

**CITY OF CLARENDON, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

# CITY OF CLARENDON, TEXAS

## CITY COUNCIL MEMBERS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

Mark White

Mayor

Chris Ford

Mayor Pro-Tem

Terry Noble

Council Member

Kyle Davis

Council Member

Tommy Hill

Council Member

Ann Huey

Council Member

### CITY OFFICIAL

Linda Smith, City Secretary

**CITY OF CLARENDON, TEXAS**  
 Annual Financial Report  
 for the Year Ended September 30, 2008

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Clarendon, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clarendon, 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 administrators. 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 of America. 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 opinion.

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 units, each major fund, and the aggregate remaining fund information of the City of Clarendon, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009, on our consideration of City of Clarendon, Texas', internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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.

*Foster & Lambert, LLC*

Foster & Lambert, L.L.C.  
January 13, 2009

## CITY OF CLARENDON, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2008

Within this section of the City of Clarendon (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the Management's Discussion and Analysis. The discussion focused on the City's primary government.

#### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

#### **Government-wide Financial Statements**

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, education, and culture and recreation. Business-type activities include water utilities, and solid waste management.

The City's financial reporting entity includes the funds of the City (primary government). Most of these legally separate organizations operate like City departments or are governed by a board of trustees wholly comprised of the City's Mayor and Council.

#### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

**CITY OF CLARENDON, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2008**

The City has two kinds of funds:

*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 uses (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.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

**Financial Analysis of the City as a Whole**

The following table provides a summary of the City's net assets at September 30, 2008.

**SUMMARY OF NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 797,165	\$ 816,392	\$ 60,087	\$ 76,059	\$ 857,252	\$ 892,451
Capital assets-net	<u>5,907,161</u>	<u>5,790,893</u>	<u>992,778</u>	<u>987,758</u>	<u>6,899,939</u>	<u>6,778,651</u>
Total assets	<u>6,704,326</u>	<u>6,607,285</u>	<u>1,052,865</u>	<u>1,063,817</u>	<u>7,757,191</u>	<u>7,671,102</u>
Other liabilities	36,783	36,370	64,915	72,565	101,698	108,935
Term liabilities	<u>608,777</u>	<u>495,130</u>	<u>25,632</u>	<u>13,642</u>	<u>634,409</u>	<u>508,772</u>
Total liabilities	<u>645,560</u>	<u>531,500</u>	<u>90,547</u>	<u>86,207</u>	<u>736,107</u>	<u>617,707</u>
Net assets:						
Invested in capital assets, net of related debt	5,298,409	5,297,393	975,616	980,622	6,274,025	6,278,015
Unrestricted – (Deficit)	<u>760,357</u>	<u>778,392</u>	<u>(13,298)</u>	<u>(3,012)</u>	<u>747,059</u>	<u>775,380</u>
Total net assets	<u>\$6,058,766</u>	<u>\$6,075,785</u>	<u>\$962,318</u>	<u>\$977,610</u>	<u>\$7,021,084</u>	<u>\$7,053,395</u>

**CITY OF CLARENDON, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

**SUMMARY OF CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 151,555	\$ 147,580	\$ 580,619	\$ 638,299	\$732,174	\$785,879
Operating grants and contributions	76,058	40,211	-	-	76,058	40,211
Capital grants and contributions	153,024	39,322	153,024	39,263	306,048	78,585
<b>General revenues</b>						
Sales taxes	222,594	224,803	-	-	222,594	224,803
Property taxes	258,461	250,100	-	-	258,461	250,100
Franchise taxes	79,930	82,950	-	-	79,930	82,950
Hotel/motel tax	66,365	76,827	-	-	66,365	76,827
Investment earnings	37,848	20,171	-	-	37,848	20,171
Other income	17,457	43,174	-	-	17,457	43,174
<b>Total revenues</b>	<u>1,063,292</u>	<u>925,138</u>	<u>733,643</u>	<u>677,562</u>	<u>1,796,935</u>	<u>1,602,700</u>
<b>Expenses:</b>						
Financial administration	419,331	304,301	-	-	419,331	304,301
Municipal Court	27,882	28,826	-	-	27,882	28,826
Animal Control	2,272	1,444	-	-	2,272	1,444
Police	131,399	131,289	-	-	131,399	131,289
Fire	20,719	33,695	-	-	20,719	33,695
Streets	233,894	248,123	-	-	233,894	248,123
Parks	4,755	22,540	-	-	4,755	22,540
Libraries	79,918	87,386	-	-	79,918	87,386
Airport	17,400	17,939	-	-	17,400	17,939
Interest on long-term debt	25,966	22,814	-	-	25,966	22,814
Water & Sewer	-	-	403,998	402,311	403,998	402,311
Sanitation	-	-	256,830	269,721	256,830	269,721
<b>Total expenses</b>	<u>963,536</u>	<u>898,357</u>	<u>660,828</u>	<u>672,032</u>	<u>1,624,364</u>	<u>1,570,389</u>
Increase (Decrease) in net assets before transfers	99,756	26,781	72,815	5,530	172,571	32,311
Transfers In (Out)	<u>(50,307)</u>	<u>(9,762)</u>	<u>50,307</u>	<u>9,762</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	49,449	17,019	123,122	15,292	172,571	32,311
Beginning net assets	<u>6,009,317</u>	<u>6,058,766</u>	<u>839,196</u>	<u>962,318</u>	<u>6,848,513</u>	<u>7,021,084</u>
<b>Ending net assets</b>	<u>\$6,058,766</u>	<u>\$6,075,785</u>	<u>\$ 962,318</u>	<u>\$ 977,610</u>	<u>\$7,021,084</u>	<u>\$7,053,395</u>



**CITY OF CLARENDON, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

**Financial Analysis of the City's Funds**

***Governmental funds***

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$6,075,785. Of this year-end total, approximately \$778,392 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of \$17,019 from current year activity.

***Proprietary funds***

Proprietary Funds - Revenues of the City's business-type activities were \$638,299 which consisted mostly of water, sewer, and sanitation system charges. Water, sewer, and sanitation system expenses for the year ended September 30, 2008, exceeded revenues by \$33,223.

**General Fund Budgetary Highlights**

The General Fund expenditures for fiscal year 2008 were \$632,988, which was \$81,821 less than the budgeted amount of \$714,809.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

**Capital Asset and Debt Administration**

***Capital assets***

The City's investment in capital assets for its government-wide activities as of September 30, 2008, amounts to \$6,778,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements.

**Capital Assets at Year-end  
(Net of Depreciation)**

	Governmental Activities 2007	Governmental Activities 2008	Business- type Activities 2007	Business- type Activities 2008	Total 2007	Total 2008
Land	\$ 24,503	\$ 24,503	\$ -	\$ -	\$ 24,503	\$ 24,503
Construction in Progress	-	-	159,712	198,976	159,712	198,976
Infrastructure	5,675,449	5,577,733	713,315	692,477	6,388,764	6,270,210
Buildings	122,294	114,954	48,797	15,919	171,091	130,873
Equipment	84,916	73,703	70,954	80,386	155,870	154,089
Totals	<u>\$ 5,907,162</u>	<u>\$ 5,790,893</u>	<u>\$ 992,778</u>	<u>\$ 987,758</u>	<u>\$6,899,940</u>	<u>\$6,778,651</u>

**CITY OF CLARENDON, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

This year's major additions included:

Governmental activities:	
Street Sweeper	\$ 6,300
Business-type activities:	
TCDP grant project	39,263

Debt

At year-end, the City had \$500,657 of capital leases and notes payable, as shown below:

**Outstanding Debt at Year-end**

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Notes payable	\$ 6,380	\$ 3,500	\$ 12,926	\$ 7,157	\$ 19,306	\$ 10,657
Capital leases	-	-	4,235	-	4,235	-
Tax Notes	<u>600,000</u>	<u>490,000</u>	-	-	<u>600,000</u>	<u>490,000</u>
Total	<u>\$ 606,380</u>	<u>\$ 493,500</u>	<u>\$ 17,161</u>	<u>\$ 7,157</u>	<u>\$ 623,541</u>	<u>\$ 500,657</u>

**Economic Factors and Next Year**

The City is in process on a \$301,858 water facility improvement project that they plan to complete in the coming year. The City has been approved for another \$250,000 water facility project which they plan to begin in 2008-09 year. There is also a park improvement project in process, and some of the recycling projects approved for the coming year. Budgeted revenues for the 2008-09 year for the general fund are up \$48,574 from the 2007-08 final budget, while budgeted expenditures are down by \$636. The increase is planned to recoup City reserves.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City of Clarendon, P.O. Box 1089, Clarendon, Texas 79226.

# CITY OF CLARENDON, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government			Component Unit Nonmajor Component Unit
	Governmental Activities	Business Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 343,458	\$ -	\$ 343,458	\$ 57,908
Investments	-	-	-	54,805
Receivables (net of allowance for uncollectibles)	80,553	63,890	144,443	12,758
Intergovernmental Receivable	-	-	-	11,125
Restricted assets:				
Cash and cash equivalents	387,381	12,169	399,550	-
Investments	5,000	-	5,000	-
Capital assets not being depreciated:				
Land	24,503	-	24,503	-
Capital assets net of accumulated depreciation:				
Infrastructure	5,577,733	692,477	6,270,210	-
Buildings, net	114,954	15,919	130,873	-
Machinery and Equipment, net	73,703	80,386	154,089	-
Construction in progress	-	198,976	198,976	-
<b>Total assets</b>	<b>6,607,285</b>	<b>1,063,817</b>	<b>7,671,102</b>	<b>136,596</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities				
Intergovernmental Payable	22,459	29,670	52,129	-
Accrued interest payable	11,125	-	11,125	-
Customer deposits	2,786	-	2,786	-
-	-	42,895	42,895	-
Noncurrent Liabilities				
Due Within One Year	117,976	6,067	124,043	-
Due in More Than One Year	377,154	7,575	384,729	-
<b>Total liabilities</b>	<b>531,500</b>	<b>86,207</b>	<b>617,707</b>	<b>-</b>
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	5,297,393	980,622	6,278,015	-
Restricted for:				
Repayment of meter deposits	-	30,726	30,726	-
Economic development	-	-	-	136,596
Unrestricted Net Assets	778,392	(33,738)	744,654	-
<b>Total net assets</b>	<b>\$ 6,075,785</b>	<b>\$ 977,610</b>	<b>\$ 7,053,395</b>	<b>\$ 136,596</b>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Unit Nonmajor Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities		Business-type Activities
<b>Primary Government</b>							
Governmental activities:							
Financial Administration	\$ 304,301	\$ -	\$ -	\$ 39,322	\$ (264,979)	\$ -	
Municipal Court	28,826	41,200	-	-	12,374	-	
Animal Control	1,444	-	-	-	(1,444)	-	
Police Department	131,289	-	-	-	(131,289)	-	
Fire Protection	33,695	-	-	-	(33,695)	-	
Highways and Streets	248,123	99,771	-	-	(148,352)	-	
Parks	22,540	-	5,798	-	(16,742)	-	
Libraries	87,386	6,609	34,413	-	(46,364)	-	
Airport	17,939	-	-	-	(17,939)	-	
Interest on long-term debt	22,814	-	-	-	(22,814)	-	
Total governmental activities	898,357	147,580	40,211	39,322	(671,244)	-	
<b>Business-type activities:</b>							
Water and Sewer Fund	402,311	392,450	-	39,263	29,402	-	
Sanitation	269,721	245,849	-	-	(23,872)	-	
Total business-type activities	672,032	638,299	-	39,263	5,530	-	
Total primary government	\$ 1,570,389	\$ 785,879	\$ 40,211	\$ 78,585	\$ (665,714)	\$ -	
<b>Component Unit</b>							
Nonmajor Component Unit	\$ 111,620	\$ -	\$ -	\$ 20,000	\$ -	\$ (91,620)	
Total Component Units	\$ 111,620	\$ -	\$ -	\$ 20,000	\$ -	\$ (91,620)	
<b>General revenues:</b>							
Property taxes					250,100	-	
Sales taxes					224,803	74,934	
Franchise taxes					82,950	-	
Other taxes					76,679	-	
Miscellaneous revenue					43,322	-	
Investment earnings					20,171	-	
Transfers In (Out)					(9,762)	2,894	
Total general revenues and transfers					698,025	-	
Change in net assets					15,292	77,828	
Net assets - Beginning					6,058,766	(13,792)	
Net assets - Ending					\$ 6,075,785	\$ 150,388	
					\$ 7,053,395	\$ 136,596	

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007

	2008					2007	
	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Other Funds	Total Government Funds	Total Government Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 343,458	\$ -	\$ -	\$ -	\$ -	\$ 343,458	\$ 343,862
Receivables (net of allowances for uncollectibles)	74,768	5,785	-	-	-	80,553	82,558
Restricted assets:							
Cash and cash equivalents	84,072	51,755	17,292	227,381	6,881	387,381	360,744
Investments	-	-	-	5,000	-	5,000	5,000
<b>Total assets</b>	<b>\$ 502,298</b>	<b>\$ 57,540</b>	<b>\$ 17,292</b>	<b>\$ 232,381</b>	<b>\$ 6,881</b>	<b>\$ 816,392</b>	<b>\$ 792,164</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 22,401	\$ -	\$ 59	\$ -	\$ -	\$ 22,460	\$ 28,048
Intergovernmental payable	5,598	-	-	5,527	-	11,125	5,598
Deferred revenues	28,327	5,785	-	-	-	32,112	31,274
<b>Total liabilities</b>	<b>\$ 54,326</b>	<b>\$ 5,785</b>	<b>\$ 59</b>	<b>\$ 5,527</b>	<b>\$ -</b>	<b>\$ 65,697</b>	<b>\$ 64,920</b>
Fund balances:							
Reserved for:							
Debt Service	-	51,755	-	-	-	51,755	-
Unreserved and Undesignated:							
Reported in the General Fund	447,972	-	-	-	-	447,972	451,033
Reported in the Special Revenue Fund	-	-	-	226,854	6,881	233,735	211,170
Reported in the Capital Improvement Fund	-	-	17,233	-	-	17,233	70,041
<b>Total fund balances</b>	<b>447,972</b>	<b>51,755</b>	<b>17,233</b>	<b>226,854</b>	<b>6,881</b>	<b>750,695</b>	<b>732,244</b>
<b>Total liabilities and fund balances</b>	<b>\$ 502,298</b>	<b>\$ 57,540</b>	<b>\$ 17,292</b>	<b>\$ 232,381</b>	<b>\$ 6,881</b>	<b>\$ 816,392</b>	<b>\$ 797,164</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

Net assets of governmental activities

5,790,893

(465,803)

\$ 6,075,785

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008  
 WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007

	2008					2007
	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Other Funds	Total Government Funds
<b>Revenues</b>						
Taxes:						
Property taxes	\$ 124,063	\$ 125,199	\$ -	\$ -	\$ -	\$ 249,262
General sales and use taxes	224,803	-	-	-	-	224,803
Franchise tax	82,950	-	-	-	-	82,950
Other taxes	-	-	-	76,679	-	76,679
Intergovernmental revenue and grants	30,250	-	-	-	9,961	40,211
Federal government grants	-	-	39,322	-	-	39,322
Fines and fees	40,281	-	99,771	6,609	919	147,580
Investment earnings	15,718	-	-	4,453	-	20,171
Other revenue	13,174	30,000	-	148	-	43,322
<b>Total revenues</b>	<u>531,239</u>	<u>155,199</u>	<u>139,093</u>	<u>87,889</u>	<u>10,880</u>	<u>924,300</u>
<b>Expenditures</b>						
Current:						
General government:						
Administration	190,744	-	-	59,047	-	249,791
Municipal court	28,724	-	-	-	102	28,826
Animal control	1,444	-	-	-	-	1,444
Public safety:						
Police	131,289	-	-	-	-	131,289
Fire protection	21,920	-	-	-	-	21,920
Public works:						
Highways and streets	161,453	-	-	-	-	161,453
Culture and recreation:						
Parks	158	-	-	-	-	158
Libraries	73,334	-	-	3,541	18,023	87,022
Airport	4,493	-	-	-	10,147	14,640
Debt service:						
Bond principal	2,880	110,000	-	-	-	112,880
Bond interest	249	22,917	-	-	-	23,166
Capital outlay	16,300	-	39,322	-	-	55,622
Total expenditures	<u>632,988</u>	<u>132,917</u>	<u>39,322</u>	<u>62,588</u>	<u>28,272</u>	<u>896,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(101,749)</u>	<u>22,282</u>	<u>99,771</u>	<u>25,301</u>	<u>(17,392)</u>	<u>67,406</u>
<b>Other financing sources (uses)</b>						
Transfers in	123,106	29,473	-	-	14,656	167,235
Transfers Out (use)	(24,418)	-	(152,579)	-	-	(176,997)
Total other financing sources (uses)	<u>98,688</u>	<u>29,473</u>	<u>(152,579)</u>	<u>-</u>	<u>14,656</u>	<u>(9,762)</u>
Net change	<u>(3,061)</u>	<u>51,755</u>	<u>(52,808)</u>	<u>25,301</u>	<u>(2,736)</u>	<u>18,451</u>
Fund balance - October 1 (Beginning)	<u>451,033</u>	<u>-</u>	<u>70,041</u>	<u>201,553</u>	<u>9,617</u>	<u>732,244</u>
Fund balance - September 30 (Ending)	<u>\$ 447,972</u>	<u>\$ 51,755</u>	<u>\$ 17,233</u>	<u>\$ 226,854</u>	<u>\$ 6,881</u>	<u>\$ 750,695</u>
<b>2007 Total Government Funds</b>						<u>\$ 732,244</u>

**CITY OF CLARENDON, TEXAS**  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
 GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30,2008

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

Net change in fund balances-total governmental funds	\$ 18,451
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(116,269)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	113,999
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	838
Changes in net assets of governmental activities	<u>\$ 17,019</u>

The accompanying notes are a integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2008	2007
<b>Assets</b>				
Current assets:				
Accounts receivable (net of allowance for uncollectibles)	\$ 38,804	\$ 25,086	\$ 63,890	\$ 60,087
Restricted assets:				
Cash and cash equivalents	12,169	-	12,169	-
Total current assets	<u>38,804</u>	<u>25,086</u>	<u>63,890</u>	<u>60,087</u>
Noncurrent assets:				
Capital assets:				
Infrastructure	1,218,008	-	1,218,008	1,218,008
Buildings	23,572	23,225	46,797	46,797
Machinery and Equipment	235,719	151,714	387,433	387,433
Accumulated Depreciation-Capital Assets	(731,572)	(131,883)	(863,455)	(819,172)
Construction in process	198,975	-	198,975	159,712
Total noncurrent assets	<u>944,702</u>	<u>43,056</u>	<u>987,758</u>	<u>992,778</u>
Total assets	<u>983,506</u>	<u>68,142</u>	<u>1,051,648</u>	<u>1,052,865</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	21,519	8,151	29,670	26,551
Customer deposits	42,895	-	42,895	38,364
Notes payable-current	6,067	-	6,067	5,784
Capital leases payable-current	-	-	-	4,235
Total current liabilities	<u>70,481</u>	<u>8,151</u>	<u>78,632</u>	<u>74,934</u>
Noncurrent liabilities:				
Notes payable-noncurrent	1,069	-	1,069	7,143
Compensated absences	2,926	3,580	6,506	8,470
Total noncurrent liabilities	<u>3,995</u>	<u>3,580</u>	<u>7,575</u>	<u>15,613</u>
Total liabilities	<u>74,476</u>	<u>11,731</u>	<u>86,207</u>	<u>90,547</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	937,566	43,056	980,622	975,616
Restricted for repayment of meter deposits	30,726	-	30,726	38,364
Unrestricted net assets	<u>(59,262)</u>	<u>13,355</u>	<u>(45,907)</u>	<u>(51,662)</u>
Total net assets	<u>\$ 909,030</u>	<u>\$ 56,411</u>	<u>\$ 965,441</u>	<u>\$ 962,318</u>

The accompanying notes are an integral part of this statement.



**CITY OF CLARENDON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2008	2007
<b>Operating revenues:</b>				
Charges for Water Services	\$ 392,450	\$ -	\$ 392,450	\$ 363,344
Sanitation Charges for Services	-	245,849	245,849	217,275
Total operating revenues	<u>392,450</u>	<u>245,849</u>	<u>638,299</u>	<u>580,619</u>
<b>Operating expenses:</b>				
Personal Services-Salaries and Wages	97,199	116,375	213,574	223,556
Personal Services-Employee Benefits	27,904	35,917	63,821	60,508
Purchased Property Services	194,694	56,276	250,970	227,081
Other Operating Expenses	17,357	42,188	59,545	45,072
Supplies	26,107	13,222	39,329	58,076
Depreciation	38,542	5,741	44,283	44,815
Total operating expenses	<u>401,803</u>	<u>269,719</u>	<u>671,522</u>	<u>659,108</u>
Operating income	<u>(9,353)</u>	<u>(23,870)</u>	<u>(33,223)</u>	<u>(78,489)</u>
<b>Non-operating revenue (expense):</b>				
Interest Expense	<u>(508)</u>	<u>(2)</u>	<u>(510)</u>	<u>(1,720)</u>
Loss before contributions and transfers	(9,861)	(23,872)	(33,733)	(80,209)
<b>Contributions and operating transfers:</b>				
Capital contributions	39,263	-	39,263	153,024
Transfer in	1,710	20,060	21,770	64,755
Transfers out	<u>(12,008)</u>	<u>-</u>	<u>(12,008)</u>	<u>(14,448)</u>
Change in Net Assets	19,104	(3,812)	15,292	123,122
Total Net Assets - October 1 (Beginning)	902,095	60,223	962,318	839,196
Total Net Assets - September 30 (Ending)	<u>\$ 921,199</u>	<u>\$ 56,411</u>	<u>\$ 977,610</u>	<u>\$ 962,318</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2008	2007
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 390,313	\$ 244,183	\$ 634,496	\$ 580,820
Payments to suppliers	(265,289)	(145,257)	(410,546)	(389,487)
Payments to employees	(99,963)	(115,575)	(215,538)	(227,514)
Net cash provided by operating activities	<u>25,061</u>	<u>(16,649)</u>	<u>8,412</u>	<u>(36,181)</u>
<b>Cash flows provided by noncapital financing activities</b>				
Operating transfers	(10,298)	20,060	9,762	50,307
<b>Cash flows from capital and related financing activities</b>				
Principal paid on long-term debt	(6,617)	(3,409)	(10,026)	(35,054)
Proceeds customer deposits	4,531	-	4,531	4,741
Interest paid on debt	(508)	(2)	(510)	(1,720)
Net cash (used) by capital and related financing activities	<u>(2,594)</u>	<u>(3,411)</u>	<u>(6,005)</u>	<u>(32,033)</u>
Net increase in cash and cash equivalents	12,169	-	12,169	(17,907)
Cash and cash equivalents at beginning of year	-	-	-	17,907
Cash and cash equivalents at end of year	<u>\$ 12,169</u>	<u>\$ -</u>	<u>\$ 12,169</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ (9,353)	\$ (23,870)	\$ (33,223)	\$ (78,489)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	38,542	5,741	44,283	44,815
Interest expense				
(Increase) decrease in current assets:				
Receivables	(2,137)	(1,666)	(3,803)	201
Increase (decrease) in current liabilities:				
Accounts payable	773	2,346	3,119	1,251
Accrued payroll	(2,764)	800	(1,964)	(3,959)
Net cash provided by operating activities	<u>\$ 25,061</u>	<u>\$ (16,649)</u>	<u>\$ 8,412</u>	<u>\$ (36,181)</u>
<b>Noncash investing, capital, and financing activities:</b>				
Assets contributed from TCDP grant	\$ 39,263	\$ -	\$ 39,263	\$ 153,024

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the City of Clarendon, Texas, reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standard*.

**A. FINANCIAL REPORTING ENTITY**

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial burden on the City. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government is such the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government; most component units are discretely presented. The City's component unit is as follows:

**The Clarendon Economic Development Corporation** ("Development Corporation") was created in 1995 for the special purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the City. The members of the Development Corporation's financial activities are discretely presented in the City's financial statements as a governmental fund. Complete financial statements of the Development Corporation can be obtained from the City's administration office.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the City. In the government-wide Statement of Net Assets, the governmental activities are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes, charges for services, and intergovernmental revenues.

The government-wide Statement of Activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included on program revenues are reported as general revenues.

Separate **fund financial statements** are provided for the governmental funds. The General Fund, Construction Capital Project Fund and Debt Service Fund meet criteria as **major governmental funds**. The major funds are reported in a separate column in the fund financial statements. Non-major funds include Capital Project and Special Revenue funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**C. MEASUREMENT FOCUS, BASIC OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available and include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Property, franchise, sales, and hotel occupancy taxes and investment income are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The **Construction Capital Project Fund** was established to account for the proceeds received from the issuance of Tax Notes and for the expenditure of those proceeds.

The **Debt Service Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term tax certificates debt of the government funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**1. Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities in the next 12 months.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY - Continuation**

**2. Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for uncollectible. Trade accounts receivable primarily consist of charges for services provided by the City to customers for water, sewer, and sanitation. The allowance for uncollectible trade accounts receivable represents approximately 20% of the balance. The property tax receivable allowance is equal to 50% of the delinquent taxes receivable at September 30, 2008.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year and added to the delinquent roll after June 30.

**3. Capital Assets**

Capital assets, which include land, buildings, equipment, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives of assets are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Furniture & fixtures	7
General equipment	7
Vehicles	7-15
Computer hardware	5
Infrastructure	75

**4 Restricted Assets**

Restricted assets in the General Fund held for specific purposes in accordance with legal restrictions, are comprised of the following:

General Fund:

Cash and cash equivalents	
Tourism	\$ 128,738
Library	100,469
Improvement	87,792
Debt service	51,755
Airport improvement	13,572
Park	2,431
Technology	2,624
Total Cash and cash equivalents	<u>\$ 387,381</u>

Investments

Library	<u>\$ 5,000</u>
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Water & Sewer Fund:

Cash and cash equivalents	<u>\$ 12,169</u>
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**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY - Continuation**

**5. Compensated Absences**

A liability for unused vacation time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on specific events (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

The City's permanent, full-time employees earn vacation leave (up to a maximum of 160 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed 120 hours. Unused sick leave is not payable upon retirement or termination.

Amounts of accrued vacation leave and comp time are accrued in the government-wide financial statements.

**6. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that are subject to change.

Designations for special purposes of the special revenue fund unreserved fund balance are segregated so as to be utilized in accordance with state law or other restricted purpose as applied to hotel/motel tax revenue, grants, and contributions that are designated to finance particular functions or activities of the City. Designations of the capital projects fund balance are not legally required segregations, but are segregated for construction projects.

**8. Budgets and budgetary accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September of each fiscal year, the City Secretary submits an annual budget to the City Council.
- b. The City Council provides for a public hearing on the City budget before the end of August and prior to the levy of taxes by the Council.
- c. Prior to October 1, the budget is legally adopted by order of the Council for the General Fund.
- d. The budget is prepared by fund and department with the legal level of control at the departmental level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Council as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Council. Amounts shown in the financial statements represent the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for General Fund.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUALITY - Continuation**

- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting on an annual basis.
- f. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund.
- g. All appropriations lapse at the end of the City's fiscal year and may be re-budgeted the next year.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the City's cash and deposit balances as of September 30, 2008:

Cash and deposit balances consist of	
Bank deposits	\$ 402,436
Certificates of deposit	<u>345,572</u>
Total	<u>\$ 748,008</u>

Cash and investment balances are reported in the basic financial statements as follows:

Government-wide Statement of net assets	\$ 748,008
Component Unit	<u>112,713</u>
Total	<u>\$ 860,721</u>

As of September 30, 2008, the carrying amount of the City's bank deposits and certificates of deposit was \$748,008, and the respective bank balances totaled \$813,442. Of the total bank balance, \$157,055 was covered by federal depository insurance. The remaining \$656,387 was collateralized with securities held by the pledging financial institution's agent held in City's name.

As of September 30, 2008, the carrying amount of the Economic Development Corporation's bank and certificate of deposit was \$112,713, and the respective bank balances totaled \$112,713. Of the total bank balance, \$100,000 was covered by federal depository insurance. The remaining \$12,713 was collateralized with securities held by the pledging financial institution's agent held in City's name.

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Depository Act. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Company (FDIC) coverage.

State statutes and City resolutions authorize the City's investments. The City is authorized to invest in obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; insured or collateralized certificates of deposit; certain municipal securities; money market savings accounts; fully collateralized repurchase agreements; and government investment pools.

As of September 30, 2008, the City held investments only in certificates of deposit with a maturity of less than one year and are included in cash and cash equivalents in the Statement of Net Assets. These were adequately insured and collateralized as discussed above.

Deposits of the City can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation**

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. At year-end, the City was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the City's name. At year-end, the City was not significantly exposed to custodial credit risk.

- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and class of security. At year-end, the City was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The City will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the City was not exposed to interest rate risk.

**NOTE 3 – PROPERTY TAXES**

The City is authorized by the tax laws of the State of Texas to levy taxes up to \$.80 per \$100 of assessed valuation, for general governmental services, and the payment of principal and interest on long-term debt. The tax rates to finance general governmental services and the payment of principal and interest on long-term debt for the year ended September 30, 2008, were \$.24053 and \$.26236, respectively, per \$100 valuation. The combined tax rate on the 2007 tax roll was \$.50289 per \$100, which means that the City has a tax margin of \$.29711 per \$100 and could raise up to \$150,344 additional taxes from the 2007 assessed valuation.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the deferred revenue amount reported represents amounts unavailable to liquidate the liabilities of the current period.



**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 4 – RECEIVABLES**

Receivables as of year-end for the City, including the applicable allowance for uncollectible accounts, are as follows:

	Governmental Activities	Business- type Activities	Total
Taxes and assessments	\$ 112,418	\$ -	\$ 112,418
Customer-trade	-	73,195	73,195
Accrued interest receivable	<u>247</u>	<u>-</u>	<u>247</u>
Gross receivables	112,665	73,195	185,860
Less: Allowance for uncollectible accounts	<u>32,112</u>	<u>9,305</u>	<u>41,417</u>
Net total receivables	<u>\$ 80,553</u>	<u>\$ 63,890</u>	<u>\$ 144,443</u>

Discretely Presented Component Unit

Clarendon Economic Development Corporation receivables at September 30, 2008, consist of the following:

Taxes and assessments \$12,758

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2008, is as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 24,503	\$ -	\$ -	\$ 24,503
Total capital assets, not being depreciated:	<u>24,503</u>	<u>-</u>	<u>-</u>	<u>24,503</u>
Capital assets, being depreciated:				
Infrastructure	7,739,991	-	-	7,739,991
Buildings and improvements	435,404	-	-	435,404
Equipment	<u>874,646</u>	<u>6,300</u>	<u>-</u>	<u>880,946</u>
Total capital assets, being depreciated:	<u>9,050,041</u>	<u>6,300</u>	<u>-</u>	<u>9,056,341</u>
Less accumulated depreciation for:				
Infrastructure	(2,064,542)	(97,716)	-	(2,162,258)
Buildings and improvements	(313,109)	(7,341)	-	(320,450)
Equipment	<u>(789,732)</u>	<u>(17,511)</u>	<u>-</u>	<u>(807,243)</u>
Total accumulated depreciation	<u>(3,167,383)</u>	<u>(122,568)</u>	<u>-</u>	<u>(3,289,951)</u>
Total capital assets, being depreciated, net	<u>5,882,658</u>	<u>(116,268)</u>	<u>-</u>	<u>5,766,390</u>
Governmental activities capital assets, net	<u>\$ 5,907,161</u>	<u>\$ (116,268)</u>	<u>\$ -</u>	<u>\$ 5,790,893</u>

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 5 – CAPITAL ASSETS – Continuation**

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 159,713	\$ 39,263	\$ -	\$ 198,976
Total capital assets not being depreciated:				
Infrastructure	1,218,008	-	-	1,218,008
Buildings	46,797	-	-	46,797
Equipment	387,433	-	-	387,433
Total capital assets, being depreciated:	1,652,238	-	-	1,652,238
Less accumulated depreciation for:				
Infrastructure	(504,693)	(20,838)	-	(525,531)
Buildings	(30,179)	(699)	-	(30,878)
Equipment	(284,301)	(22,746)	-	(307,047)
Total accumulated depreciation	(819,173)	(44,283)	-	(863,456)
Total capital assets, being depreciated, net	833,065	(44,283)	-	788,782
Business-type activities capital assets, net	\$ 992,778	\$ (5,020)	\$ -	\$ 987,758

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>		
General government		\$ 15,188
Street		87,800
Fire		1,775
Park		4,359
Airport		13,446
Total depreciation expense – governmental activities:		<u>\$ 122,568</u>
<u>Business-type activities:</u>		
Water and Sewer		\$ 38,542
Sanitation		5,741
Total depreciation expense – business-type activities:		<u>\$ 44,283</u>

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS**

Due to/ from other funds

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 5,598
Hotel/Motel Bed Tax Fund	-	5,527
Economic Development Corporation	<u>11,125</u>	-
Total	<u>\$ 11,125</u>	<u>\$ 11,125</u>

Government interfund transfers during the year ended September 30, 2008, were as follows:

	Transfers Out	Transfers In
Governmental activities:		
Major funds:		
General Fund	\$ 24,418	\$ 123,106
Debt Service	-	29,473
Construction Capital Project Fund	<u>152,579</u>	<u>14,656</u>
Total government funds	<u>176,997</u>	<u>167,235</u>
Business-type activities:		
Water and Sewer	12,008	1,710
Sanitation	<u>-</u>	<u>20,060</u>
Total business-type activities	<u>12,008</u>	<u>21,770</u>
Total primary government	<u>\$ 189,005</u>	<u>\$ 189,005</u>

Eliminations

Interfund transfers are reported in the governmental activities fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column.

Purpose of Transfers

Primarily, transfers are used to 1) move amounts collected in the general fund representing the approved increase in charges for services designated by Council for use in improving the City's streets, 2) move unrestricted revenues accumulated in the general fund to finance the City's part of a community development project, and 3) move any amount recorded in an inappropriate fund to the correct fund in which the amount should be accounted.

**NOTE 7 – LONG-TERM DEBT AND OBLIGATIONS**

On February 22, 2005, the City authorized the issuance of the City of Clarendon, Texas, Tax Notes, Series 2005, for \$800,000. These notes were used for the paving of City streets. The City has created a sinking fund for the assessment and collection of taxes and the redemption of the Tax Notes. Principal payments on the Tax Notes are to be made annually, beginning February 15, 2006. Interest payments are to be made semi-annually on February 15 and August 15. The interest rate on the Series 2005 Tax Notes is 4.15%.

On November 8, 2004, the city financed the purchase of three pickups with a bank note payable. The note is due on demand, but if no demand is made, the City makes monthly payments of \$783, with the last payment due on November 8, 2009. The note bears interest at 4.85% annually and is collateralized by the three pickups.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 7 – LONG-TERM DEBT AND OBLIGATIONS— Continuation**

The following is a summary of long-term debt activity of the City of Clarendon for the year ended September 30, 2008:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental Activities					
Tax Notes, Series 2005	\$ 600,000	\$ -	\$ 110,000	\$ 490,000	\$ 115,000
Bank note payable	6,380	-	2,880	3,500	2,976
Compensated absences	<u>2,396</u>	<u>-</u>	<u>766</u>	<u>1,630</u>	<u>-</u>
Total Governmental activities	<u>\$ 608,776</u>	<u>\$ -</u>	<u>\$ 113,646</u>	<u>\$ 495,130</u>	<u>\$ 117,976</u>

**NOTE 7 – LONG-TERM DEBT AND OBLIGATIONS – Continuation**

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Business-type activities					
Bank note payable	12,926	-	5,769	7,157	6,085
Obligations under capital leases	4,235	-	4,235	-	-
Compensated absences	<u>8,470</u>	<u>-</u>	<u>1,965</u>	<u>6,505</u>	<u>-</u>
Total Business-type activities	<u>\$ 25,631</u>	<u>\$ -</u>	<u>\$ 11,969</u>	<u>\$ 13,662</u>	<u>\$ 6,085</u>

Maturities debt, tax notes and bank note, are as follows:

Due During Fiscal Year Ending	Principal	Interest	Total
Governmental activities			
2009	117,976	18,055	136,031
2010	120,524	13,076	133,600
2011	125,000	7,989	132,989
2012	<u>130,000</u>	<u>2,698</u>	<u>132,698</u>
Total governmental activities	<u>\$ 493,500</u>	<u>\$ 41,818</u>	<u>\$ 535,318</u>
Business-type activities			
2008	\$ 6,085	\$ 215	\$ 6,300
2009	<u>1,072</u>	<u>7</u>	<u>1,079</u>
Total business-type activities	<u>\$ 7,157</u>	<u>\$ 222</u>	<u>\$ 7,379</u>

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEM**

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

Benefits depend upon the sum of the employee's contribution to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for services rendered before the plan began of a theoretical amount 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 which is a theoretical amount which, when added to the employee's accumulated contributions and 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.

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

Deposit rate:	5%
Matching ratio (to employee)	1 to 1
A member is vested after:	5 years

Members can retire at certain ages, based on years of service with the City. The service retirement eligibilities for the City of Clarendon are: age 60 and above with five or more years of service or at any age with 20 or more years of service.

**CONTRIBUTIONS:**

At its December 8, 2007, meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007, TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007, valuation, the TMRS board determined that the Projected Union Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation**

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$44,925 and the funded ratio would have been 88.8%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

Under the state law governing TMRS, the actuary annually determines the City of Clarendon 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 of Clarendon matching percent, which are the obligation of the City of Clarendon 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 of Clarendon to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City of Clarendon contribution rate. Both the employees and the City of Clarendon make contributions monthly. Since the City of Clarendon 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.

**ACTUARIAL VALUATION INFORMATION**

Actuarial valuation date	12/31/07	12/31/06	12/31/05
Actuarial cost method	Unit credit	Unit credit	Unit credit
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	25 years	25 years	25 years
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment return	7.00%	7.00%	8.00%
Projected salary increases	Varies by age & service	None	None
Inflation	3%	3.5%	3.5%
Cost-of-living adjustment	0.0%	None	None

**Funding Policy**

Cities are required to contribute at an actuarially determined rate; these rates are provided to the city on an annual basis, following the completion of the actuarial valuation. Note that there is a time delay in the valuation and when the rate becomes effective – for example, the January 1, 2007, contribution rate is based on the 12/31/2005 valuation results; if a change in plan provisions is elected by the city, this rate can change. The actuary determines contribution rates on a calendar-year basis; the city discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the city's fiscal year.

**CITY OF CLARENDON, TEXAS**  
**NOTES OF BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation**

**TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF  
CITY OF CLARENDON, TEXAS**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2006	\$ 13,027	100%	\$ -
September 30, 2007	12,865	100	-
September 30, 2008	13,732	100	-

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN  
FOR THE EMPLOYEES OF CITY OF CLARENDON, TEXAS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	\$ 281,503	\$ 327,349	\$ 45,846	86.0%	\$ 292,527	15.7%
12/31/07	322,803	369,656	46,853	87.3	304,867	15.4
12/31/08	355,929	384,962	29,033	92.5	320,542	9.1

**NOTE 9 - RISK MANAGEMENT**

The city's major areas of risk management are: public officials' liability, automobile liability, airport liability, general comprehension liability, property damage, workers' compensation, and employee health insurance. The City has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The City pays a deductible per incident except on the employee health insurance, in which the deductible is the responsibility of the employee. There have been no significant reductions in health insurance coverage from the prior year.

**NOTE 10 – COMMITMENTS**

On July 10, 1985, the City, along with other cities, entered into a contract with Greenbelt Municipal and Industrial Water Authority (the "Authority"), whereby the Authority will sell to the cities water produced by the facilities of the Authority. In return, the cities agree to pay for such water based on a usage formula that will provide reimbursements for operations, maintenance and debt service payments to the Authority. The participating cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its demand usage from the system. The City paid \$176,313 to the Authority for the fiscal year ended September 30, 2008.

**NOTE 11 – LITIGATION**

The City is a defendant from time to time in various lawsuits. In the opinion of the City's management, any liabilities resulting from such lawsuits will not have a material effect on the financial position of the City.

**NOTE 12 – EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS**

During the year ended September 30, 2008, the City had expenditures in excess of the budgeted account in the General Fund in the following areas and amounts:

General Fund	
Debt service	
Bond principal	\$ 2,880
Bond interest	249
Library Saving	420

**CITY OF CLARENDON, TEXAS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007**

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 250,995	\$ 250,995	\$ 124,063	\$ (126,932)	\$ 134,147
General sales and use taxes	227,000	227,000	224,803	(2,197)	222,594
Franchise tax	85,992	85,992	82,950	(3,042)	79,930
Intergovernmental revenue and grants	33,000	33,000	30,250	(2,750)	33,000
Fines and fees	60,547	60,547	40,281	(20,266)	47,391
Investment earnings	25,000	25,000	15,718	(9,282)	26,252
Other revenue	14,465	14,465	13,174	(1,291)	15,457
Total revenues	<u>696,999</u>	<u>696,999</u>	<u>531,239</u>	<u>(165,760)</u>	<u>558,771</u>
<b>Expenditures</b>					
Current:					
General government:					
Administration	230,274	230,274	190,744	39,530	208,113
Municipal court	35,005	35,005	28,724	6,281	27,882
Animal control	4,500	4,500	1,444	3,056	2,273
Public safety:					
Police	131,375	131,375	131,289	86	131,399
Fire protection	21,970	21,970	21,920	50	18,944
Public works:					
Highways and streets	164,079	163,617	161,453	2,164	147,041
Culture and recreation:					
Parks	500	500	158	342	395
Libraries	78,155	78,155	73,334	4,821	73,949
Airport	4,100	4,562	4,493	69	3,954
Debt service:					
Bond principal	-	-	2,880	(2,880)	2,801
Bond interest	-	-	249	(249)	330
Capital outlay:					
Capital outlay	44,851	44,851	16,300	28,551	43,186
Total expenditures	<u>714,809</u>	<u>714,809</u>	<u>632,988</u>	<u>81,821</u>	<u>660,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,810)</u>	<u>(17,810)</u>	<u>(101,749)</u>	<u>(83,939)</u>	<u>(101,496)</u>
<b>Other financing sources (uses)</b>					
Transfers In	19,810	19,810	123,106	103,296	111,236
Transfers Out (use)	-	-	(24,418)	(24,418)	(50,307)
Total other financing sources (uses)	<u>19,810</u>	<u>19,810</u>	<u>98,688</u>	<u>78,878</u>	<u>60,929</u>
Net change	2,000	2,000	(3,061)	(5,061)	(40,567)
Fund balance - October 1 (Beginning)	451,033	451,033	451,033	-	491,600
Fund balance - September 30 (Ending)	<u>\$ 453,033</u>	<u>\$ 453,033</u>	<u>\$ 447,972</u>	<u>\$ (5,061)</u>	<u>\$ 451,033</u>

The accompanying notes are an integral part of this statement.



**CITY OF CLARENDON, TEXAS**  
HOTEL/MOTEL BED TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes:					
Other taxes	\$ 65,000	\$ 65,000	\$ 76,679	\$ 11,679	\$ 66,365
Investment earnings	11,000	11,000	1,859	(9,141)	8,435
Total revenues	<u>76,000</u>	<u>76,000</u>	<u>78,538</u>	<u>2,538</u>	<u>74,800</u>
<b>Expenditures</b>					
Current:					
General government:	47,220	47,220	59,047	11,827	43,178
Total expenditures	<u>47,220</u>	<u>47,220</u>	<u>59,047</u>	<u>11,827</u>	<u>43,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,780</u>	<u>28,780</u>	<u>19,491</u>	<u>(9,289)</u>	<u>31,622</u>
Fund balance - October 1 (Beginning)	103,720	103,720	103,720	-	78,098
Prior period adjustment					
Fund balance - September 30 (Ending)	<u>\$ 132,500</u>	<u>\$ 132,500</u>	<u>\$ 123,211</u>	<u>\$ (9,289)</u>	<u>\$ 109,720</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
LIBRARY SAVINGS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007

	2008			Variance with Final Budget- Positive (Negative)	2007
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
Fines and fees	\$ 6,300	\$ 6,300	\$ 7,762	\$ 1,462	\$ 7,762
Investment earnings	3,400	3,400	3,161	(239)	3,161
Other revenue	50	50	-	-	-
Total revenues	<u>9,750</u>	<u>9,700</u>	<u>10,923</u>	<u>1,223</u>	<u>10,923</u>
<b>Expenditures</b>					
Current:					
Culture and recreation:					
Libraries	800	800	1,220	(420)	1,220
Total expenditures	<u>800</u>	<u>800</u>	<u>1,220</u>	<u>(420)</u>	<u>1,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,950</u>	<u>8,900</u>	<u>9,703</u>	<u>803</u>	<u>9,703</u>
<b>Other financing sources (uses)</b>					
Transfers In	-	-	-	-	-
Transfers Out (use)	(1,500)	(1,500)	-	(1,500)	-
Total other financing sources (uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>
Net change	7,450	7,400	9,703	(697)	9,703
Fund balance - October 1 (Beginning)	97,833	97,833	97,833	-	88,130
Prior period adjustment					
Fund balance - September 30 (Ending)	<u>\$ 105,283</u>	<u>\$ 105,233</u>	<u>\$ 107,536</u>	<u>\$ (697)</u>	<u>\$ 97,833</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
 COMBINING BALANCE SHEET  
 MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008		
	Community Development Fund	Improvement Fund	Total Capital Projects Fund
<b>ASSETS</b>			
Restricted assets:			
Cash and cash equivalents	\$ 59	\$ 17,233	\$ 17,292
Total assets	\$ 59	\$ 17,233	\$ 17,292
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Intergovernmental payable	\$ 59	\$ -	\$ 59
Total liabilities	59	-	59
Fund balances:			
Unreserved and Undesignated:			
Reported in the			
Capital Improvement Fund	-	17,233	17,233
Total fund balances	-	17,233	17,233
Total liabilities and fund balances	\$ 59	\$ 17,233	\$ 17,292

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
 COMBINING BALANCE SHEET  
 MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008		
	Hotel/Motel Bed Tax Fund	Library Savings Fund	Total Special Revenue Fund
<b>ASSETS</b>			
Restricted assets:			
Cash and cash equivalents	\$ 128,738	\$ 98,643	\$ 227,381
Investments	-	5,000	5,000
Total assets	<u>\$ 128,738</u>	<u>\$ 103,643</u>	<u>\$ 232,381</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Intergovernmental payable	\$ 5,527	\$ -	\$ 5,527
Total liabilities	<u>5,527</u>	<u>-</u>	<u>5,527</u>
Fund balances:			
Restricted for:			
Tourisim	123,211	-	123,211
Library	-	103,643	103,643
Total fund balances	<u>123,211</u>	<u>103,643</u>	<u>226,854</u>
Total liabilities and fund balances	<u>\$ 128,738</u>	<u>\$ 103,643</u>	<u>\$ 232,381</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	2008			
	Court Tech Fund	Library Tooker Fund	Park Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
Restricted assets:				
Cash and cash equivalents	\$ 2,624	\$ 1,826	\$ 2,431	\$ 6,881
Total assets	\$ 2,624	\$ 1,826	\$ 2,431	\$ 6,881
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balances:				
Unreserved and Undesignated:				
Reported in the				
Special Revenue Fund	2,624	1,826	2,431	6,881
Total fund balances	2,624	1,826	2,431	6,881
Total liabilities and fund balances	\$ 2,624	\$ 1,826	\$ 2,431	\$ 6,881

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008		
	Community Development Fund	Improvement Fund	Total Capital Projects Fund
<b>Revenues</b>			
Federal government grants	\$ 39,322	\$ -	\$ 39,322
Fines and fees	-	99,771	99,771
Total revenues	<u>39,322</u>	<u>99,771</u>	<u>139,093</u>
<b>Expenditures</b>			
Capital outlay:			
Capital outlay	39,322	-	39,322
Total expenditures	<u>39,322</u>	<u>-</u>	<u>39,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>99,771</u>	<u>99,771</u>
<b>Other financing sources (uses)</b>			
Transfers Out (use)	-	(152,579)	(152,579)
Total other financing sources (uses)	<u>-</u>	<u>(152,579)</u>	<u>(152,579)</u>
Net change	-	(52,808)	(52,808)
Fund balance - October 1 (Beginning)	-	70,041	70,041
Fund balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 17,233</u>	<u>\$ 17,233</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 FUND BALANCE MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30,2008

	2008		
	Hotel/Motel Bed Tax Fund	Library Savings Fund	Total Special Revenue Fund
<b>Revenues</b>			
Taxes:			
Other taxes	\$ 76,679	\$ -	\$ 76,679
Fines and fees	-	6,609	6,609
Investment earnings	1,859	2,594	4,453
Other revenue	-	148	148
Total revenues	<u>78,538</u>	<u>9,351</u>	<u>87,889</u>
<b>Expenditures</b>			
Current:			
General government:			
Administration	59,047	-	59,047
Culture and recreation:			
Libraries	-	3,541	3,541
Total expenditures	<u>59,047</u>	<u>3,541</u>	<u>62,588</u>
Excess (deficiency) of revenues over (under) expenditures	19,491	5,810	25,301
Fund balance - October 1 (Beginning)	<u>103,720</u>	<u>97,833</u>	<u>201,553</u>
Fund balance - September 30 (Ending)	<u>\$ 123,211</u>	<u>\$ 103,643</u>	<u>\$ 226,854</u>

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	2008			
	Court Tech Fund	Library Tooker Fund	Park Fund	Total Nonmajor Special Revenue Funds
<b>Revenues</b>				
Intergovernmental revenue and grants	\$ -	\$ 4,163	\$ 5,798	\$ 9,961
Fines and fees	919	-	-	919
Total revenues	919	4,163	5,798	10,880
<b>Expenditures</b>				
Culture and recreation:				
Supplies	102	10,147	-	10,249
Capital outlay	-	-	18,023	18,023
Total expenditures	102	10,147	18,023	28,272
Excess (deficiency) of revenues over (under) expenditures	817	(5,984)	(12,225)	(17,392)
Transfers Out	-	-	14,656	14,656
Fund balance - October 1 (Beginning)	1,807	7,810	-	9,617
Fund balance - September 30 (Ending)	\$ 2,624	\$ 1,826	\$ 2,431	\$ 6,881

The accompanying notes are an integral part of this statement.



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

Mayor and City Council  
City of Clarendon, Texas

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clarendon, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City of Clarendon, Texas' basic financial statements and have issued our report thereon dated January 13, 2009. 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 the City of Clarendon, Texas', internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarendon, Texas', internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Clarendon, 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 City of Clarendon, Texas', 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 City of Clarendon, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of Clarendon, Texas' internal control.

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 City of Clarendon, Texas' 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 consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

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

*Foster & Lambert, LLC*

Foster & Lambert, L.L.C.  
January 13, 2009

**CITY OF CLARENDON, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified?  Yes  No

Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  No

Non compliance material to financial statements noted?  Yes  No

2. Federal Awards

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended September 30, 2008.

B. Financial Statement Findings

No findings

C. Federal Award Findings and Questioned Costs

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended September 30, 2008.