

Yeldell, Wilson & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)
Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

Greer Yeldell, CPA / Glen D. Wilson, CPA
Mary E. Coile, CPA / Brooke Farmer, CPA / Glenda Valek, CPA / Joyce Reeve, CPA / Sandra M. Michalka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Corsicana, Texas

Compliance

We have audited City of Corsicana, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Corsicana, Texas' major federal programs for the year ended September 30, 2010. City of Corsicana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Corsicana, Texas' management. Our responsibility is to express an opinion on City of Corsicana, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Corsicana, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Corsicana, Texas' compliance with those

In our opinion, City of Corsicana, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Honorable Mayor and City Council
City of Corsicana Texas
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Corsicana, 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, the Mayor and City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be use by anyone other than these specified parties.

Yeldell, Wilson & Co., P.C.

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Certified Public Accountant

April 20, 2011

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Corsicana 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 Corsicana, Texas as of and for the year ended September 30, 2010, which collectively comprise City of Corsicana, Texas' basic financial statements and have issued our report thereon dated March 21, 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 Corsicana, 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 Corsicana, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Corsicana, 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 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.

Internal Control over Compliance

Management of City of Corsicana, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Corsicana, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Corsicana, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 Corsicana, Texas as of and for the year ended September 30, 2010, and have issued our report thereon dated March 21, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information 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.

Honorable Mayor and City Council
City of Corsicana, Texas
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Certified Public Accountant

April 20, 2011

CITY OF CORSICANA, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Texas Office of Rural Community Affairs:			
Community Development Block Grant/State's Program	14.228	710032	\$ 15,099
Community Development Block Grant/State's Program	14.228	729002	277,801
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	None	3,539
Passed through Community Oriented Policing Services:			
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0832	28,613
Passed through Navarro County:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009SBB90457	28,403
Passed through Texas Office of the Governor Criminal Justice Division:			
ARRA-Edward Byrne Memorial Competitive Grant Program	16.808	SU09A102237601	335,977
U.S. Department of Transportation:			
Passed through Texas Department of Transportation:			
Airport Improvement Program	20.106	M1018CORSI	23,170
ARRA-Highway Planning and Construction Program	20.205	188XXH7008	478,884
U.S. Department of Education:			
Passed through Impact Navarro County:			
Safe and Drug-Free Schools and Communities National Programs	84.184	None	792
Total expenditures of federal awards			<u>\$ 1,192,278</u>

CITY OF CORSICANA, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Corsicana, Texas under programs of the federal government for the year ended September 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Corsicana, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Corsicana, Texas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF CORSICANA TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Corsicana, Texas.
2. No significant deficiencies related to the audit of the financial statements were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of City of Corsicana, Texas were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for City of Corsicana, Texas expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings which the auditor is required to report under section 510 (a) of OMB A-133.
7. The programs tested as major programs were the Edward Byrne Memorial Competitive Grant Program, federal CFDA number 16.808, and the Highway Planning and Construction Program, federal CFDA number 20.205.
8. The threshold used to distinguish between Type A and Type B programs was \$500,000.
9. City of Corsicana, Texas did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AUDIT

None

CITY OF CORSICANA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2010

There are no prior audit findings.