107	73,857	244,964
Thereafter	<u>5,658,604</u>	<u>2,056,185</u>	<u>7,714,789</u>
Total Governmental Activities	<u>\$ 6,914,188</u>	<u>\$ 2,519,996</u>	<u>\$ 9,434,184</u>

Business-Type Activities:

Year Ending September 30,	Principal	Interest	Total
2009	\$ 456,625	\$ 156,462	\$ 613,087
2010	477,837	138,711	616,548
2011	510,017	119,995	630,012
2012	495,192	100,589	595,781
2013	611,739	82,403	694,142
Thereafter	<u>1,719,257</u>	<u>97,915</u>	<u>1,817,172</u>
Total Business-Type Activities	<u>\$ 4,270,667</u>	<u>\$ 696,075</u>	<u>\$ 4,966,742</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

B. Liabilities (continued)

7. *Debt Service Requirements – Bonds, Long-Term Loans, and Capital Leases*
(continued)

Component Unit:

Year Ending September 30,	Principal	Interest	Total
2009	\$ 23,236	\$ 15,429	\$ 38,665
2010	24,455	14,210	38,665
2011	25,739	12,926	38,665
2012	27,090	11,575	38,665
2013	28,513	10,152	38,665
Thereafter	<u>164,867</u>	<u>26,674</u>	<u>191,541</u>
Total Component Unit	<u>\$ 293,900</u>	<u>\$ 90,966</u>	<u>\$ 384,866</u>

C. Interfund Balances and Transfers

1. *Pooled Cash Interfund Receivables and Payables*

The City maintains a pooled cash account to maximize interest earnings. At year-end, some of the funds had overdrawn their share of funds in the pool. Each individual fund reports their share of the pooled cash and cash equivalents.

2. *Interfund Transfers*

Interfund transfers for the year ended September 30, 2008, consisted of the following:

Transfer to General Fund From:	
Gas Utility Fund	\$ 490,000
Water Utility Fund	160,000
Wastewater Utility Fund	<u>450,000</u>
Total Transfer to General Fund	<u>\$ 1,100,000</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)

C. Interfund Balances and Transfers (continued)

2. Interfund Transfers (continued)

Transfer to Nonmajor Funds From:	
Gas Utility Fund	<u>\$ 15,000</u>
Total Transfer to Nonmajor Funds	<u><u> \$ 15,000</u></u>
Transfer to Pheasant Trails Golf Course Fund From:	
General Fund	<u>\$ 2,121,935</u>
Total Transfer to Pheasant Trails Golf Course Fund	<u><u> \$ 2,121,935</u></u>

The City's management transferred \$2,121,935 to the Pheasant Trails Golf Course Fund that was recorded as due to the General Fund in prior years. The purpose of the interfund transfers is to allow for ease of funding the daily operations of the City.

D. Fund Equity

Reserved Fund Balances

The Debt Service Fund has a reserved fund balance of \$243,348 for future debt expenditures. The General Fund has a reserved fund balance of \$56,551 for inventories.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

IV. SEGMENT INFORMATION FOR THE GENERAL FUND

Segment information for the General Fund expenditures for the year ended September 30, 2008, is as follows:

	Personal Services & Benefits	Professional Services	Repairs and Maintenance	Other Operating Costs	Materials and Supplies	Debt Service	Capital Outlay	Less: Indirect Cost Allocation	Total Expenditures
General Government									
City Commission	\$ 17,810	\$ 4,727	\$ 8,529	\$ 28,486	\$ 19,303	\$ -	\$ -	\$ 59,142	\$ 19,713
Administration	498,120	106,755	21,645	33,792	41,663	-	-	498,952	203,023
Information systems	65,990	-	1,905	6,168	17,403	-	-	78,677	12,789
Warehouse	179,509	200	489	3,079	26,982	-	-	157,694	52,565
Engineering	89,468	-	-	1,910	4,985	-	-	77,545	18,818
Purchasing	44,286	-	34	2,264	3,214	-	-	47,949	1,849
Communications	91,013	-	2,028	1,681	7,994	-	-	77,037	25,679
Public Safety									
Fire	871,734	2,894	29,062	27,527	120,541	-	-	-	1,051,758
Police	1,638,303	4,869	26,199	47,906	204,249	-	2,897	-	1,924,423
Highways and Streets	218,420	6,819	170,258	6,015	213,716	-	-	-	615,228
Sanitation									
Sanitation	294,670	1,049	16,789	12,518	134,930	-	-	-	459,956
Landfill	279,263	42,112	3,811	36,072	163,101	-	-	-	524,359
Recycling	29,352	-	16,133	297	3,263	-	-	-	49,045
Culture and Recreation Parks									
Recreation Parks	242,655	43,420	7,349	1,742	76,365	-	-	-	371,531
Debt Service									
Principal	-	-	-	-	11,635	84,616	17,750	-	114,001
Interest	-	-	-	65	-	12,036	-	-	12,101
Capital Outlay	-	-	-	-	-	-	264,941	-	264,941
Total Expenditures	\$ 4,560,593	\$ 212,845	\$ 304,231	\$ 209,522	\$ 1,049,344	\$ 96,652	\$ 285,588	\$ 996,996	\$ 5,721,779

V. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

V. FEDERAL AND STATE GRANTS (continued)

The federal grant expenditures for the year included the following:

CFDA No. 97.042	Emergency Management Performance Grant	\$ 21,389
CFDA No. 97.044	FEMA Grant	<u>124,043</u>
	Total Federal Grant Expenditures	<u><u>\$ 145,432</u></u>

The state grant expenditures for the year included the following:

Texas Traffic Safety Grant	<u><u>\$ 5,819</u></u>
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VI. RETIREMENT PLANS

Multi-Employer Plans

Plan Description

City of Dumas provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. At the inception of the plan, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. The updated service credit is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City's matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

VI. RETIREMENT PLANS (continued)

Multi-Employer Plans (continued)

In May 2007, the Governmental Accounting Standards Board (GASB) issued statement No. 50: *Pension Disclosures*. The effective date for this statement is for periods beginning after June 15, 2007. GASB No. 50 has been implemented in these footnote disclosures. The Texas Municipal Retirement System (TMRS) economic assumptions are as follows:

1. Real Rate of Return	7.80%
2. Inflation	3.00%
3. Long-term Investment Return	7.70%

Members can retire at age 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits.

A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Contributions

The contribution rate for the employees is 5%, and the City's matching percent is currently 1½%, as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate is determined annually by the actuary. The unit credit actuarial cost method is used for determining the contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (or overfunded) actuarial liability (asset) over the remainder of the plan's twenty-five year amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2008 was \$4,251,254 and the City's contributions were based on a payroll of \$3,862,025. The City made the required contributions, amounting to \$282,416 (retirement rates of 7.32% for 2007 and 7.31% for 2008) for the City and \$193,101 for the employees' part. Total contributions made by the City were \$475,517.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

VI. RETIREMENT PLANS (continued)

Multi-Employer Plans (continued)

SUMMARY OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS

Annual Report Year	Net Assets Available for Benefit (1)	Actuarial Liability (2)	Percentage Funded (1)/(2) (3)	Unfunded Actuarial Liability (4)	Fiscal Year Covered Payroll (5)	UAL as a Percentage of Payroll (6)	Employer Contributions (7)	Average Contribution Rate (7)/(5) (8)
1999	\$ 4,287,028	\$ 5,352,172	80.10%	\$ 1,065,144	\$ 2,641,503	40.32%	\$ 355,829	13.47%
2000	4,306,436	5,429,504	79.32	1,123,068	2,954,984	38.01	357,100	12.08
2001	4,812,661	5,948,482	80.91	1,135,821	3,037,016	37.40	368,460	12.13
2002	5,272,352	6,582,867	80.11	1,309,515	3,293,323	39.76	404,315	12.28
2003	5,590,770	7,135,182	78.35	1,544,412	3,454,128	44.71	428,481	12.40
2004	6,120,214	7,587,865	80.66	1,467,651	3,575,319	41.05	457,164	12.79
2005	5,967,150	7,418,689	80.43	1,451,539	3,776,047	38.44	476,643	12.62
2006	5,585,328	7,001,432	79.77	1,416,104	3,775,548	37.51	467,079	12.37
2007	5,271,409	7,452,470	70.73	2,181,061	3,862,025	56.47	475,517	12.31

Schedule of Employer Contributions

Year Ending September 30,	Annual Required Contribution	Percentage Contributed
1998	\$ 328,704	100%
1999	344,025	100%
2000	355,829	100%
2001	357,100	100%
2002	368,460	100%
2003	404,315	100%
2004	428,481	100%
2005	457,164	100%
2006	476,643	100%
2007	467,079	100%
2008	475,517	100%

**Trend Information for the Retirement Plan
for the Employees of the City of Dumas**

Accounting Year Ending	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
September 30, 2004	\$ 428,481	100%	\$ 1,544,412
September 30, 2005	457,164	100%	1,467,651
September 30, 2006	476,643	100%	1,451,539
September 30, 2007	467,079	100%	1,416,104
September 30, 2008	475,517	100%	2,181,061

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

VI. RETIREMENT PLANS (continued)

Multi-Employer Plans (continued)

A copy of the 2007 TMRS Comprehensive Annual Financial Report can be obtained from the Texas Municipal Retirement System, 1200 N. Interstate Highway 35, Austin, Texas 78701.

Dumas Economic Development Corporation has a self-employment pension plan for employees after six months of employment. The Corporation contributes 12.5% of the employee's gross salary. The Corporation will begin October 1, 2008, to be a part of the City of Dumas retirement plan with Texas Municipal Retirement System.

VII. DEBT ISSUANCE AND DEFEASED DEBT

Governmental Activities

The City entered into a capital lease agreement for the purchase of two trash packer bodies with DivLend Equipment Leasing, L.L.C. in April 2008 for \$112,000. The capital lease requires twelve quarterly payments of \$9,951, including principal and interest. The interest rate is 4.0%.

The City entered into a loan (Property Finance Act Contract) agreement with Government Capital Corporation for the purchase of two police cars in November 2007 for \$48,509. The loan agreement requires three annual payments of \$17,608, including principal and interest, beginning December 2007. The interest rate is 8.5%.

The City issued Series 2008 General Obligation Bonds dated September 1, 2008, in the amount of \$3,000,000 for permanent public purposes including a new swimming pool, walking tracks, other municipal improvements, and paying the cost of issuance. Annual principal payments are required through September 2033. The interest rate ranges from 4.75% to 5.5%. See Note III.B.6 for additional information.

The City had additional landfill closure costs of \$62,789 for the year ended September 30, 2008. See Note III.B.6 for additional information.

The City had additional unfunded defined benefit retirement obligation of \$764,957 for the year ended September 30, 2008. See Note III.B.6 for additional information.

The City had no defeased debt for the year ended September 30, 2008, in the Governmental Activities.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

VII. DEBT ISSUANCE AND DEFEASED DEBT (continued)

Business-Type Activities

The City had no new debt in the Business-Type Activities for the year ended September 30, 2008.

The Business-Type Activities had no defeased debt for the year ended September 30, 2008.

Component Unit

Dumas Economic Development Corporation entered into a loan agreement with Happy State Bank, Dumas, Texas in the amount of \$293,900 on April 28, 2008. The new loan will be amortized over a ten year period with a variable interest rate. The initial rate is 5.25%. The loan is payable in ten installments of \$38,665 due April 28th of each year. The final payment will be April 28, 2018.

The Corporation had no defeased debt for the year ended September 30, 2008.

VIII. FUNCTIONAL EXPENSES AND BUDGET – COMPONENT UNIT

Dumas Economic Development Corporation's functional expenses and budget for the year ended September 30, 2008, were as follows:

	Expenses	Final Budget	Variance
Other salaries and wages	\$ 107,006	\$ 100,739	\$ (6,267)
Pension plan contributions	7,097	12,601	5,504
Other employee benefits	8,611	13,501	4,890
Payroll taxes	8,354	17,096	8,742
Accounting fees	5,625	5,600	(25)
Legal fees	2,082	5,700	3,618
Supplies	9,262	12,000	2,738
Telephone	3,548	4,000	452
Postage and shipping	1,033	1,200	167
Rental	1,887	3,879	1,992
Repairs and maintenance	15,984	41,000	25,016
Travel and training	10,257	9,600	(657)
Interest	15,876	16,037	161
Depreciation	34,525	-	(34,525)
Dues and fees	20,588	15,380	(5,208)
Utilities	8,866	8,000	(866)
Promotion, culture, development, and community grants	118,307	237,457	119,150
Professional services	1,020	3,500	2,480
Miscellaneous	13,099	21,700	8,601
Total Expenses	<u>\$ 393,027</u>	<u>\$ 528,990</u>	<u>\$ 135,963</u>

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

IX. DEFICIT NET ASSETS AND FUND BALANCE

General Fund

The General Fund deficit balance in fund balance of \$47,098 is the result of revenues inadequate to cover expenses for the current year and prior years. The deficit will be funded through City subsidies.

Water Utility Fund

The Water Utility Fund deficit balance in net assets of \$507,364 was the result of upgrading the water meters in prior years. The deficit was funded with a lease from First State Bank of Dumas, Texas in prior years and water sales.

Internal Service Fund

The Health Self-Insurance Fund's deficit balance in net assets of \$168,172 is the result of an increase in health insurance claims paid during the current year and prior years. The deficit net assets will be funded by an increase in the health insurance premiums paid by the City and the employees for health insurance.

X. EXCESS OF EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

Excess expenditures over appropriations in the Governmental-Type Activities are listed in the following schedule:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund	\$ 268,852

The excess expenditures over appropriations were due mainly to unanticipated police expenditures and fire protection expenditures.

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
Debt Service Fund	\$ 1,999

The excess expenditures over appropriations were due mainly to fiscal charges on debt service.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

X. EXCESS OF EXPENDITURES OR EXPENSES OVER APPROPRIATIONS (continued)

Expenses exceeding appropriations in the Business-Type Activities are listed in the following schedule:

Fund	Excess of Expenses Over Appropriations
Gas Utility Fund	\$ 229,183

The excess expenses over appropriations in the Gas Utility Fund were due to gas purchases and various other expenses.

XI. LITIGATION

At September 30, 2008, the City and the component unit had no known or threatened litigation which would materially affect the City or component unit's financial condition.

XII. INSURANCE RECOVERIES

The City had the following insurance recoveries at September 30, 2008:

1.	Property Damage	November 30, 2007	Progressive County Mutual Insurance	\$ 777
2.	Property Damage	November 30, 2007	Progressive County Mutual Insurance	6,940
3.	Property Damage	May 4, 2008	GEICO Indemnity Company	7,000
4.	Property Damage	June 12, 2008	GEICO Indemnity Company	2,271
5.	Property Damage	July 24, 2008	TML Intergovernmental Risk Pool	10,775
	Total			\$ 27,763

There is no impairment of assets.

XIII. SUBSEQUENT EVENTS

There are no subsequent events for the City of Dumas, Texas. The Dumas Economic Development Corporation has agreed to contribute \$200,000 to the City of Cactus, Texas for Cactus development subject to contractual documents being approved by the Dumas Economic Development Corporation board of directors at a later date.

CITY OF DUMAS, TEXAS
Notes to the Financial Statements
September 30, 2008

XIV. PRIOR PERIOD ADJUSTMENTS

The City had the following prior period adjustment in the Statement of Net Assets for noncurrent liabilities due in more than one year and unrestricted net assets in the Governmental Activities as follows:

	<u>Before Prior Period Adjustment</u>	<u>After Prior Period Adjustment</u>
Noncurrent Liabilities Due in More Than One Year, October 1, 2007	\$ 1,875,516	\$ 3,291,620
Unrestricted Net Assets, October 1, 2007	\$ 3,555,367	\$ 2,139,263

The \$1,416,104 is due to the unfunded defined benefit retirement plan obligations as of October 1, 2007. This obligation was added to long-term debt for the Statement of Net Assets as of October 1, 2007. The effect of this prior period adjustment is to reduce the unrestricted net assets in the Governmental Activities by \$1,416,104.

COMBINING SCHEDULES

CITY OF DUMAS, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	Police Training Grants Fund	Park Improvement Fund	Hotel/Motel Tax Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,583	\$ 18,699	\$ 201,405
Taxes Receivable	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	118,857
Intergovernmental Receivables	-	-	-
Total Assets	<u>\$ 4,583</u>	<u>\$ 18,699</u>	<u>\$ 320,262</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ 100,643
Wages and Salaries Payable	-	-	-
Compensated Absences Payable	-	-	-
Cash and Cash Equivalent - Overdraft	-	-	-
Deferred Revenues	4,583	-	219,619
Total Liabilities	<u>4,583</u>	<u>-</u>	<u>320,262</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Unreserved and Undesignated:			
Reported in the Special Revenue Fund	-	18,699	-
Total Fund Balances	<u>-</u>	<u>18,699</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4,583</u>	<u>\$ 18,699</u>	<u>\$ 320,262</u>

Christmas Decorations Fund	Emergency Management Fund	Law Enforcement Seizure Fund	Court Technology Fund	Fire Safety Grants Fund	Court Security Fund	Texas Traffic Safety Grant Program Fund	Total Nonmajor Special Revenue Funds
\$ 13,810	\$ -	\$ 13,019	\$ 33,170	\$ 26,078	\$ 30,888	\$ -	\$ 341,652
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	118,857
-	26,114	-	-	-	-	-	26,114
<u>\$ 13,810</u>	<u>\$ 26,114</u>	<u>\$ 13,019</u>	<u>\$ 33,170</u>	<u>\$ 26,078</u>	<u>\$ 30,888</u>	<u>\$ -</u>	<u>\$ 486,623</u>
\$ -	\$ 1,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,697
-	2,192	-	-	-	-	-	2,192
-	726	-	-	-	-	-	726
-	3,658	-	-	-	-	-	3,658
13,810	18,484	13,019	33,170	26,078	30,888	-	359,651
<u>13,810</u>	<u>26,114</u>	<u>13,019</u>	<u>33,170</u>	<u>26,078</u>	<u>30,888</u>	<u>-</u>	<u>467,924</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,699
-	-	-	-	-	-	-	18,699
<u>\$ 13,810</u>	<u>\$ 26,114</u>	<u>\$ 13,019</u>	<u>\$ 33,170</u>	<u>\$ 26,078</u>	<u>\$ 30,888</u>	<u>\$ -</u>	<u>\$ 486,623</u>

CITY OF DUMAS, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2008

	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 243,348	\$ 585,000
Taxes Receivable	2,175	2,175
Allowance for Uncollectible Taxes (credit)	(721)	(721)
Receivables (net of allowance for uncollectibles)	-	118,857
Intergovernmental Receivables	-	26,114
Total Assets	<u>\$ 244,802</u>	<u>\$ 731,425</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ -	\$ 101,697
Wages and Salaries Payable	-	2,192
Compensated Absences Payable	-	726
Cash and Cash Equivalent - Overdraft	-	3,658
Deferred Revenues	1,454	361,105
Total Liabilities	<u>1,454</u>	<u>469,378</u>
Fund Balances:		
Reserved For:		
Debt Service	243,348	243,348
Unreserved and Undesignated:		
Reported in the Special Revenue Fund	-	18,699
Total Fund Balances	<u>243,348</u>	<u>262,047</u>
Total Liabilities and Fund Balances	<u>\$ 244,802</u>	<u>\$ 731,425</u>

CITY OF DUMAS, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2008

	Police Training Grants Fund	Park Improvement Fund	Hotel/Motel Tax Fund
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	-	349,616
Intergovernmental Revenue and Grants	-	-	-
Fines	-	-	-
Investment Earnings	-	-	-
Other Revenue	-	20,516	-
Total Revenues	<u>-</u>	<u>20,516</u>	<u>349,616</u>
EXPENDITURES:			
Current:			
Public Safety	-	-	-
Police	-	-	-
Fire Protection	-	-	-
Culture and Recreation	-	-	349,616
Parks	-	12,090	-
Debt Service:			
Debt Service - Principal	-	-	-
Debt Service - Interest and Fiscal Charges	-	-	-
Capital Outlay:			
Capital Outlay	-	19,219	-
Total Expenditures	<u>-</u>	<u>31,309</u>	<u>349,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(10,793)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	15,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balance	-	4,207	-
Fund Balance - October 1 (Beginning)	-	14,492	-
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 18,699</u>	<u>\$ -</u>

CITY OF DUMAS, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2008

	Debt Service Fund	Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 326,656	\$ 326,656
Other Taxes	-	349,616
Intergovernmental Revenue and Grants	-	224,161
Fines	-	1,718
Investment Earnings	7,215	7,497
Other Revenue	-	31,276
Total Revenues	<u>333,871</u>	<u>940,924</u>
EXPENDITURES:		
Current:		
Public Safety	-	94,299
Police	-	7,819
Fire Protection	-	124,919
Culture and Recreation	-	359,500
Parks	-	12,090
Debt Service:		
Debt Service - Principal	251,686	251,686
Debt Service - Interest and Fiscal Charges	41,760	41,760
Capital Outlay:		
Capital Outlay	-	19,219
Total Expenditures	<u>293,446</u>	<u>911,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,425</u>	<u>29,632</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	-	15,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>15,000</u>
Net Change in Fund Balance	40,425	44,632
Fund Balance - October 1 (Beginning)	<u>202,923</u>	<u>217,415</u>
Fund Balance - September 30 (Ending)	<u>\$ 243,348</u>	<u>\$ 262,047</u>

OTHER SCHEDULES

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended September 30, 2008

EXHIBIT J-1

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 317,202	\$ 317,202	\$ 326,656	\$ 9,454
Investment Earnings	-	-	7,215	7,215
Total Revenues	<u>317,202</u>	<u>317,202</u>	<u>333,871</u>	<u>16,669</u>
EXPENDITURES:				
Current:				
Debt Service:				
Debt Service - Principal	251,687	251,687	251,686	1
Debt Service - Interest and Fiscal Charges	39,760	39,760	41,760	(2,000)
Total Expenditures	<u>291,447</u>	<u>291,447</u>	<u>293,446</u>	<u>(1,999)</u>
Change in Fund Balance	25,755	25,755	40,425	14,670
Fund Balance - October 1 (Beginning)	<u>202,923</u>	<u>202,923</u>	<u>202,923</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 228,678</u>	<u>\$ 228,678</u>	<u>\$ 243,348</u>	<u>\$ 14,670</u>

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets
Budget and Actual - Gas Utility Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING RECEIPTS:						
Charges for Gas Services	\$ 4,328,000	\$ 4,328,000	\$ 4,472,671	\$ -	\$ 4,472,671	\$ 144,671
Other Revenue	270,015	270,015	287,221	-	287,221	17,206
Total Operating Receipts	4,598,015	4,598,015	4,759,892	-	4,759,892	161,877
OPERATING DISBURSEMENTS:						
Personnel Services - Salaries and Wages	272,337	272,337	290,497	-	290,497	(18,160)
Personnel Services - Employee Benefits	84,646	84,646	85,386	-	85,386	(740)
Purchased Professional & Technical	36,750	36,750	45,873	-	45,873	(9,123)
Purchased Property Services	38,700	38,700	64,650	-	64,650	(25,950)
Other Operating Expenses	442,733	442,733	654,779	-	654,779	(212,046)
Supplies	3,078,617	3,078,617	2,935,057	-	2,935,057	143,560
Depreciation	-	-	38,491	(38,491)	-	-
Capital Outlay	55,000	55,000	-	161,724	161,724	(106,724)
Total Operating Disbursements	4,008,783	4,008,783	4,114,733	123,233	4,237,966	(229,183)
Operating Income (Loss)	589,232	589,232	645,159	(123,233)	521,926	(67,306)
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Investment Earnings	30,000	30,000	17,854	-	17,854	(12,146)
Total Non-operating Receipts (Disbursements)	30,000	30,000	17,854	-	17,854	(12,146)
Income (Loss) Before Transfers	619,232	619,232	663,013	(123,233)	539,780	(79,452)
Transfers Out	(505,000)	(505,000)	(505,000)	-	(505,000)	-
Change in Net Assets	114,232	114,232	158,013	(123,233)	34,780	(79,452)
Net Assets - October 1 (Beginning)	900,260	900,260	900,260	-	900,260	-
Net Assets - September 30 (Ending)	\$ 1,014,492	\$ 1,014,492	\$ 1,058,273	\$ (123,233)	\$ 935,040	\$ (79,452)

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets
Budget and Actual - Water Utility Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING RECEIPTS:						
Charges for Water Services	\$ 1,714,300	\$ 1,714,300	\$ 1,578,737	\$ -	\$ 1,578,737	\$(135,563)
Other Revenue	194,384	194,384	192,938	-	192,938	(1,446)
Total Operating Receipts	1,908,684	1,908,684	1,771,675	-	1,771,675	(137,009)
OPERATING DISBURSEMENTS:						
Personnel Services - Salaries and Wages	230,909	230,909	203,926	-	203,926	26,983
Personnel Services - Employee Benefits	76,787	76,787	60,694	-	60,694	16,093
Purchased Professional & Technical	72,700	72,700	80,560	-	80,560	(7,860)
Purchased Property Services	91,200	91,200	37,495	-	37,495	53,705
Other Operating Expenses	718,333	718,333	460,426	-	460,426	257,907
Supplies	324,187	324,187	356,698	-	356,698	(32,511)
Depreciation	-	-	58,366	(58,366)	-	-
Capital Outlay	75,000	75,000	-	61,946	61,946	13,054
Total Operating Disbursements	1,589,116	1,589,116	1,258,165	3,580	1,261,745	327,371
Operating Income (Loss)	319,568	319,568	513,510	(3,580)	509,930	190,362
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Bond Issuance Cost	-	-	(1,496)	-	(1,496)	(1,496)
Investment Earnings	25,000	25,000	18,395	-	18,395	(6,605)
Interest Expense	(157,771)	(157,771)	(119,578)	-	(119,578)	38,193
Total Non-operating Receipts (Disbursements)	(132,771)	(132,771)	(102,679)	-	(102,679)	30,092
Income (Loss) Before Transfers	186,797	186,797	410,831	(3,580)	407,251	220,454
Transfers Out	(160,000)	(160,000)	(160,000)	-	(160,000)	-
Change in Net Assets	26,797	26,797	250,831	(3,580)	247,251	220,454
Net Assets - October 1 (Beginning)	(758,195)	(758,195)	(758,195)	-	(758,195)	-
Net Assets - September 30 (Ending)	\$ (731,398)	\$ (731,398)	\$ (507,364)	\$ (3,580)	\$ (510,944)	\$ 220,454

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets
Budget and Actual - Wastewater Utility
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING RECEIPTS:						
Charges for Wastewater Services	\$ 990,000	\$ 990,000	\$ 1,005,580	\$ -	\$ 1,005,580	15,580
Other Revenue	17,800	17,800	19,037	-	19,037	1,237
Total Operating Receipts	1,007,800	1,007,800	1,024,617	-	1,024,617	16,817
OPERATING DISBURSEMENTS:						
Personnel Services - Salaries and Wages	60,416	60,416	52,764	-	52,764	7,652
Personnel Services - Employee Benefits	15,650	15,650	16,542	-	16,542	(892)
Purchased Professional & Technical	51,500	51,500	23,246	-	23,246	28,254
Purchased Property Services	10,350	10,350	1,169	-	1,169	9,181
Other Operating Expenses	462,765	462,765	388,346	-	388,346	74,419
Supplies	28,800	28,800	27,239	-	27,239	1,561
Depreciation	-	-	101,216	(101,216)	-	-
Capital Outlay	10,500	10,500	-	-	-	10,500
Total Operating Disbursements	639,981	639,981	610,522	(101,216)	509,306	130,675
Operating Income (Loss)	367,819	367,819	414,095	101,216	515,311	147,492
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Bond Issuance Cost	-	-	(2,243)	-	(2,243)	(2,243)
Investment Earnings	20,000	20,000	25,008	-	25,008	5,008
Interest Expense	(45,215)	(45,215)	(45,092)	-	(45,092)	123
Total Non-operating Receipts (Disbursements)	(25,215)	(25,215)	(22,327)	-	(22,327)	2,888
Income (Loss) Before Transfers	342,604	342,604	391,768	101,216	492,984	150,380
Transfers Out	(450,000)	(450,000)	(450,000)	-	(450,000)	-
Change in Net Assets	(107,396)	(107,396)	(58,232)	101,216	42,984	150,380
Net Assets - October 1 (Beginning)	1,624,565	1,624,565	1,624,565	-	1,624,565	-
Net Assets - September 30 (Ending)	\$ 1,517,169	\$ 1,517,169	\$ 1,566,333	\$ 101,216	\$ 1,667,549	150,380

CITY OF DUMAS, TEXAS
Statement of Revenues, Expenses, and Changes in Net Assets
Budget and Actual - Pheasant Trails Golf Course Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
OPERATING RECEIPTS:						
Charges for Golf Course Services	\$ 233,392	\$ 233,392	\$ 212,000	\$ -	\$ 212,000	\$(21,392)
Other Revenue	6,500	6,500	3,426	-	3,426	(3,074)
Total Operating Receipts	239,892	239,892	215,426	-	215,426	(24,466)
OPERATING DISBURSEMENTS:						
Personnel Services - Salaries and Wages	140,019	140,019	133,617	-	133,617	6,402
Personnel Services - Employee Benefits	40,455	40,455	39,960	-	39,960	495
Purchased Professional & Technical	102,332	102,332	96,947	-	96,947	5,385
Purchased Property Services	17,355	17,355	13,488	-	13,488	3,867
Other Operating Expenses	84,189	84,189	14,935	-	14,935	69,254
Supplies	61,820	61,820	56,649	-	56,649	5,171
Depreciation	-	-	44,223	(44,223)	-	-
Capital Outlay	-	-	-	45,300	45,300	(45,300)
Total Operating Disbursements	446,170	446,170	399,819	1,077	400,896	45,274
Operating Income (Loss)	(206,278)	(206,278)	(184,393)	(1,077)	(185,470)	20,808
NON-OPERATING RECEIPTS (DISBURSEMENTS):						
Transfers In	209,244	209,244	-	-	-	(209,244)
Investment Earnings	800	800	540	-	540	(260)
Rent Income	-	-	10,560	-	10,560	10,560
Interest Expense	(3,766)	(3,766)	(3,766)	-	(3,766)	-
Total Non-operating Receipts (Disbursements)	206,278	206,278	7,334	-	7,334	(198,944)
Income (Loss) Before Transfers	-	-	(177,059)	(1,077)	(178,136)	(178,136)
Transfer In	-	-	2,121,935	-	2,121,935	2,121,935
Change in Net Assets	-	-	1,944,876	(1,077)	1,943,799	1,943,799
Net Assets - October 1 (Beginning)	(1,152,374)	(1,152,374)	(1,152,374)	-	(1,152,374)	-
Net Assets - September 30 (Ending)	\$ (1,152,374)	\$ (1,152,374)	\$ 792,502	\$ (1,077)	\$ 791,425	\$ 1,943,799

**REPORTS ON INTERNAL CONTROL AND
ON COMPLIANCE AND OTHER MATTERS**

KEENEY, HEMBREE & COMPANY

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THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Mayor and
Members of the City Commission
City of Dumas
Dumas, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dumas, Texas as of and for the year ended September 30, 2008. These collectively comprise the City's basic financial statements. We have issued our report on them dated December 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Dumas, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of City of Dumas, Texas' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Honorable Mayor and
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A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above. However, we noted other matters involving the internal control over financial reporting for the City that we have reported to management of the City and the aggregate discretely presented component unit (Dumas Economic Development Corporation) in a separate letter dated December 16, 2008.

Compliance and Other Matters

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

This report is intended for the information of the City Commission, management, state and federal awarding agencies, and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Keeney, Hembree & Company
(Original signature on file)

December 16, 2008

CITY OF DUMAS, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Findings

None

Questioned Costs

None

CITY OF DUMAS, TEXAS
Schedule of Status of Prior Audit Findings
For the Year Ended September 30, 2008

Findings	Status of Prior Year's Findings/Noncompliance
None	None

CITY OF DUMAS, TEXAS
Corrective Action Plan
For the Year Ended September 30, 2008

Findings

None

Corrective Action Plan

None