

**CITY OF CLARENDON, TEXAS**  
**FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

# CITY OF CLARENDON, TEXAS

## CITY COUNCIL MEMBERS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2011

Larry Hicks	Mayor
Ann Huey	Council Member
Will Thompson	Council Member
Tommy Hill	Council Member
Terry Noble	Council Member
Jesus Hernandez	Council Member

## CITY OFFICIALS

Lambert Little	City Administrator
Machiel Covey	City Secretary

# CITY OF CLARENDON, TEXAS

Annual Financial Report  
for the Year Ended September 30, 2011

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Independent Auditor's Report

Mayor and City Council  
City of Clarendon  
Clarendon, TX

Members of the Board:

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, 2011, 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 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, 2011, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2012, on our consideration of the City of Clarendon, Texas', internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is supplementary information required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarendon, Texas' financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Foster & Lambert LLC*

Foster & Lambert, L.L.C.

March 9, 2012

# CITY OF CLARENDON, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

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, 2011. 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, 2011

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 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.

### 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, 2011.

#### SUMMARY OF NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 763,817	\$ 893,041	\$ 466,803	\$ 588,819	\$ 1,230,620	\$ 1,481,860
Capital assets-net	<u>5,600,800</u>	<u>5,606,496</u>	<u>1,303,744</u>	<u>1,315,656</u>	<u>6,904,544</u>	<u>6,922,152</u>
Total assets	<u>6,364,617</u>	<u>6,499,537</u>	<u>1,770,547</u>	<u>1,904,475</u>	<u>8,135,164</u>	<u>8,404,012</u>
Other liabilities	27,181	18,696	96,530	98,335	123,711	117,031
Term liabilities	<u>257,631</u>	<u>207,984</u>	<u>8,696</u>	<u>9,608</u>	<u>266,327</u>	<u>217,592</u>
Total liabilities	<u>284,812</u>	<u>226,680</u>	<u>105,226</u>	<u>107,943</u>	<u>390,038</u>	<u>334,623</u>
Net assets:						
Invested in capital assets, net of related debt	5,343,169	5,398,512	1,303,744	1,315,656	6,646,913	6,714,168
Unrestricted – (Deficit)	<u>736,636</u>	<u>874,345</u>	<u>361,577</u>	<u>480,876</u>	<u>1,098,213</u>	<u>1,355,221</u>
Total net assets	<u>\$6,079,805</u>	<u>\$6,272,857</u>	<u>\$ 1,665,321</u>	<u>\$ 1,796,532</u>	<u>\$7,745,126</u>	<u>\$8,069,389</u>

# CITY OF CLARENDON, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

### SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2011	2010	2011	2010	2011
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 125,112	\$ 141,311	\$ 813,688	\$ 841,167	\$ 938,800	\$ 982,478
Operating grants and contributions	84,768	76,690	-	-	84,768	76,690
Capital grants and contributions	120,424	82,466	272,936	55,426	393,360	137,892
General revenues						
Sales taxes	232,906	329,825	-	-	232,906	329,825
Property taxes	343,217	354,518	-	-	343,217	354,518
Franchise taxes	84,552	84,981	-	-	84,552	84,981
Hotel/motel tax	67,041	70,040	-	-	67,041	70,040
Investment earnings	7,812	9,793	-	-	7,812	9,793
Other income	<u>13,853</u>	<u>28,092</u>	<u>-</u>	<u>-</u>	<u>13,853</u>	<u>28,092</u>
<b>Total revenues</b>	<u>1,079,685</u>	<u>1,177,716</u>	<u>1,086,624</u>	<u>896,593</u>	<u>2,166,309</u>	<u>2,074,309</u>
<b>Expenses:</b>						
Financial administration	617,506	441,800	-	-	617,506	441,800
Municipal Court	16,837	17,940	-	-	16,837	17,940
Animal Control	4,415	8,524	-	-	4,415	8,524
Police	130,979	133,589	-	-	130,979	133,589
Fire	25,556	40,364	-	-	25,556	40,364
Streets	243,467	266,246	-	-	243,467	266,246
Parks	5,628	2,412	-	-	5,628	2,412
Libraries	87,030	73,681	-	-	87,030	73,681
Airport	16,213	31,036	-	-	16,213	31,036
Interest on long-term debt	11,894	7,141	-	-	11,894	7,141
Water & Sewer	-	-	392,415	430,675	392,415	430,675
Sanitation	-	-	<u>301,994</u>	<u>296,638</u>	<u>301,994</u>	<u>296,638</u>
<b>Total expenses</b>	<u>1,159,525</u>	<u>1,022,733</u>	<u>694,409</u>	<u>727,313</u>	<u>1,853,934</u>	<u>1,750,046</u>
Increase (Decrease) in net assets before transfers	(79,840)	154,983	392,215	169,280	312,375	324,263
Transfers In (Out)	<u>(39,931)</u>	<u>38,069</u>	<u>39,931</u>	<u>(38,069)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	(119,771)	193,052	432,146	131,211	312,375	324,263
Beginning net assets	6,199,576	6,079,805	1,352,628	1,665,321	7,552,204	7,745,126
Prior period adjustment	-	-	<u>(119,453)</u>	<u>-</u>	<u>(119,453)</u>	<u>-</u>
<b>Ending net assets</b>	<u>\$6,079,805</u>	<u>\$6,272,857</u>	<u>\$1,665,321</u>	<u>\$1,796,532</u>	<u>\$7,745,126</u>	<u>\$8,069,389</u>



# CITY OF CLARENDON, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

### 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 \$6,272,857. Of this year-end total, approximately \$874,345 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an increase of \$193,052 from current year activity.

#### *Proprietary funds*

Proprietary Funds - Revenues of the City's business-type activities were \$841,167 which consisted mostly of water, sewer, and sanitation system charges. Water, sewer, and sanitation system revenues for the year ended September 30, 2011, exceeded expenses by \$113,854.

### General Fund Budgetary Highlights

The General Fund expenditures for fiscal year 2011 were \$877,887, which were \$161,432 more than the budgeted amount of \$716,455.

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, 2011, amounts to \$6,922,152 (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 2010	Governmental Activities 2011	Business- type Activities 2010	Business- type Activities 2011	Total 2010	Total 2011
Land	\$ 24,503	\$ 24,503	\$ -	\$ -	\$ 24,503	\$ 24,503
Infrastructure	5,423,876	5,350,627	1,232,902	1,209,317	6,656,778	6,559,944
Buildings	100,696	118,661	14,521	13,823	115,217	132,484
Equipment	51,725	112,705	56,321	92,516	108,046	205,221
Totals	<u>\$5,600,800</u>	<u>\$5,606,496</u>	<u>\$1,303,744</u>	<u>\$1,315,656</u>	<u>\$6,904,544</u>	<u>\$6,922,152</u>

# CITY OF CLARENDON, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011

This year's major additions included:

Governmental activities:	
Asphalt zipper	\$ 73,000
Animal shelter	9,278
Fire department windows	23,030
Business-type activities:	
Recycling truck	40,426
Trash truck	15,000

Debt

At year-end, the City had \$203,000 of capital leases and notes payable, as shown below:

### Outstanding Debt at Year-end

	Governmental Activities 2010	Governmental Activities 2011	Business-type Activities 2010	Business-type Activities 2011	Total 2010	Total 2011
Notes payable	\$ -	\$ 73,000	\$ -	\$ -	\$ -	\$ 73,000
Tax Notes	<u>255,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>255,000</u>	<u>130,000</u>
Total	<u>\$ 255,000</u>	<u>\$ 203,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ 203,000</u>

### Economic Factors and Next Year

The City has been awarded a \$275,000 sewer line improvement grant that is expected to begin in the coming year. Budgeted revenues for the 2011-12 year for the general fund are up \$77,494 from the 2010-11 final budget, while budgeted expenditures are up by \$91,128.

### 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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
<b>Assets</b>				
Cash and cash equivalents	\$ 245,770	\$ 462,428	\$ 708,198	\$ 171,435
Receivables (net of allowance for uncollectibles)	99,499	74,665	174,164	14,800
Restricted assets:				
Cash and cash equivalents	542,772	51,726	594,498	-
Investments	5,000	-	5,000	-
Capital assets not being depreciated:				
Land	24,503	-	24,503	-
Capital assets net of accumulated depreciation:				
Infrastructure	5,350,627	1,209,317	6,559,944	-
Buildings, net	118,661	13,823	132,484	67,004
Machinery and Equipment, net	112,705	92,516	205,221	-
 Total assets	 6,499,537	 1,904,475	 8,404,012	 253,239
<b>Liabilities</b>				
Accounts payable and other current liabilities				
Accounts payable and other current liabilities	18,036	40,664	58,700	-
Accrued interest payable	660	5,945	6,605	-
Customer deposits	-	51,726	51,726	-
Noncurrent Liabilities				
Due Within One Year	144,600	-	144,600	-
Due in More Than One Year	63,384	9,608	72,992	-
 Total liabilities	 226,680	 107,943	 334,623	 -
<b>Net Assets</b>				
Invested in Capital Assets, net of related debt	5,398,512	1,315,656	6,714,168	-
Restricted for:				
Economic development	-	-	-	253,239
Unrestricted Net Assets	874,345	480,876	1,355,221	-
 Total net assets	 \$ 6,272,857	 \$ 1,796,532	 \$ 8,069,389	 \$ 253,239

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	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			Total
					Governmental Activities	Business-type Activities		
<b>Primary Government</b>								
Governmental activities:								
Financial Administration	\$ 441,800	\$ 703	\$ -	\$ 40,426	\$ (400,671)	\$ (400,671)	\$ -	
Municipal Court	17,940	26,598	-	-	8,658	8,658	-	
Animal Control	8,524	564	-	-	(7,960)	(7,960)	-	
Police Department	133,589	-	-	-	(133,589)	(133,589)	-	
Fire Protection	40,364	-	4,000	42,040	5,676	5,676	-	
Highways and Streets	266,246	105,419	30,000	-	(130,827)	(130,827)	-	
Parks	2,412	-	-	-	(2,412)	(2,412)	-	
Libraries	73,681	3,531	42,690	-	(27,460)	(27,460)	-	
Airport	31,036	4,496	-	-	(26,540)	(26,540)	-	
Interest on long-term debt	7,141	-	-	-	(7,141)	(7,141)	-	
Total governmental activities	1,022,733	141,311	76,690	82,466	(722,266)	(722,266)	-	
Business-type activities:								
Water and Sewer Fund	430,675	580,480	-	-	-	149,805	-	
Sanitation	296,638	260,687	-	55,426	-	19,475	-	
Total business-type activities	727,313	841,167	-	55,426	-	169,280	-	
Total primary government	\$ 1,750,046	\$ 982,478	\$ 76,690	\$ 137,892	\$ (722,266)	\$ (552,986)	\$ -	
<b>Component Unit</b>								
Nonmajor Component Unit	\$ 64,013	\$ -	\$ -	\$ 13,385	\$ -	\$ -	\$ (50,628)	
Total Component Units	\$ 64,013	\$ -	\$ -	\$ 13,385	\$ -	\$ -	\$ (50,628)	
General revenues:								
Property taxes					354,518	354,518	-	
Sales taxes					329,825	329,825	82,519	
Franchise taxes					84,981	84,981	-	
Other taxes					70,040	70,040	-	
Miscellaneous revenue					28,092	28,092	-	
Investment earnings					9,793	9,793	1,390	
Transfers in (Out)					(38,069)	-	-	
Total general revenues and transfers					915,318	877,249	83,909	
Change in net assets					193,052	324,263	33,281	
Net assets - Beginning					6,079,805	7,745,126	219,958	
Net assets - Ending					\$ 6,272,857	\$ 8,069,389	\$ 253,239	

The accompanying notes are an integral part of this statement.

**CITY OF CLARENDON, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010**

	2011			2010	
	General Fund	Debt Service Fund	Other Funds	Total Government Funds	Total Government Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 245,770	\$ -	\$ -	\$ 245,770	\$ 225,265
Receivables (net of allowances for uncollectibles)	87,600	11,899	-	99,499	93,557
Restricted assets:					
Cash and cash equivalents	86,341	93,510	362,921	542,772	439,994
Investments	-	-	5,000	5,000	5,000
 Total assets	 <u>\$ 419,711</u>	 <u>\$ 105,409</u>	 <u>\$ 367,921</u>	 <u>\$ 893,041</u>	 <u>\$ 763,816</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 14,097	\$ -	\$ -	\$ 14,097	\$ 16,102
Accrued wages payable	3,418	-	-	3,418	9,571
Deferred revenues	31,911	11,899	-	43,810	39,146
 Total liabilities	 <u>49,426</u>	 <u>11,899</u>	 <u>-</u>	 <u>61,325</u>	 <u>64,819</u>
Fund balances:					
Restricted					
Debt Service	-	93,510	-	93,510	63,633
Assigned for:					
Court technology	-	-	1,915	1,915	1,603
Library	-	-	98,264	98,264	84,201
Tourism	-	-	168,850	168,850	141,780
Airport improvement	14,294	-	-	14,294	14,109
Capital Improvement	72,046	-	98,892	170,938	136,827
Unassigned	283,945	-	-	283,945	256,843
Total fund balances	<u>370,285</u>	<u>93,510</u>	<u>367,921</u>	<u>831,716</u>	<u>698,996</u>
 Total liabilities and fund balances	 <u>\$ 419,711</u>	 <u>\$ 105,409</u>	 <u>\$ 367,921</u>	 <u>\$ 893,041</u>	 <u>\$ 763,815</u>
 Governmental activities fund balance				 \$ 831,716	
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.				5,606,497	
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.				(165,356)	
Net assets of governmental activities				<u>\$ 6,272,857</u>	

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, 2011  
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010

	2011			2010	
	General Fund	Debt Service Fund	Other Funds	Total Government Funds	Total Government Funds
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 216,988	\$ 132,866	\$ -	\$ 349,854	\$ 340,355
General sales and use taxes	329,825	-	-	329,825	232,906
Franchise tax	84,981	-	-	84,981	84,552
Other taxes	-	-	70,040	70,040	67,041
Intergovernmental revenue and grants	52,121	30,000	73,035	155,156	188,592
Fines and fees	40,614	-	109,472	150,086	125,112
Investment earnings	8,859	-	934	9,793	7,812
Other revenue	13,207	-	10,109	23,316	30,454
Total revenues	<u>746,595</u>	<u>162,866</u>	<u>263,590</u>	<u>1,173,051</u>	<u>1,076,824</u>
<b>Expenditures</b>					
Current:					
General government:					
Administration	334,814	-	42,970	377,784	331,105
Municipal court	17,730	-	210	17,940	16,837
Animal control	8,215	-	-	8,215	4,415
Public safety:					
Police	133,589	-	-	133,589	130,979
Fire protection	18,911	-	-	18,911	18,856
Public works:					
Highways and streets	181,648	-	8,798	190,446	170,788
Culture and recreation:					
Parks	558	-	-	558	1,480
Libraries	63,545	-	10,090	73,635	86,961
Airport	17,589	-	-	17,589	2,767
Debt service:					
Bond principal	-	125,000	-	125,000	120,523
Bond interest	-	7,989	-	7,989	12,550
Capital outlay:					
Capital outlay	101,288	-	78,456	179,744	283,936
Total expenditures	<u>877,887</u>	<u>132,989</u>	<u>140,524</u>	<u>1,151,400</u>	<u>1,181,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,292)</u>	<u>29,877</u>	<u>123,066</u>	<u>21,651</u>	<u>(104,373)</u>
<b>Other financing sources (uses)</b>					
Loan proceeds	73,000	-	-	73,000	-
Transfers In	87,125	-	-	87,125	-
Transfers Out (use)	-	-	(49,056)	(49,056)	(39,931)
Total other financing sources (uses)	<u>160,125</u>	<u>-</u>	<u>(49,056)</u>	<u>111,069</u>	<u>(39,931)</u>
Net change	28,833	29,877	74,010	132,720	(144,304)
Fund balance - October 1 (Beginning)	<u>341,452</u>	<u>63,633</u>	<u>293,911</u>	<u>698,996</u>	<u>843,300</u>
Fund balance - September 30 (Ending)	<u>\$ 370,285</u>	<u>\$ 93,510</u>	<u>\$ 367,921</u>	<u>\$ 831,716</u>	<u>\$ 698,996</u>

The accompanying notes are an integral part of this statement.

**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 30,2011

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

Net change in fund balances-total governmental funds	\$ 132,720
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.	5,696
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.	52,847
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.	(2,876)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current-year change recognized in the government-wide financial statements is \$4,665. This results in an increase in net assets.	4,665
Changes in net assets of governmental activities	<u>\$ 193,052</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, 2011**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2011	2010
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 462,428	\$ -	\$ 462,428	\$ 337,275
Accounts receivable (net of allowance for uncollectibles)	52,211	22,454	74,665	78,118
Restricted assets:				
Cash and cash equivalents	51,726	-	51,726	51,410
Total current assets	<u>566,365</u>	<u>22,454</u>	<u>588,819</u>	<u>466,803</u>
Noncurrent assets:				
Capital assets:				
Infrastructure	1,720,504	-	1,720,504	1,720,504
Buildings	23,572	23,225	46,797	46,797
Machinery and Equipment	235,719	223,140	458,859	403,433
Accumulated Depreciation-Capital Assets	(758,124)	(152,380)	(910,504)	(866,990)
Total noncurrent assets	<u>1,221,671</u>	<u>93,985</u>	<u>1,315,656</u>	<u>1,303,744</u>
Total assets	<u>1,788,036</u>	<u>116,439</u>	<u>1,904,475</u>	<u>1,770,547</u>
<b>Liabilities</b>				
Current liabilities:				
Bank overdraft	-	5,060	5,060	-
Accounts payable	26,431	9,173	35,604	32,364
Accrued payroll	1,239	4,706	5,945	12,756
Customer deposits	51,726	-	51,726	51,410
Total current liabilities	<u>79,396</u>	<u>18,939</u>	<u>98,335</u>	<u>96,530</u>
Noncurrent liabilities:				
Compensated absences	1,329	8,279	9,608	8,696
Total noncurrent liabilities	<u>1,329</u>	<u>8,279</u>	<u>9,608</u>	<u>8,696</u>
Total liabilities	<u>80,725</u>	<u>27,218</u>	<u>107,943</u>	<u>105,226</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,221,671	93,985	1,315,656	1,303,744
Unrestricted net assets	485,640	(4,764)	480,876	361,577
Total net assets	<u>\$ 1,707,311</u>	<u>\$ 89,221</u>	<u>\$ 1,796,532</u>	<u>\$ 1,665,321</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, 2011**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2011	2010
<b>Operating revenues:</b>				
Charges for Water Services	\$ 580,480	\$ -	\$ 580,480	\$ 549,143
Sanitation Charges for Services	-	260,687	260,687	264,545
Total operating revenues	<u>580,480</u>	<u>260,687</u>	<u>841,167</u>	<u>813,688</u>
<b>Operating expenses:</b>				
Personal Services-Salaries and Wages	88,392	150,841	239,233	220,586
Personal Services-Employee Benefits	18,417	33,473	51,890	53,856
Purchased Property Services	218,705	61,622	280,327	247,220
Other Operating Expenses	39,339	34,525	73,864	86,816
Supplies	30,989	7,497	38,486	36,271
Depreciation	34,833	8,680	43,513	49,654
Total operating expenses	<u>430,675</u>	<u>296,638</u>	<u>727,313</u>	<u>694,403</u>
Operating income	<u>149,805</u>	<u>(35,951)</u>	<u>113,854</u>	<u>119,285</u>
<b>Non-operating revenue (expense):</b>				
Interest Expense	-	-	-	(6)
Loss before contributions and transfers	149,805	(35,951)	113,854	119,279
<b>Contributions and operating transfers:</b>				
Capital contributions	-	55,426	55,426	272,936
Transfer in	-	17,667	17,667	39,931
Transfers out	(55,736)	-	(55,736)	-
Change in Net Assets	94,069	37,142	131,211	432,146
Total Net Assets - October 1 (Beginning)	1,613,242	52,079	1,665,321	1,352,628
Prior period adjustment	-	-	-	(119,453)
Total Net Assets - September 30 (Ending)	<u>\$ 1,707,311</u>	<u>\$ 89,221</u>	<u>\$ 1,796,532</u>	<u>\$ 1,665,321</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, 2011**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2011	2010
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 578,392	\$ 266,228	\$ 844,620	\$ 813,271
Payments to suppliers	(303,588)	(137,740)	(441,328)	(420,474)
Payments to employees	(92,669)	(152,461)	(245,130)	(204,089)
Net cash provided by operating activities	<u>182,135</u>	<u>(23,973)</u>	<u>158,162</u>	<u>188,708</u>
<b>Cash flows provided by noncapital financing activities</b>				
Operating transfers	<u>(55,736)</u>	<u>17,667</u>	<u>(38,069)</u>	<u>39,931</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of equipment	-	-	-	(10,600)
Principal paid on long-term debt	-	-	-	(1,062)
Proceeds customer deposits	316	-	316	3,394
Interest paid on debt	-	-	-	(6)
Net cash (used) by capital and related financing activities	<u>316</u>	<u>-</u>	<u>316</u>	<u>(8,274)</u>
Net increase in cash and cash equivalents	126,715	(6,306)	120,409	220,365
Cash and cash equivalents at beginning of year	<u>387,439</u>	<u>1,246</u>	<u>388,685</u>	<u>168,320</u>
Cash and cash equivalents at end of year	<u><u>514,154</u></u>	<u><u>(5,060)</u></u>	<u><u>\$ 509,094</u></u>	<u><u>\$ 388,685</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income	\$ 149,805	\$ (35,951)	\$ 113,854	\$ 119,285
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	34,833	8,680	43,513	49,655
Interest expense				
(Increase) decrease in current assets:				
Receivables	(2,088)	5,541	3,453	(417)
Increase (decrease) in current liabilities:				
Accounts payable	3,862	(623)	3,239	3,689
Accrued payroll	(4,277)	(1,620)	(5,897)	16,496
Net cash provided by operating activities	<u><u>\$ 182,135</u></u>	<u><u>\$ (23,973)</u></u>	<u><u>\$ 158,162</u></u>	<u><u>\$ 188,708</u></u>
<b>Noncash investing, capital, and financing activities:</b>				
Assets contributed from grants	\$ -	\$ 55,426	\$ 55,426	\$ 227,128

The accompanying notes are an integral part of this statement.

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### 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 (Type A General Law). 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 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, 2011

### 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 **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 November 30, 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.

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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

#### 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.

##### 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 property tax receivable allowance is equal to 50% of the delinquent taxes receivable at September 30, 2011.

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

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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

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

##### 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	\$ 168,850
Library	93,264
Improvement	170,939
Debt service	93,510
Airport improvement	14,294
Technology	<u>1,915</u>
Total Cash and cash equivalents	\$ <u>542,772</u>
Investments	
Library	\$ <u>5,000</u>
Water & Sewer Fund:	
Cash and cash equivalents	\$ <u>51,726</u>

##### 5. Compensated Absences

The City changed their compensated absences policy as of October 1, 2008. The City's permanent, full-time employees earn sick leave (up to a maximum of 720 hours) based on days employed. The policy provides for payment of sick leave upon retirement, contingent upon the employee providing a minimum of two weeks notice of his/her intent to resign.

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

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 120 hours per year) based on days employed. Vacation leave accrues monthly up to the maximum allowed per year, so no accrual is booked.

##### 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

Fund Equity, beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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

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

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

#### 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.
- 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.

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

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

#### D. ASSESTS, LIABILITIES, AND NET ASSESTS OR EQUALITY – Continuation

- 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, 2011:

Cash and deposit balances consist of	
Bank deposits	\$ 1,028,599
Certificates of deposit	<u>450,532</u>
Total	<u>\$ 1,479,131</u>

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

Government-wide Statement of net assets	\$ 1,307,696
Component Unit	<u>171,435</u>
Total	<u>\$ 1,479,131</u>

As of September 30, 2011, the carrying amount of the City's bank deposits and certificates of deposit was \$1,307,696, and the respective bank balances totaled \$1,361,466. The entire balance was covered by federal depository insurance and securities held by the pledging financial institution's agent held in City's name.

As of September 30, 2011, the carrying amount of the Economic Development Corporation's book balance was \$171,435, and the respective bank balances totaled \$171,435. The total bank balance was covered by federal depository insurance.

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, 2011, 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.



# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

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:

- 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, 2011, were \$.414225 and \$.235775, respectively, per \$100 valuation. The combined tax rate on the 2010 tax roll was \$.65 per \$100, which means that the City has a tax margin of \$.15 per \$100 and could raise up to \$81,250 additional taxes from the 2010 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, 2011

**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	\$ 143,016	\$ -	\$ 143,016
Customer-trade	-	74,665	74,665
Accrued interest receivable	<u>293</u>	<u>-</u>	<u>293</u>
Gross receivables	143,309	74,665	217,974
 Less: Allowance for uncollectible accounts	 <u>43,810</u>	 <u>-</u>	 <u>43,810</u>
 Net total receivables	 <u>\$ 99,499</u>	 <u>\$ 74,665</u>	 <u>\$ 174,164</u>

Discretely Presented Component Unit

Clarendon Economic Development Corporation receivables at September 30, 2011, consist of the following:

Taxes and assessments	<u>\$14,800</u>
-----------------------	-----------------

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2011, 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	7,750,571	9,278	-	7,759,849
Buildings and improvements	435,404	23,030	-	458,434
Equipment	<u>891,946</u>	<u>73,000</u>	<u>-</u>	<u>964,946</u>
Total capital assets, being depreciated:	<u>9,077,921</u>	<u>105,308</u>	<u>-</u>	<u>9,183,229</u>
 Less accumulated depreciation for:				
Infrastructure	(2,326,695)	(82,527)	-	(2,409,222)
Buildings and improvements	(334,708)	(5,065)	-	(339,773)
Equipment	<u>(840,221)</u>	<u>(12,020)</u>	<u>-</u>	<u>(852,241)</u>
Total accumulated depreciation	<u>(3,501,624)</u>	<u>(99,612)</u>	<u>-</u>	<u>(3,601,236)</u>
 Total capital assets, being depreciated, net	 <u>5,576,297</u>	 <u>5,696</u>	 <u>-</u>	 <u>5,581,993</u>
 Governmental activities capital assets, net	 <u>\$ 5,600,800</u>	 <u>\$ 5,696</u>	 <u>\$ -</u>	 <u>\$ 5,606,496</u>

**CITY OF CLARENDON, TEXAS**

NOTES OF BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Infrastructure	1,720,504	-	-	1,720,504
Buildings	46,797	-	-	46,797
Equipment	<u>403,433</u>	<u>55,426</u>	-	<u>458,859</u>
Total capital assets, being depreciated:	<u>2,170,734</u>	<u>55,426</u>	-	<u>2,226,160</u>
Less accumulated depreciation for:				
Infrastructure	(487,602)	(23,585)	-	(511,187)
Buildings	(32,276)	(699)	-	(32,975)
Equipment	<u>(347,112)</u>	<u>(19,230)</u>	-	<u>(366,342)</u>
Total accumulated depreciation	<u>(866,990)</u>	<u>(43,514)</u>	-	<u>(910,504)</u>
Total capital assets, being depreciated, net	<u>1,303,744</u>	<u>11,912</u>	-	<u>1,315,656</u>
Business-type activities capital assets, net	<u>\$ 1,303,744</u>	<u>\$ 11,912</u>	<u>\$ -</u>	<u>\$ 1,315,656</u>

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

Governmental activities:		
General government		\$ 5,543
Street		76,017
Fire		2,443
Animal control		309
Park		1,854
Airport		<u>13,446</u>
Total depreciation expense – governmental activities:		<u>\$ 99,612</u>
Business-type activities:		
Water and Sewer		\$ 34,834
Sanitation		8,680
Total depreciation expense – business-type activities:		<u>\$ 43,514</u>

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

Government interfund transfers during the year ended September 30, 2011, were as follows:

	Transfers Out	Transfers In
Governmental activities:		
Major funds:		
General Fund	<u>\$ -</u>	<u>\$ 38,069</u>
Business-type activities:		
Water and Sewer	55,736	-
Sanitation	-	<u>17,667</u>
Total business-type activities	<u>55,736</u>	<u>17,667</u>
Total primary government	<u>\$ 55,736</u>	<u>\$ 55,736</u>

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS – Continuation

#### 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%.

The following is a summary of long-term debt activity of the City of Clarendon for the year ended September 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
<b>Governmental Activities</b>					
Tax Notes, Series 2005	\$ 255,000	\$ -	\$ 125,000	\$ 130,000	\$ 130,000
Bank note payable	-	73,000	-	73,000	14,600
Compensated absences	2,108	1,310	-	3,418	-
<b>Total Governmental activities</b>	<u>\$ 257,108</u>	<u>\$ 74,310</u>	<u>\$ 125,000</u>	<u>\$ 206,418</u>	<u>\$ 144,600</u>
<b>Business-type activities</b>					
Compensated absences	\$ 8,696	\$ 912	-	\$ 9,608	-
<b>Total Business-type activities</b>	<u>\$ 8,696</u>	<u>\$ 912</u>	<u>\$ -</u>	<u>\$ 9,608</u>	<u>\$ -</u>

Debt maturities for tax notes and bank note, are as follows:

Due During Fiscal Year <u>Ending</u>	Principal	Interest	Total
<b>Governmental activities</b>			
Tax notes:			
2012	<u>\$ 130,000</u>	<u>\$ 2,698</u>	<u>\$ 132,698</u>
<b>Bank note:</b>			
2012	\$ 14,600	\$ 1,643	\$ 16,243
2013	14,600	1,314	15,914
2014	14,600	986	15,586
2015	14,600	657	15,257
2016	14,600	329	14,929
<b>Total</b>	<u>\$ 73,000</u>	<u>\$ 4,929</u>	<u>\$ 77,929</u>

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

The City of Clarendon provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS website at [www.TMRS.com](http://www.TMRS.com)

The plan provisions are adopted by the governing body of the City of Clarendon, 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 yrs

Members can retire at certain ages, based on the years of service with the City of Clarendon. The service retirement eligibilities for the City of Clarendon are: 5 yrs/age 60, 20 yrs/any age.

#### CONTRIBUTIONS:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rate include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (assets) are as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Contribution Made</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	15,368	15,368	100%	-
2010	13,369	13,369	100%	-
2011	12,919	12,919	100%	-

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10 prior to restructuring</u>	<u>12/31/10- Restructured</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	24.0 Years – Closed Period	21.0 Years – Closed Period	20.5 Years – Closed Period	24.9 Years – Closed Period
Amortization Period for new Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.5%	7.5%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At Cost-of-Living Adjustments	3.0% None	3.0% 0.0%	3.0% 0.0%	3.0% 0.0%

### FUNDED STATUS AND FUNDING PROGRESS

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2012 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3)	Unfunded AAL (UAAL) (4)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/10(1)	\$372,963	\$387,283	96.3%	\$14,320	\$353,503	4.1%
12/31/10(2)	527,965	495,912	106.5%	(32,053)	353,503	(9.1)%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

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

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

City offers supplemental death to:	Plan Year 2010	Plan Year 2011
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$1,938, \$1,477, and \$2,028, respectively, which equaled the required contributions each year.

### 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 \$189,272 to the Authority for the fiscal year ended September 30, 2011.

# CITY OF CLARENDON, TEXAS

## NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2011

### 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, 2011, the City had expenditures in excess of the budgeted account in the General Fund in the following areas and amounts:

General Fund	
Administration	\$ 91,487
Animal control	4,315
Airport	13,089
Capital outlay	85,288



**CITY OF CLARENDON, TEXAS**

REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2011  
 (UNAUDITED)

Texas Municipal Retirement System Analysis of Funding Progress  
 Last Three Fiscal Years

Actuarial Valuation Date	<u>12/31/10(a)</u>	<u>12/31/10(b)</u>	<u>12/31/09</u>	<u>12/31/08</u>
Actuarial Value of Assets	\$372,963	\$527,965	\$381,886	\$400,910
Actuarial Accrued Liability	387,283	495,912	395,690	427,644
Percentage funded	96.3%	106.5%	96.5%	93.7%
Unfunded Actuarial Accrued Liability (UAAL)	14,320	(32,053)	13,804	26,734
Annual covered payroll	353,503	353,503	384,437	351,063
UAAL as a percentage of covered payroll	4.1%	(9.1)%	3.6%	7.6%

(a) Actuarial valuation performed under the original fund structure.  
 (b) Actuarial valuation performed under the new fund structure.

**CITY OF CLARENDON, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010**

	2011			Variance with Final Budget- Positive (Negative)	2010
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 195,640	\$ 212,940	\$ 216,988	\$ 4,048	\$ 210,257
General sales and use taxes	234,000	236,950	329,825	92,875	232,906
Franchise tax	89,750	89,750	84,981	(4,769)	84,552
Intergovernmental revenue and grants	33,000	33,000	52,121	19,121	63,000
Fines and fees	25,900	38,090	40,614	2,524	21,790
Investment earnings	6,000	6,000	8,859	2,859	6,582
Other revenue	2,400	15,400	13,207	(2,193)	30,361
Total revenues	<u>586,690</u>	<u>632,130</u>	<u>746,595</u>	<u>114,465</u>	<u>649,448</u>
<b>Expenditures</b>					
Current:					
General government:					
Administration	216,058	243,327	334,814	(91,487)	261,082
Municipal court	15,000	20,000	17,730	2,270	15,112
Animal control	3,900	3,900	8,215	(4,315)	4,415
Public safety:					
Police	134,403	134,403	133,589	814	130,979
Fire protection	18,865	19,155	18,911	244	18,856
Public works:					
Highways and streets	176,220	203,670	181,648	22,022	170,788
Culture and recreation:					
Parks	1,500	1,500	558	942	1,480
Libraries	70,000	70,000	63,545	6,455	64,575
Airport	3,800	4,500	17,589	(13,089)	2,767
Capital outlay:					
Capital outlay	12,000	16,000	101,288	(85,288)	11,000
Total expenditures	<u>651,746</u>	<u>716,455</u>	<u>877,887</u>	<u>(161,432)</u>	<u>681,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,056)</u>	<u>(84,325)</u>	<u>(131,292)</u>	<u>(46,967)</u>	<u>(31,606)</u>
<b>Other financing sources (uses)</b>					
Loan proceeds	-	-	73,000	73,000	-
Transfers In	65,056	87,125	87,125	-	(32,412)
Total other financing sources (uses)	<u>65,056</u>	<u>87,125</u>	<u>160,125</u>	<u>73,000</u>	<u>(32,412)</u>
Net change	-	2,800	28,833	26,033	(64,018)
Fund balance - October 1 (Beginning)	341,452	341,452	341,452	-	405,470
Fund balance - September 30 (Ending)	<u>\$ 341,452</u>	<u>\$ 344,252</u>	<u>\$ 370,285</u>	<u>\$ 26,033</u>	<u>\$ 341,452</u>

**CITY OF CLARENDON, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011						
	Court Tech Fund	Library Savings Fund	Library Tooker Fund	Hotel/Motel Fund	Community Development Fund	Improvement Fund	Total Nonmajor Funds
<b>ASSETS</b>							
Restricted assets:							
Cash and cash equivalents	\$ 1,915	\$ 92,197	\$ 1,067	\$ 168,850	\$ -	\$ 98,892	\$ 362,921
Investments	-	5,000	-	-	-	-	5,000
<b>Total assets</b>	<b>\$ 1,915</b>	<b>\$ 97,197</b>	<b>\$ 1,067</b>	<b>\$ 168,850</b>	<b>\$ -</b>	<b>\$ 98,892</b>	<b>\$ 367,921</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:							
Unreserved and Undesignated:							
Reported in the							
Special Revenue Fund	1,915	97,197	1,067	168,850	-	98,892	367,921
<b>Total fund balances</b>	<b>1,915</b>	<b>97,197</b>	<b>1,067</b>	<b>168,850</b>	<b>-</b>	<b>98,892</b>	<b>367,921</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,915</b>	<b>\$ 97,197</b>	<b>\$ 1,067</b>	<b>\$ 168,850</b>	<b>\$ -</b>	<b>\$ 98,892</b>	<b>\$ 367,921</b>

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 FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	2011						
	Court Tech Fund	Library Savings Fund	Library Tooker Fund	Hotels/Motel Fund	Community Development Fund	Improvement Fund	Total Nonmajor Funds
<b>Revenues</b>							
Intergovernmental revenue and grants	\$ -	\$ -	\$ 9,579	\$ -	\$ 63,456	\$ -	\$ 73,035
Other taxes	-	-	-	70,040	-	-	70,040
Fines and fees	522	3,531	-	-	-	105,419	109,472
Investment earnings	-	934	-	-	-	-	934
Other	-	9,894	215	-	-	-	10,109
<b>Total revenues</b>	<b>522</b>	<b>14,359</b>	<b>9,794</b>	<b>70,040</b>	<b>63,456</b>	<b>105,419</b>	<b>263,590</b>
<b>Expenditures</b>							
Administration	-	-	-	42,970	-	-	42,970
Culture and recreation:							
Supplies	210	296	9,794	-	-	-	10,300
Repairs	-	-	-	-	-	8,798	8,798
Capital outlay	-	-	-	-	63,456	15,000	78,456
<b>Total expenditures</b>	<b>210</b>	<b>296</b>	<b>9,794</b>	<b>42,970</b>	<b>63,456</b>	<b>23,798</b>	<b>140,524</b>
Excess (deficiency) of revenues over (under) expenditures	312	14,063	-	27,070	-	81,621	123,066
Transfers Out	-	-	-	-	-	(49,056)	(49,056)
<b>Net change</b>	<b>312</b>	<b>14,063</b>	<b>-</b>	<b>27,070</b>	<b>-</b>	<b>32,565</b>	<b>74,010</b>
Fund balance - October 1 (Beginning)	1,603	83,134	1,067	141,760	-	66,327	293,911
Fund balance - September 30 (Ending)	\$ 1,915	\$ 97,197	\$ 1,067	\$ 168,850	\$ -	\$ 98,892	\$ 367,921

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  
Clarendon, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clarendon, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Clarendon, Texas' basic financial statements and have issued our report thereon dated March 9, 2012. 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 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 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, others within the entity, 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.

March 9, 2012

# CITY OF CLARENDON, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

### 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

Significant deficiencies 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, 2011.

### 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, 2011.

**CITY OF CLARENDON, TEXAS**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

None