

CITY OF CLARENDON, TEXAS

CITY COUNCIL MEMBERS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

Larry Hicks

Mayor

Ann Huey

Council Member

Will Thompson

Council Member

Kyle Davis

Council Member

Jeremy Powell

Council Member

CITY OFFICIALS

Machiel Covey, City Secretary

CITY OF CLARENDON, TEXAS

Annual Financial Report
for the Year Ended September 30, 2010

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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, 2010, 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, 2010, 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 28, 2011, 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 a 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 is 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, L.L.C.
March 28, 2011

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

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, 2010. 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, 2010

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, 2010.

SUMMARY OF NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 999,894	\$ 763,817	\$ 246,021	\$ 466,803	\$ 1,245,915	\$ 1,230,620
Capital assets-net	<u>5,701,649</u>	<u>5,600,800</u>	<u>1,189,316</u>	<u>1,303,744</u>	<u>6,890,965</u>	<u>6,904,544</u>
Total assets	<u>6,701,543</u>	<u>6,364,617</u>	<u>1,435,337</u>	<u>1,770,547</u>	<u>8,136,880</u>	<u>8,135,164</u>
Other liabilities	122,994	27,181	76,691	96,530	199,685	123,711
Term liabilities	<u>378,973</u>	<u>257,631</u>	<u>6,018</u>	<u>8,696</u>	<u>384,991</u>	<u>266,327</u>
Total liabilities	<u>501,967</u>	<u>284,812</u>	<u>82,709</u>	<u>105,226</u>	<u>584,676</u>	<u>390,038</u>
Net assets:						
Invested in capital assets, net of related debt	5,326,126	5,343,169	1,188,254	1,303,744	6,514,380	6,646,913
Unrestricted - (Deficit)	<u>873,450</u>	<u>736,636</u>	<u>164,374</u>	<u>361,577</u>	<u>1,037,824</u>	<u>1,098,213</u>
Total net assets	<u>\$6,199,576</u>	<u>\$6,079,805</u>	<u>\$1,352,628</u>	<u>\$1,665,321</u>	<u>\$7,552,204</u>	<u>\$7,745,126</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues						
Charges for services	\$ 158,584	\$ 125,112	\$ 826,427	\$ 813,688	\$985,011	\$938,800
Operating grants and contributions	67,039	84,768	-	-	67,039	84,768
Capital grants and contributions	227,128	120,424	227,128	272,936	454,256	393,360
General revenues						
Sales taxes	233,795	232,906	-	-	233,795	232,906
Property taxes	328,650	343,217	-	-	328,650	343,217
Franchise taxes	78,952	84,552	-	-	78,952	84,552
Hotel/motel tax	75,287	67,041	-	-	75,287	67,041
Investment earnings	10,279	7,812	-	-	10,279	7,812
Other income	24,309	13,853	-	-	24,309	13,853
Total revenues	<u>1,204,023</u>	<u>1,079,685</u>	<u>1,053,555</u>	<u>1,086,624</u>	<u>2,257,578</u>	<u>2,166,309</u>
Expenses:						
Financial administration	533,907	617,506	-	-	533,907	617,506
Municipal Court	28,055	16,837	-	-	28,055	16,837
Animal Control	2,158	4,415	-	-	2,158	4,415
Police	131,302	130,979	-	-	131,302	130,979
Fire	18,640	25,556	-	-	18,640	25,556
Streets	215,552	243,467	-	-	215,552	243,467
Parks	7,090	5,628	-	-	7,090	5,628
Libraries	84,984	87,030	-	-	84,984	87,030
Airport	16,813	16,213	-	-	16,813	16,213
Interest on long-term debt	18,602	11,894	-	-	18,602	11,894
Water & Sewer	-	-	386,210	392,415	386,210	392,415
Sanitation	-	-	315,456	301,994	315,456	301,994
Total expenses	<u>1,057,103</u>	<u>1,159,525</u>	<u>701,666</u>	<u>694,409</u>	<u>1,758,769</u>	<u>1,853,934</u>
Increase (Decrease) in net assets before transfers	146,920	(79,840)	351,889	392,215	498,809	312,375
Transfers In (Out)	<u>(23,129)</u>	<u>(39,931)</u>	<u>23,129</u>	<u>39,931</u>	-	-
Change in net assets	123,791	(119,771)	375,018	432,146	498,809	312,375
Beginning net assets	6,075,785	6,199,576	977,610	1,352,628	7,053,395	7,552,204
Prior period adjustment	-	-	-	(119,453)	-	(119,453)
Ending net assets	<u>\$6,199,576</u>	<u>\$6,079,805</u>	<u>\$1,352,628</u>	<u>\$1,665,321</u>	<u>\$7,552,204</u>	<u>\$7,745,126</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

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 \$6,079,805. Of this year-end total, approximately \$736,636 is unreserved indicating availability for continuing City service requirements.

The total ending fund balances of governmental funds show an decrease of \$119,771 from current year activity.

Proprietary funds

Proprietary Funds - Revenues of the City's business-type activities were \$813,688 which consisted mostly of water, sewer, and sanitation system charges. Water, sewer, and sanitation system revenues for the year ended September 30, 2010, exceeded expenses by \$119,285.

General Fund Budgetary Highlights

The General Fund expenditures for fiscal year 2010 were \$681,054, which were \$61,334 less than the budgeted amount of \$742,388.

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, 2010, amounts to \$6,904,544 (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 2009	Governmental Activities 2010	Business- type Activities 2009	Business- type Activities 2010	Total 2009	Total 2010
Land	\$ 24,503	\$ 24,503	\$ -	\$ -	\$ 24,503	\$ 24,503
Construction in Progress	-	-	426,104	-	426,104	-
Infrastructure	5,506,095	5,423,876	671,639	1,232,902	6,177,734	6,656,778
Buildings	107,824	100,696	15,220	14,521	123,044	115,217
Equipment	63,227	51,725	76,353	56,321	139,580	108,046
Totals	<u>\$ 5,701,649</u>	<u>\$ 5,600,800</u>	<u>\$ 1,189,316</u>	<u>\$ 1,303,744</u>	<u>\$6,890,965</u>	<u>\$6,904,544</u>

CITY OF CLARENDON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2010

This year's major additions included:

Governmental activities:	
2 Fire trucks	\$ 11,000
Business-type activities:	
TCDP grant project	283,536

Debt

At year-end, the City had \$255,000 of capital leases and notes payable, as shown below:

Outstanding Debt at Year-end

	Governmental Activities 2009	Governmental Activities 2010	Business-type Activities 2009	Business-type Activities 2010	Total 2009	Total 2010
Notes payable	\$ 523	\$ -	\$ 1,062	\$ -	\$ 1,585	\$ -
Tax Notes	<u>375,000</u>	<u>255,000</u>	<u>-</u>	<u>-</u>	<u>375,000</u>	<u>255,000</u>
Total	<u>\$ 375,523</u>	<u>\$ 255,000</u>	<u>\$ 1,062</u>	<u>\$ -</u>	<u>\$ 376,585</u>	<u>\$ 255,000</u>

Economic Factors and Next Year

The City has been awarded an energy grant for energy efficient improvements to the fire department, and a \$63,000 grant for the purchase of a recycling truck. Budgeted revenues for the 2010-11 year for the general fund are up \$24,215 from the 2009-10 final budget, while budgeted expenditures are down by \$71,468.

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, 2010

	Primary Government			Component Unit
	Governmental	Business		Nonmajor
	Activities	Type	Total	Component
		Activities		Unit
Assets				
Cash and cash equivalents	\$ 225,266	\$ 337,275	\$ 562,541	\$ 136,642
Receivables (net of allowance for uncollectibles)	93,557	78,118	171,675	14,549
Restricted assets:				
Cash and cash equivalents	439,994	51,410	491,404	-
Investments	5,000	-	5,000	-
Capital assets not being depreciated:				
Land	24,503	-	24,503	-
Capital assets net of accumulated depreciation:				
Infrastructure	5,423,876	1,232,902	6,656,778	-
Buildings, net	100,696	14,521	115,217	68,767
Machinery and Equipment, net	51,725	56,321	108,046	-
Total assets	6,364,617	1,770,547	8,135,164	219,958
Liabilities				
Accounts payable and other current liabilities	25,673	45,120	70,793	-
Accrued interest payable	1,508	-	1,508	-
Customer deposits	-	51,410	51,410	-
Noncurrent Liabilities				
Due Within One Year	124,933	-	124,933	-
Due in More Than One Year	132,698	8,696	141,394	-
Total liabilities	284,812	105,226	390,038	-
Net Assets				
Invested in Capital Assets, net of related debt	5,343,169	1,303,744	6,646,913	-
Restricted for:				
Economic development	-	-	-	219,958
Unrestricted Net Assets	736,636	361,577	1,098,213	-
Total net assets	\$ 6,079,805	\$ 1,665,321	\$ 7,745,126	\$ 219,958

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary Government						
Governmental activities:						
Financial Administration	\$ 617,506	\$ -	\$ -	\$ 120,424	\$ (497,082)	\$ -
Municipal Court	16,837	17,149	-	-	312	-
Animal Control	4,415	1,191	5,600	-	2,376	-
Police Department	130,979	-	-	-	(130,979)	-
Fire Protection	25,556	-	11,000	-	(14,556)	-
Highways and Streets	243,467	97,986	30,000	-	(115,481)	-
Parks	5,628	-	-	-	(5,628)	-
Libraries	87,030	5,336	38,168	-	(43,526)	-
Airport	16,213	3,450	-	-	(12,763)	-
Interest on long-term debt	11,894	-	-	-	(11,894)	-
Total governmental activities	1,159,525	125,112	84,768	120,424	(829,221)	-
Business-type activities:						
Water and Sewer Fund	392,415	549,143	-	272,936	-	429,664
Sanitation	301,994	264,545	-	-	-	(37,449)
Total business-type activities	694,409	813,688	-	272,936	-	392,215
Total primary government	\$ 1,853,934	\$ 938,800	\$ 84,768	\$ 393,360	\$ (829,221)	\$ (437,006)
Component Unit						
Nonmajor Component Unit	\$ 68,662	\$ -	\$ -	\$ 50,046	\$ -	\$ (18,616)
Total Component Units	\$ 68,662	\$ -	\$ -	\$ 50,046	\$ -	\$ (18,616)
General revenues:						
Property taxes					343,217	-
Sales taxes					232,906	77,635
Franchise taxes					84,552	-
Other taxes					67,041	-
Miscellaneous revenue					13,853	-
Investment earnings					7,812	1,190
Transfers In (Out)					(39,931)	-
Total general revenues and transfers					709,450	-
Change in net assets					(119,771)	78,825
Net assets - Beginning					6,199,576	60,209
Prior period adjustment					-	159,749
Net assets - Ending					\$ 6,079,805	\$ 219,958

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009

	2010					2009	
	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Other Funds	Total Government Funds	Total Government Funds
ASSETS							
Cash and cash equivalents	\$ 225,265	\$ -	\$ -	\$ -	\$ -	\$ 225,265	\$ 292,467
Receivables (net of allowances for uncollectibles)	82,636	10,921	-	-	-	93,557	179,703
Restricted assets:							
Cash and cash equivalents	85,220	63,633	68,557	141,780	80,804	439,994	522,724
Investments	-	-	-	-	5,000	5,000	5,000
Total assets	\$ 393,121	\$ 74,554	\$ 68,557	\$ 141,780	\$ 85,804	\$ 763,815	\$ 999,894
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 23,443	\$ -	\$ 2,230	\$ -	\$ -	\$ 25,673	\$ 109,184
Intergovernmental payable	-	-	-	-	-	-	11,125
Deferred revenues	28,225	10,921	-	-	-	39,146	36,285
Total liabilities	\$ 51,668	\$ 10,921	\$ 2,230	\$ -	\$ -	\$ 64,819	\$ 156,594
Fund balances:							
Reserved for:							
Debt Service	-	63,633	-	-	-	63,633	66,608
Unreserved and Undesignated:							
Reported in the General Fund	341,452	-	-	-	-	341,452	405,470
Reported in the Special Revenue Fund	-	-	-	141,780	85,804	227,584	250,369
Reported in the Capital Improvement Fund	-	-	66,327	-	-	66,327	120,853
Total fund balances	\$ 341,452	\$ 63,633	\$ 66,327	\$ 141,780	\$ 85,804	\$ 698,996	\$ 843,300
Total liabilities and fund balances	\$ 393,120	\$ 74,554	\$ 68,557	\$ 141,780	\$ 85,804	\$ 763,815	\$ 999,894

Governmental activities fund balance

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

(219,992)

\$ 6,079,805

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, 2010
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009

	2010					2009
	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Other Funds	Total Government Funds
Revenues						
Taxes:						
Property taxes	\$ 210,257	\$ 130,098	\$ -	\$ -	\$ -	\$ 340,355
General sales and use taxes	232,906	-	-	-	-	232,906
Franchise tax	84,552	-	-	-	-	84,552
Other taxes	-	-	-	67,041	-	67,041
Intergovernmental revenue and grants	63,000	-	-	-	5,168	68,168
Federal government grants	-	-	120,424	-	-	120,424
Fines and fees	21,790	-	97,986	-	5,336	125,112
Investment earnings	6,582	-	-	365	865	158,584
Other revenue	30,361	-	-	-	93	10,278
Total revenues	649,448	130,098	218,410	67,406	11,462	1,076,824
						24,309
						1,199,850
Expenditures						
Current:						
General government:						
Administration	261,082	-	-	70,023	-	331,105
Municipal court	15,112	-	-	-	1,725	16,837
Animal control	4,415	-	-	-	-	4,415
Public safety:						
Police	130,979	-	-	-	-	130,979
Fire protection	18,856	-	-	-	-	18,856
Public works:						
Highways and streets	170,788	-	-	-	-	170,788
Culture and recreation:						
Parks	1,480	-	-	-	-	1,480
Libraries	84,575	-	-	-	22,386	86,961
Airport	2,767	-	-	-	-	2,767
Debt service:						
Bond principal	-	120,523	-	-	-	120,523
Bond interest	-	12,550	-	-	-	12,550
Capital outlay:						
Capital outlay	11,000	-	272,836	-	-	283,836
Total expenditures	681,054	133,073	272,836	70,023	24,111	1,161,197
Excess (deficiency) of revenues over (under) expenditures	(31,606)	(2,975)	(54,526)	(2,617)	(12,649)	(104,373)
						237,709
						1,084,116
						115,734
Other financing sources (uses)						
Transfers In	-	-	-	-	-	-
Transfers Out (use)	(32,412)	-	-	-	(7,519)	(39,931)
Total other financing sources (uses)	(32,412)	-	-	-	(7,519)	(39,931)
Net change	(84,018)	(2,975)	(54,526)	(2,617)	(20,168)	(144,304)
Fund balance - October 1 (Beginning)	405,470	66,608	120,853	144,397	105,972	843,300
Fund balance - September 30 (Ending)	\$ 341,452	\$ 63,633	\$ 66,327	\$ 141,780	\$ 85,804	\$ 698,996
						\$ 843,300

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, 2010

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

Net change in fund balances-total governmental funds	\$ (144,304)
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.	(100,850)
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.	121,178
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.	1,343
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 \$2,861. This results in an increase in net assets.	2,862
Changes in net assets of governmental activities	<u>\$ (119,771)</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, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2010	2009
Assets				
Current assets:				
Cash and cash equivalents	\$ 336,029	\$ 1,246	\$ 337,275	\$ 120,304
Accounts receivable (net of allowance for uncollectibles)	50,123	27,995	78,118	77,701
Restricted assets:				
Cash and cash equivalents	51,410	-	51,410	48,016
Total current assets	<u>437,562</u>	<u>29,241</u>	<u>466,803</u>	<u>246,021</u>
Noncurrent assets:				
Capital assets:				
Infrastructure	1,720,504	-	1,720,504	1,218,008
Buildings	23,572	23,225	46,797	46,797
Machinery and Equipment	235,719	167,714	403,433	403,433
Accumulated Depreciation-Capital Assets	(723,290)	(143,700)	(866,990)	(905,026)
Construction in process	-	-	-	426,104
Total noncurrent assets	<u>1,256,505</u>	<u>47,239</u>	<u>1,303,744</u>	<u>1,189,316</u>
Total assets	<u>1,694,067</u>	<u>76,480</u>	<u>1,770,547</u>	<u>1,435,337</u>
Liabilities				
Current liabilities:				
Accounts payable	22,569	9,795	32,364	28,675
Accrued payroll	4,346	8,410	-	-
Customer deposits	51,410	-	51,410	48,016
Notes payable-current	-	-	-	1,062
Total current liabilities	<u>78,325</u>	<u>18,205</u>	<u>83,774</u>	<u>77,753</u>
Noncurrent liabilities:				
Compensated absences	2,500	6,196	8,696	4,956
Total noncurrent liabilities	<u>2,500</u>	<u>6,196</u>	<u>8,696</u>	<u>4,956</u>
Total liabilities	<u>80,825</u>	<u>24,401</u>	<u>92,470</u>	<u>82,709</u>
Net Assets				
Invested in capital assets, net of related debt	1,256,505	47,239	1,303,744	1,188,254
Unrestricted net assets	<u>356,737</u>	<u>4,840</u>	<u>361,577</u>	<u>164,374</u>
Total net assets	<u>\$ 1,613,242</u>	<u>\$ 52,079</u>	<u>\$ 1,665,321</u>	<u>\$ 1,352,628</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, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2010	2009
Operating revenues:				
Charges for Water Services	\$ 549,143	\$ -	\$ 549,143	\$ 531,019
Sanitation Charges for Services	-	264,545	264,545	295,408
Total operating revenues	549,143	264,545	813,688	826,427
Operating expenses:				
Personal Services-Salaries and Wages	82,530	138,056	220,586	221,086
Personal Services-Employee Benefits	16,304	37,552	53,856	54,664
Purchased Property Services	191,122	56,098	247,220	250,514
Other Operating Expenses	26,848	59,968	86,816	86,622
Supplies	31,859	4,412	36,271	47,023
Depreciation	43,746	5,908	49,654	41,570
Total operating expenses	392,409	301,994	694,403	701,479
Operating income	156,734	(37,449)	119,285	124,948
Non-operating revenue (expense):				
Interest Expense	(6)	-	(6)	(187)
Loss before contributions and transfers	156,728	(37,449)	119,279	124,761
Contributions and operating transfers:				
Capital contributions	272,936	-	272,936	227,128
Transfer in	18,186	21,745	39,931	32,786
Transfers out	-	-	-	(9,657)
Change in Net Assets	447,850	(15,704)	432,146	375,018
Total Net Assets - October 1 (Beginning)	1,284,845	67,783	1,352,628	977,610
Prior period adjustment	(119,453)	-	(119,453)	-
Total Net Assets - September 30 (Ending)	<u>\$ 1,613,242</u>	<u>\$ 52,079</u>	<u>\$ 1,665,321</u>	<u>\$ 1,352,628</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, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			
	Water & Sewer Fund	Sanitation Fund	Total Enterprise Funds	
			2010	2009
Cash flows from operating activities				
Receipts from customers and users	\$ 549,057	\$ 264,214	\$ 813,271	\$ 812,616
Payments to suppliers	(263,333)	(157,141)	(420,474)	(439,817)
Payments to employees	(76,517)	(127,572)	(204,089)	(222,636)
Net cash provided by operating activities	<u>209,207</u>	<u>(20,499)</u>	<u>188,708</u>	<u>150,163</u>
Cash flows provided by noncapital financing activities				
Operating transfers	<u>18,186</u>	<u>21,745</u>	<u>39,931</u>	<u>23,129</u>
Cash flows from capital and related financing activities				
Purchase of equipment	(10,600)	-	(10,600)	(16,000)
Principal paid on long-term debt	(1,062)	-	(1,062)	(6,075)
Proceeds customer deposits	3,394	-	3,394	5,121
Interest paid on debt	(6)	-	(6)	(187)
Net cash (used) by capital and related financing activities	<u>(8,274)</u>	<u>-</u>	<u>(8,274)</u>	<u>(17,141)</u>
Net increase in cash and cash equivalents	<u>219,119</u>	<u>1,246</u>	<u>220,365</u>	<u>156,151</u>
Cash and cash equivalents at beginning of year	<u>168,320</u>	<u>-</u>	<u>168,320</u>	<u>12,169</u>
Cash and cash equivalents at end of year	<u><u>387,439</u></u>	<u><u>1,246</u></u>	<u><u>\$ 388,685</u></u>	<u><u>\$ 168,320</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 156,734	\$ (37,449)	\$ 119,285	\$ 124,948
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	43,747	5,908	49,655	41,570
Interest expense				
(Increase) decrease in current assets:				
Receivables	(86)	(331)	(417)	(13,811)
Increase (decrease) in current liabilities:				
Accounts payable	2,800	889	3,689	(994)
Accrued payroll	6,012	10,484	16,496	(1,550)
Net cash provided by operating activities	<u><u>\$ 209,207</u></u>	<u><u>\$ (20,499)</u></u>	<u><u>\$ 188,708</u></u>	<u><u>\$ 150,163</u></u>
Noncash investing, capital, and financing activities:				
Assets contributed from TCDP grant	\$ 272,936	\$ -	\$ 272,936	\$ 227,128

The accompanying notes are an integral part of this statement.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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, 2010

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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSESTS, LIABILITES, 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 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, 2010.

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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. ASSESTS, LIABILITIES, AND NET ASSESTS 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	\$ 141,780
Library	79,201
Improvement	139,668
Debt service	63,633
Airport improvement	14,109
Technology	1,603
Total Cash and cash equivalents	<u>\$ 439,994</u>

Investments	
Library	<u>\$ 5,000</u>

Water & Sewer Fund:	
Cash and cash equivalents	<u>\$ 51,410</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 or termination, 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 160 hours per year) based on days employed. Employees are required to take their vacation by the end of the year or forfeit it, 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

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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

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.
- 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, 2010:

Cash and deposit balances consist of

Bank deposits	\$ 790,024
Certificates of deposit	405,563
Total	<u>\$ 1,195,587</u>

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

Government-wide Statement of net assets	\$ 1,058,945
Component Unit	136,642
Total	<u>\$ 1,195,587</u>

As of September 30, 2010, the carrying amount of the City's bank deposits and certificates of deposit was \$1,058,945, and the respective bank balances totaled \$1,106,027. 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, 2010, the carrying amount of the Economic Development Corporation's book balance was \$136,642, and the respective bank balances totaled \$136,642. The total bank balance was covered by federal depository insurance.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

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, 2010, 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:

- 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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, 2010, were \$.4140100 and \$.23599, respectively, per \$100 valuation. The combined tax rate on the 2009 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 2009 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.

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	\$ 78,292	\$ -	\$ 78,292
Customer-trade	-	81,808	81,808
Accrued interest receivable	268	-	268
Intergovernmental receivable	<u>54,143</u>	<u>-</u>	<u>54,143</u>
Gross receivables	132,703	81,808	214,511
Less: Allowance for uncollectible accounts	<u>39,146</u>	<u>3,690</u>	<u>42,836</u>
Net total receivables	<u>\$ 93,557</u>	<u>\$ 78,118</u>	<u>\$ 171,675</u>

Discretely Presented Component Unit

Clarendon Economic Development Corporation receivables at September 30, 2010, consist of the following:

Taxes and assessments	<u>\$14,549</u>
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CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2010, 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:	24,503	-	-	24,503
Capital assets, being depreciated:				
Infrastructure	7,750,571	-	-	7,750,571
Buildings and improvements	435,404	-	-	435,404
Equipment	880,946	11,000	-	891,946
Total capital assets, being depreciated:	9,066,921	11,000	-	9,077,921
Less accumulated depreciation for:				
Infrastructure	(2,244,476)	(82,219)	-	(2,326,695)
Buildings and improvements	(327,579)	(7,129)	-	(334,708)
Equipment	(817,720)	(22,501)	-	(840,221)
Total accumulated depreciation	(3,389,775)	(111,849)	-	(3,501,624)
Total capital assets, being depreciated, net	5,677,146	(100,849)	-	5,576,297
Governmental activities capital assets, net	\$ 5,701,649	\$ (100,849)	\$ -	\$ 5,600,800
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 426,104	\$ 283,536	\$ 709,640	\$ -
Total capital assets not being depreciated:				
Infrastructure	1,218,008	709,640	207,144	1,720,504
Buildings	46,797	-	-	46,797
Equipment	403,433	-	-	403,433
Total capital assets, being depreciated:	1,668,238	709,640	207,144	2,170,734
Less accumulated depreciation for:				
Infrastructure	(546,369)	(28,923)	87,690	(487,602)
Buildings	(31,577)	(699)	-	(32,276)
Equipment	(327,080)	(20,032)	-	(347,112)
Total accumulated depreciation	(905,026)	(49,654)	87,690	(866,990)
Total capital assets, being depreciated, net	763,212	659,986	119,454	1,303,744
Business-type activities capital assets, net	\$ 1,189,316	\$ 943,522	\$ 829,094	\$ 1,303,744

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 5 – CAPITAL ASSETS – Continuation

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

Governmental activities:	
General government	\$ 15,187
Street	72,368
Fire	6,700
Park	4,148
Airport	13,446
Total depreciation expense – governmental activities:	<u>\$ 111,849</u>
Business-type activities:	
Water and Sewer	\$ 43,746
Sanitation	5,908
Total depreciation expense – business-type activities:	<u>\$ 49,654</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

Government interfund transfers during the year ended September 30, 2010, were as follows:

	Transfers Out	Transfers In
Governmental activities:		
Major funds:		
General Fund	\$ 39,931	\$ -
Total government funds	<u>39,931</u>	<u>-</u>
Business-type activities:		
Water and Sewer	-	18,186
Sanitation	-	21,745
Total business-type activities	<u>-</u>	<u>39,931</u>
Total primary government	<u>\$ 39,931</u>	<u>\$ 39,931</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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental Activities					
Tax Notes, Series 2005	\$ 375,000	\$ -	\$ 120,000	\$ 255,000	\$ 125,000
Bank note payable	523	-	523	-	-
Compensated absences	3,451	-	1,343	2,108	-
Total Governmental activities	<u>\$ 378,974</u>	<u>\$ -</u>	<u>\$ 121,866</u>	<u>\$ 257,108</u>	<u>\$ 125,000</u>
Business-type activities					
Bank note payable	\$ 1,062	\$ -	\$ 1,062	\$ -	\$ -
Compensated absences	4,955	3,741	-	8,696	-
Total Business-type activities	<u>\$ 6,017</u>	<u>\$ 3,741</u>	<u>\$ 1,062</u>	<u>\$ 8,696</u>	<u>\$ -</u>

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

Due During Fiscal Year Ending	Principal	Interest	Total
Governmental activities			
2011	\$ 125,000	\$ 7,989	\$ 132,989
2012	<u>130,000</u>	<u>2,698</u>	<u>132,698</u>
Total governmental activities	<u>\$ 255,000</u>	<u>\$ 10,687</u>	<u>\$ 265,687</u>

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

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

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>
2008	\$ 3,508	\$ 3,508	100%	-
2009	15,368	15,368	100%	-
2010	13,369	13,369	100%	-

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years – Closed Period	25 Years – Closed Period	24 Years – Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	None	0.0%	0.0%

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM – Continuation

The funded status as of December 31, 2009, 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)
12/31/09	\$381,886	\$395,690	96.5%	\$13,804	\$384,437	3.6%

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 2008	Plan Year 2009
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 2010, 2009 and 2008 were \$1,477, \$2,028 and \$1,166, 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.

CITY OF CLARENDON, TEXAS

NOTES OF BASIC FINANCIAL STATEMENTS SEPTEMBER 30, 2010

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 \$177,108 to the Authority for the fiscal year ended September 30, 2010.

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, 2010, the City had expenditures in excess of the budgeted account in the General Fund in the following areas and amounts:

General Fund	
Parks	\$ 480

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The estimated useful life of the water tower was overstated at the time the City converted to GASB 34. A prior period adjustment of \$119,453 was made to reduce the remaining book value of the water tower that should have been distributed over the life of the water tower.

CITY OF CLARENDON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2010 (UNAUDITED)

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

Actuarial Valuation Date	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Actuarial Value of Assets	\$ 381,886	\$ 400,910	\$ 355,929
Actuarial Accrued Liability	395,690	427,644	384,962
Percentage funded	96.5%	93.7%	92.5%
Unfunded Actuarial Accrued Liability (UAAL)	13,804	26,734	29,033
Annual Covered Payroll	388,837	351,063	320,542
UAAL as a percentage of covered payroll	3.6%	7.6%	9.1%
Net Pension Obligation at the beginning of the period	-	-	-

CITY OF CLARENDON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009

	2010				2009
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual Amounts		Actual Amounts
Revenues					
Taxes:					
Property taxes	\$ 203,123	\$ 203,123	\$ 210,257	\$ 7,134	\$ 176,402
General sales and use taxes	233,237	233,237	232,906	(331)	233,795
Franchise tax	96,817	96,817	84,552	(12,265)	78,952
Intergovernmental revenue and grants	33,000	33,000	63,000	30,000	63,000
Fines and fees	63,928	63,928	21,790	(42,138)	49,319
Investment earnings	11,200	11,200	6,582	(4,618)	7,571
Other revenue	10,600	10,600	30,361	19,761	10,271
Total revenues	651,905	651,905	649,448	(2,457)	619,310
Expenditures					
Current:					
General government:					
Administration	275,609	275,609	261,082	14,527	235,141
Municipal court	31,027	31,027	15,112	15,915	27,584
Animal control	8,800	8,800	4,415	4,385	2,158
Public safety:					
Police	131,175	131,175	130,979	196	131,302
Fire protection	18,865	18,865	18,856	9	18,640
Public works:					
Highways and streets	187,426	187,426	170,788	16,638	148,091
Culture and recreation:					
Parks	1,000	1,000	1,480	(480)	46
Libraries	68,186	68,186	64,575	3,611	58,644
Airport	4,300	4,300	2,767	1,533	3,366
Debt service:					
Bond principal	-	-	-	-	2,977
Bond interest	-	-	-	-	153
Capital outlay:					
Capital outlay	16,000	16,000	11,000	5,000	10,581
Total expenditures	742,388	742,388	681,054	61,334	638,683
Excess (deficiency) of revenues over (under) expenditures	(90,483)	(90,483)	(31,606)	58,877	(19,373)
Other financing sources (uses)					
Transfers Out (use)	-	-	(32,412)	(32,412)	(23,129)
Total other financing sources (uses)	-	-	(32,412)	(32,412)	(23,129)
Net change	(90,483)	(90,483)	(64,018)	26,465	(42,502)
Fund balance - October 1 (Beginning)	405,470	405,470	405,470	-	447,972
Fund balance - September 30 (Ending)	\$ 314,987	\$ 314,987	\$ 341,452	\$ 26,465	\$ 405,470

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, 2010
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009

	2010				2009
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)	
	Original	Final	Actual Amounts		Actual Amounts
Revenues					
Taxes:					
Other taxes	\$ 75,000	\$ 75,000	\$ 67,041	\$ (7,959)	\$ 75,287
Investment earnings	900	900	365	(535)	854
Total revenues	<u>75,900</u>	<u>75,900</u>	<u>67,406</u>	<u>(8,494)</u>	<u>76,141</u>
Expenditures					
Current:					
General government:	59,200	59,200	70,023	10,823	54,955
Total expenditures	<u>59,200</u>	<u>59,200</u>	<u>70,023</u>	<u>10,823</u>	<u>54,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,700</u>	<u>16,700</u>	<u>(2,617)</u>	<u>(19,317)</u>	<u>21,186</u>
Fund balance - October 1 (Beginning)	144,397	144,397	144,397	-	123,211
Prior period adjustment					
Fund balance - September 30 (Ending)	<u>\$ 161,097</u>	<u>\$ 161,097</u>	<u>\$ 141,780</u>	<u>\$ (19,317)</u>	<u>\$ 144,397</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, 2010

	2010		
	Community Development Fund	Improvement Fund	Total Capital Projects Fund
ASSETS			
Restricted assets:			
Cash and cash equivalents	\$ 2,230	\$ 66,327	\$ 68,557
Receivables	-	-	-
Total assets	<u><u>\$ 2,230</u></u>	<u><u>\$ 66,327</u></u>	<u><u>\$ 68,557</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Intergovernmental payable	\$ 2,230	\$ -	\$ 2,230
Total liabilities	<u><u>2,230</u></u>	<u><u>-</u></u>	<u><u>2,230</u></u>
Fund balances:			
Unreserved and Undesignated:			
Reported in the			
Capital Improvement Fund	-	66,327	66,327
Total fund balances	<u><u>-</u></u>	<u><u>66,327</u></u>	<u><u>66,327</u></u>
Total liabilities and fund balances	<u><u>\$ 2,230</u></u>	<u><u>\$ 66,327</u></u>	<u><u>\$ 68,557</u></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, 2010

	2010				
	Court Tech Fund	Library Savings Fund	Library Tooker Fund	Park Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Restricted assets:					
Cash and cash equivalents	\$ 1,603	\$ 78,134	\$ 1,067	\$ -	\$ 80,804
Investments	-	5,000			5,000
Total assets	<u>\$ 1,603</u>	<u>\$ 83,134</u>	<u>\$ 1,067</u>	<u>\$ -</u>	<u>\$ 85,804</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved and Undesignated:					
Reported in the					
Special Revenue Fund	1,603	83,134	1,067	-	85,804
Total fund balances	<u>1,603</u>	<u>83,134</u>	<u>1,067</u>	<u>-</u>	<u>85,804</u>
Total liabilities and fund balances	<u>\$ 1,603</u>	<u>\$ 83,134</u>	<u>\$ 1,067</u>	<u>\$ -</u>	<u>\$ 85,804</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 - MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	2010		
	Community Development Fund	Improvement Fund	Total Capital Projects Fund
Revenues			
Federal government grants	\$ 120,424	\$ -	\$ 120,424
Fines and fees	-	97,986	97,986
Total revenues	<u>120,424</u>	<u>97,986</u>	<u>218,410</u>
Expenditures			
Capital outlay:			
Capital outlay	272,936	-	272,936
Total expenditures	<u>272,936</u>	<u>-</u>	<u>272,936</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152,512)</u>	<u>97,986</u>	<u>(54,526)</u>
Other financing sources (uses)			
Transfers Out (use)	152,512	(152,512)	-
Total other financing sources (uses)	<u>152,512</u>	<u>(152,512)</u>	<u>-</u>
Net change	-	(54,526)	(54,526)
Fund balance - October 1 (Beginning)	-	120,853	120,853
Fund balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 66,327</u>	<u>\$ 66,327</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, 2010

	2010				
	Court Tech Fund	Library Savings Fund	Library Tooker Fund	Park Fund	Total Nonmajor Special Revenue Funds
Revenues					
Intergovernmental revenue and grants	\$ -	\$ -	\$ 5,168	\$ -	\$ 5,168
Fines and fees	337	4,999	-	-	5,336
Investment earnings	-	865	-	-	865
Other	-	93	-	-	93
Total revenues	337	5,957	5,168	-	11,462
Expenditures					
Culture and recreation:					
Supplies	1,725	17,830	4,556	-	24,111
Total expenditures	1,725	17,830	4,556	-	24,111
Excess (deficiency) of revenues over (under) expenditures	(1,388)	(11,873)	612	-	(12,649)
Transfers Out	-	6,000	-	(13,519)	(7,519)
Fund balance - October 1 (Beginning)	2,991	89,007	455	13,519	105,972
Fund balance - September 30 (Ending)	\$ 1,603	\$ 83,134	\$ 1,067	\$ -	\$ 85,804

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, 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, 2010, which collectively comprise the City of Clarendon, Texas' basic financial statements and have issued our report thereon dated March 28, 2011. 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 28, 2011

CITY OF CLARENDON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 x No

Significant deficiencies identified that are
not considered to be material weaknesses? Yes x No

Non compliance material to financial
statements noted? Yes x No

2. Federal Awards

Under the guidelines of OMB Circular A-133, a Single Audit was not required for
the year ended September 30, 2010.

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, 2010.

CITY OF CLARENDON, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2010

None