

**CITY OF CORSICANA, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2003**

**CITY OF CORSICANA, TEXAS**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2003**

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
Organizational Chart .....	ii
List of Principal Officials.....	iii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis .....	3 – 10
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12 – 13
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16

**(continued)**

**CITY OF CORSICANA, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2003**

	<b><u>Page Number</u></b>
<b>FINANCIAL SECTION (Continued)</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	17 – 19
Statement of Net Assets – Proprietary Funds .....	20 – 21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	22
Statement of Cash Flows – Proprietary Funds.....	23 – 24
Statement of Fiduciary Net Assets.....	25
Notes to Financial Statements.....	26 – 49
<b>Combining and Individual Fund Statements and Schedules</b>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet.....	50 – 55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	56 – 61

**(continued)**

**CITY OF CORSICANA, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2003**

**Page  
Number**

**SINGLE AUDIT SECTION**

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	62 – 63
Independent Auditors' Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	64 – 65
Schedule of Findings and Questioned Costs.....	66
Summary Schedule of Prior Audit Findings .....	67
Schedule of Expenditures of Federal Awards.....	68
Notes to the Schedule of Expenditures of Federal Awards .....	69

**STATISTICAL SECTION**

Top Ten Taxpayers .....	70
Miscellaneous Statistical Facts .....	71
Principal Employers.....	72

# **INTRODUCTORY SECTION**



## CITY OF CORSICANA, TEXAS

April 30, 2003

To the Citizens of the City of Corsicana:

The annual financial report of the City of Corsicana for the year ended September 30, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The annual financial report is presented in three sections; Introductory, Financial and Statistical. The introductory section includes this transmittal letter, the City's organizational chart and the list of principal City officials. The financial section includes the general purpose financial statements and the individual and combining fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the City of Corsicana. The City provides a full range of services including police and fire protection, sanitation services, construction and maintenance of streets, and infrastructure, recreational activities and cultural events. In addition to general government activities, the Proprietary Fund's is included in the reporting entity since the City exercises oversight of these funds.

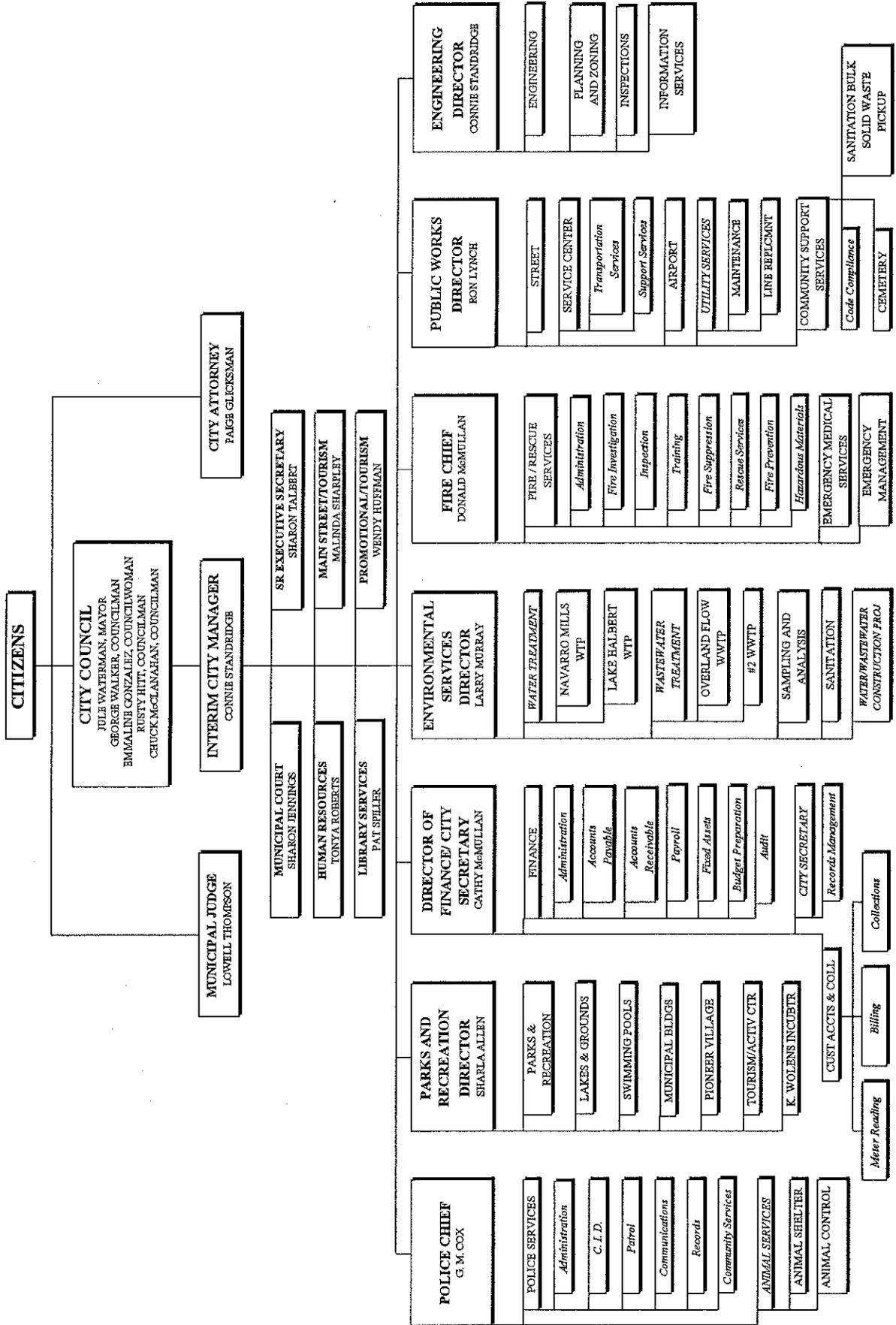
The City of Corsicana, with a population of approximately 25,000 is located in north central Texas, 53 miles south of Dallas and 54 miles east of Waco. The City has a diversified economic base comprised of agri-business, industry and mineral production.

The City has designated an area as an ENTERPRISE ZONE pursuant to the Texas Enterprise Zone Act and provided tax incentives and assistance to induce investment from private resources in productive business enterprises to locate in a severely distressed area of the City, and to provide employment to residents of the area. The City continues to implement inducements to locate and expand business in Corsicana through the Texas Capital Fund.

Sincerely,

Cathy McMullan  
Director of Finance

# CITY OF CORSICANA ORGANIZATIONAL CHART



**CITY OF CORSICANA, TEXAS**

**LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2003**

**ELECTED OFFICIALS**

Mayor	Jule Waterman
Mayor Pro-tem, and Council Member, Place 2	Emmaline Gonzalez
Council Member, Place 1	George Walker
Council Member, Place 3	Rusty Hitt
Council Member, Place 4	Chuck McClanahan
City Attorney	Paige Glicksman
Municipal Court Judge	Lowell Thompson

**CITY STAFF**

Interim City Manager	Connie Standridge
Director of Finance/City Secretary	Cathy McMullan
Police Chief	G. M. Cox
Fire Chief	Donald McMullan
Public Works Director	Ron Lynch
Director of Environmental Services	Larry Murray
Director of Engineering Services	Connie Standridge
Parks and Recreation Director	Sharla Allen
Library Director	Pat Spiller
Inspection/Planning Manager	Diane Williams
Main Street Project Facilitator	Malinda Sharpley
Promotion Advertisement/Tourism Facilitator	Wendy Huffman

# **FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

City Commissioners  
City of Corsicana, Texas

Members of the City Commissioners:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Corsicana, Texas, as of and for the year ended September 30, 2003, 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 of Corsicana, Texas' management. Our responsibility is to express an opinion 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 misstatements. 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 financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Corsicana, Texas, as of September 30, 2003, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of September 30, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2004, on our consideration of the City of Corsicana, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Corsicana, Texas' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and the combining and individual nonmajor fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical data listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Corsicana, Texas. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Pattillo, Brown + Hill, L.L.P.*

April 23, 2004

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Corsicana, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report. The City implemented Governmental Accounting Standards Board Statement 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34) for the first time this year. A comparative analysis of balances will be provided in future years when prior year information is available.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Corsicana exceeded its liabilities as of September 30, 2003, by \$37,083,858 (net assets). Of this amount, \$9,849,633 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$4,176,691.
- At the close of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$1,746,040. Of this amount, \$1,728,331 represents unreserved fund balances available for use within the City's fund designation and fiscal policies.
- As of September 30, 2003, the unreserved, undesignated fund balance for the General Fund was \$551,872.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Corsicana's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** – The government-wide financial statements, which begin on page 11 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City of Corsicana's assets and liabilities, with the difference between the two 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 is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works, and Community Services. The business-type activities of the City include Utility Operations (Water and Sewer), Sanitation, and EMS (Emergency Medical Services).

The government-wide financial statements include not only the City of Corsicana itself (known as the primary government), but also a legally separate Tax Increment Investment Zone (TIRZ) Development for which the City of Corsicana is financially accountable. Financial information for this component unit is reported as a blended presentation in the financial information presented

**Fund Financial Statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Corsicana, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 14 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** – The City maintains one type of proprietary fund, the Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for the Utility Operations Fund, Sanitation Fund, and the EMS (Emergency Medical Services) Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements, which begin on page 20 of this report, provide separate information for the Utility Operations, Sanitation and EMS Enterprise Funds since they are considered to be major funds of the City.

**Fiduciary Funds** account for assets held by the City in a trustee capacity or as an agent on behalf of others. These funds are custodial in nature and do not involve measurement of results of operations.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 49 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for nonmajor funds are presented immediately following the notes to the financial statements beginning on page 50 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Corsicana, net assets exceeded liabilities by \$37,083,858 as of September 30, 2003.

The largest portion of the City's net assets \$24,434,624 reflects its investments in capital assets (e.g., land, building, equipment, improvements, and construction in progress), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

With the first year implementation of GASB 34, the City is not presenting comparable columns in the various comparisons and analyses for the prior year.

## CITY OF CORSICANA'S NET ASSETS

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	<u>Total</u>
Current and other assets	\$ 4,956,441	\$ 12,173,335	\$ 17,129,776
Capital assets	<u>12,197,606</u>	<u>61,217,175</u>	<u>73,414,781</u>
Total assets	<u>17,154,047</u>	<u>73,390,510</u>	<u>90,544,557</u>
Other liabilities	1,645,145	1,647,992	3,293,137
Long-term liabilities	<u>8,969,420</u>	<u>41,198,142</u>	<u>50,167,562</u>
Total liabilities	<u>10,614,565</u>	<u>42,846,134</u>	<u>53,460,699</u>
Net assets:			
Invested in capital assets, net of related debt	3,654,656	20,779,968	24,434,624
Restricted	1,478,739	1,320,862	2,799,601
Unrestricted	<u>1,406,087</u>	<u>8,443,546</u>	<u>9,849,633</u>
Total net assets	<u>\$ 6,539,482</u>	<u>\$ 30,544,376</u>	<u>\$ 37,083,858</u>

A portion of the City's net assets, \$2,799,601, represents resources that are subject to external restriction on how they may be used. The remaining balance, \$9,849,633, of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

**Analysis of the City's Operations** – The following table provides a summary of the City's operations for the year ended September 30, 2003. The City first implemented GASB 34 in 2003; therefore, comparative data is not presented. Governmental activities increased the City of Corsicana's net assets by \$1,070,830, accounting for approximately 32% of the total growth in net assets. Business-type activities increased the City's net assets by \$3,105,861, accounting for approximately 68% of the total growth in net assets.

**CITY OF CORSICANA'S CHANGES IN NET ASSETS**

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 847,157	\$ 15,131,035	\$ 15,978,192
Operating grants and contributions	297,795	-	297,795
Capital grants and contributions	148,601	-	148,601
General revenues:			
Ad valorem taxes	4,775,173	-	4,775,173
Sales taxes	3,757,585	-	3,757,585
Franchise taxes	2,550,607	-	2,550,607
Other taxes	234,578	-	234,578
Investment earnings	39,532	171,091	210,623
Miscellaneous	441,583	-	441,583
Total revenues	<u>13,092,611</u>	<u>15,302,126</u>	<u>28,394,737</u>
Expenses:			
General government	2,850,476	-	2,850,476
Public safety	5,783,804	-	5,783,804
Public works	2,188,432	-	2,188,432
Community services	2,076,096	-	2,076,096
Interest on long-term debt	485,351	-	485,351
Utility operations	-	8,998,724	8,998,724
Sanitation	-	2,572,922	2,572,922
Emergency medical services	-	2,583,308	2,583,308
Total expenses	<u>13,384,159</u>	<u>14,154,954</u>	<u>27,539,113</u>
Increases in net assets before transfers	( 291,548)	1,147,172	855,624
Transfers	<u>1,362,378</u>	<u>( 1,362,378)</u>	<u>-</u>
Change in net assets	1,070,830	( 215,206)	855,624
Net assets, October 1, 2002	5,468,652	27,438,515	32,907,167
Prior period adjustment	<u>-</u>	<u>3,321,067</u>	<u>3,321,067</u>
Net assets, September 30, 2003	<u>\$ 6,539,482</u>	<u>\$ 30,544,376</u>	<u>\$ 37,083,858</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

**Governmental Funds** – The focus of the City of Corsicana's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$1,746,040. Approximately 99% of this total amount \$1,728,331 constitutes an unreserved fund balance. The remainder of the fund balance \$17,709 is reserved to indicate that is not available for new spending because it has already been committed to pay for encumbrances or debt service or to provide for other items. Refer to page 14 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City originally budgeted for a \$479,936 increase in fund balance. The actual increase to fund balance for the General Fund was \$454,588 for fiscal year 2003.

**Proprietary Funds** – The City's proprietary fund statements, beginning on page 20 of this report, provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets are \$8,640,499 for the Utility Operations Fund, \$(189,837) for the Sanitation Fund, and \$(7,116) for the EMS Fund. These proprietary funds experienced changes in total net assets during the year of \$8,862, \$(258,104), and \$34,036, respectively.

**Governmental Activities** – Governmental activities increased the City's net assets by \$1,070,830, thereby accounting for 26% of the total growth in the net assets.

**Business-type Activities** – Business-type activities increased the City's net assets by \$3,105,861, accounting for the other 74% of the total growth in net assets.

**General Fund Budgetary Highlights** – Refer to the General Fund Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual on pages 17 – 19 of this report for a detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2003.

## CAPITAL ASSETS

The City of Corsicana's investment in capital assets for its governmental and business-type activities as of September 30, 2003, amounts to \$73,414,781 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements other than buildings, infrastructure and construction work in progress. Major capital asset events occurring during the current fiscal year related primarily to water and sewer infrastructure projects, machinery and equipment, and other improvements.

**CITY OF CORSICANA'S CAPITAL ASSETS AT YEAR-END**

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	<u>Total</u>
Land	\$ 3,500,599	\$ 3,866,837	\$ 7,367,436
Buildings and improvements	15,875,817	6,803,516	22,679,333
Machinery and equipment	4,475,378	59,273,654	63,749,032
Waterworks and wastewater system	-	16,743,129	16,743,129
Construction in progress	1,382,036	242,000	1,624,036
Less: accumulated depreciation	<u>( 13,036,224)</u>	<u>( 25,711,961)</u>	<u>( 38,748,185)</u>
 Total assets	 <u>\$ 12,197,606</u>	 <u>\$ 61,217,175</u>	 <u>\$ 73,414,781</u>

Additional information on the City's capital assets can be found in Note 4, pages 41 – 42 of this report.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City of Corsicana had total bonded debt of \$47,146,000. Of this amount, \$15,585,000 represents bonded debt backed by the full faith and credit of the government and \$31,561,000 represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

**CITY OF CORSICANA'S  
OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	<u>Total</u>
General obligation	\$ 3,669,837	\$ -	\$ 3,669,837
Revenue bonds payable	-	31,561,000	31,561,000
Certificates of obligation	<u>3,680,000</u>	<u>8,235,163</u>	<u>11,915,163</u>
 Total	 <u>\$ 7,349,837</u>	 <u>\$ 39,796,163</u>	 <u>\$ 47,146,000</u>

During the fiscal year, the City issued \$10,880,000 in General Obligation and Certificates of Obligation Bonds and \$1,140,000 in Revenue Bonds.

The City's General Obligation, Certificates of Obligation, and Revenue Bond ratings are listed below.

	<u>Moody's</u>	<u>Standard and Poor's</u>
Tax Bonds	BAaa1	BBB+
Revenue Bonds	Aaa	AAA

Most of the City's Bonds are insured, thus holding a Triple A credit rating from Moody's and Standard & Poor's. Additional information on the City of Corsicana's long term-debt can be found on pages 43 – 45 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The General Fund budget (including transfers in) for fiscal year 2004 is based on a projected revenue growth of 3.38% compared to the fiscal year 2003 budget due to anticipated continued growth. Approximately 32.94% of General Fund revenues are sales taxes. Increases in property taxes are budgeted for in FY 2004, and makes up about 32.27% of budgeted revenues.

As of September 30, 2003, the City's unemployment rate is 7.01% compared to the State of Texas, which is 6.6%. The City's budget has been impacted by the slowdown in economic growth and sales tax receipts decreased in FY 2003 due to the slowing economy. This revenue source is the most volatile but due to new economic indicators, the City is expecting a 9% increase in sales tax for FY 2004 as compared to FY 2003, which was at a seven-year low.

After a revenue fee study the City implemented increases in fees, licenses, and permits which resulted in a 20% revenue increase in this category as a cost recovery measure.

Expenditures remained fairly level with the prior year. Departments were asked to hold increases in operational expenses to a minimum, which resulted in only a 3.31% increase over the previous year's amended budget. The budget includes funding for a 2% salary increase for all employees, and funding for the animal shelter operations.

There is no rate increase in the 2004 budget for the Water and Sewer Fund. An increase in revenue is expected due to a) installation of new radio-read meters throughout Corsicana that should provide more accurate reading; b) changing from sewer averaging which had reduced the City's income since implementation; c) implementation of a 10% late penalty fee..

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Cathy McMullan, Director of Finance, (email: [cmcmullan@ci.corsicana.tx.us](mailto:cmcmullan@ci.corsicana.tx.us)) at 200 N. 12<sup>th</sup> Street, Corsicana, Texas 75110, or call (903) 654-4815.

**BASIC  
FINANCIAL STATEMENTS**

# CITY OF CORSICANA, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 2,132,295	\$ 1,047,316	\$ 3,179,611
Receivables (net of allowances for uncollectibles)			
Accounts	1,166,255	1,916,888	3,083,143
Taxes	2,573,123	-	2,573,123
Due from other governments	23,252	170,040	193,292
Internal balances	( 938,484)	938,484	-
Deferred charges	-	811,545	811,545
Prepays	-	1,375	1,375
Restricted cash and investments	-	7,287,687	7,287,687
Capital assets, net of accumulated depreciation:			
Land	3,500,599	3,866,837	7,367,436
Buildings and improvements	5,499,714	750,013	6,249,727
Waterworks and wastewater system	-	44,882,815	44,882,815
Machinery and equipment	1,815,257	11,475,510	13,290,767
Construction work in progress	1,382,036	242,000	1,624,036
Total assets	17,154,047	73,390,510	90,544,557
<b>LIABILITIES</b>			
Accounts payable	627,005	645,854	1,272,859
Accrued liabilities	337,779	168,664	506,443
Unearned revenue	680,361	42,554	722,915
Due to state	-	44,645	44,645
Liabilities payable from restricted assets	-	746,275	746,275
Noncurrent liabilities:			
Due within one year	1,066,109	2,493,793	3,559,902
Due in more than one year	7,903,311	38,704,349	46,607,660
Total liabilities	10,614,565	42,846,134	53,460,699
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,654,656	20,779,968	24,434,624
Restricted for:			
Construction	1,247,406	-	1,247,406
Debt service	231,333	1,320,862	1,552,195
Unrestricted	1,406,087	8,443,546	9,849,633
Total net assets	\$ 6,539,482	\$ 30,544,376	\$ 37,083,858

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 2,430,760)	\$ -	\$( 2,430,760)
( 5,410,260)	-	( 5,410,260)
( 2,016,505)	-	( 2,016,505)
( 1,747,730)	-	( 1,747,730)
( 485,351)	-	( 485,351)
<u>( 12,090,606)</u>	<u>-</u>	<u>( 12,090,606)</u>
-	803,333	803,333
-	81,879	81,879
-	90,869	90,869
-	976,081	976,081
<u>( 12,090,606)</u>	<u>976,081</u>	<u>( 11,114,525)</u>
3,962,569	-	3,962,569
812,604	-	812,604
3,757,585	-	3,757,585
2,550,607	-	2,550,607
234,578	-	234,578
39,532	171,091	210,623
441,583	-	441,583
<u>1,362,378</u>	<u>( 1,362,378)</u>	<u>-</u>
<u>13,161,436</u>	<u>( 1,191,287)</u>	<u>11,970,149</u>
1,070,830	( 215,206)	855,624
5,468,652	27,438,515	32,907,167
-	3,321,067	3,321,067
<u>5,468,652</u>	<u>30,759,582</u>	<u>36,228,234</u>
<u>\$ 6,539,482</u>	<u>\$ 30,544,376</u>	<u>\$ 37,083,858</u>

**CITY OF CORSICANA, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 49,132	\$ 2,083,163	\$ 2,132,295
Receivables (net of allowances for uncollectibles)			
Taxes	2,307,547	265,576	2,573,123
Accounts	22,911	876,171	899,082
Intergovernmental	-	23,252	23,252
Due from other funds	292,247	59,380	351,627
Total assets	\$ 2,671,837	\$ 3,307,542	\$ 5,979,379
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 367,200	\$ 259,805	\$ 627,005
Accrued liabilities	331,443	6,336	337,779
Due to other funds	536,013	754,098	1,290,111
Deferred revenue	885,309	1,093,135	1,978,444
Total liabilities	2,119,965	2,113,374	4,233,339
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Debt service	-	17,709	17,709
<b>Unreserved, reported in:</b>			
<b>General fund</b>			
Undesignated	551,872	-	551,872
Special revenue funds	-	128,203	128,203
<b>Capital projects fund</b>			
Undesignated	-	1,048,256	1,048,256
Total fund balances	551,872	1,194,168	1,746,040
Total liabilities and fund balances	\$ 2,671,837	\$ 3,307,542	

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.	12,197,606
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,565,256
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	( 8,969,420)
Net assets of governmental activities	\$ 6,539,482

**The notes to the financial statements are an integral part of this statement.**

**CITY OF CORSICANA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 10,289,413	\$ 1,028,530	\$ 11,317,943
Licenses and permits	162,306	-	162,306
Investment earnings	8,849	30,683	39,532
Fines and penalties	383,172	21,146	404,318
Charges for services	165,414	5,422	170,836
Contributions/donations	61	119,780	119,841
Intergovernmental	15,100	311,455	326,555
Miscellaneous	84,439	355,847	440,286
Total revenues	<u>11,108,754</u>	<u>1,872,863</u>	<u>12,981,617</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,186,942	91,029	2,277,971
Public safety	5,722,244	23,427	5,745,671
Public works	2,088,874	94,491	2,183,365
Community and cultural	1,275,029	524,696	1,799,725
Capital outlay	53,890	1,724,635	1,778,525
Debt service:			
Principal	462,202	772,277	1,234,479
Interest and fiscal charges	89,039	391,986	481,025
Total expenditures	<u>11,878,220</u>	<u>3,622,541</u>	<u>15,500,761</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 769,466)</u>	<u>( 1,749,678)</u>	<u>( 2,519,144)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,453,765	1,919,932	3,373,697
Transfers out	( 293,653)	( 1,717,666)	( 2,011,319)
Capital-related debt issued	63,942	2,942,385	3,006,327
Payment to bond escrow agent	-	( 550,000)	( 550,000)
Total other financing sources and uses	<u>1,224,054</u>	<u>2,594,651</u>	<u>3,818,705</u>
<b>NET CHANGE IN FUND BALANCES</b>	454,588	844,973	1,299,561
<b>FUND BALANCES, BEGINNING</b>	<u>97,284</u>	<u>349,195</u>	<u>446,479</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 551,872</u>	<u>\$ 1,194,168</u>	<u>\$ 1,746,040</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CORSICANA, 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, 2003**

Amounts reported for governmental activities in the Statement of Activities (pages 12 - 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 1,299,561
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 capital outlays exceeded depreciation in the current period.	886,449
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	133,247
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the 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.	( 1,220,551)
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.	( 27,876)
Change in net assets of governmental activities (pages 12 - 13)	\$ <u>1,070,830</u>

**The notes to the financial statements are an integral part of this statement.**

**CITY OF CORSICANA, TEXAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

**YEAR ENDED SEPTEMBER 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 3,900,277	\$ 3,946,741	\$ 3,874,397	\$( 72,344)
Interest and penalty on taxes	91,616	72,000	88,172	16,172
Sales	4,476,458	3,701,134	3,757,585	56,451
Franchise	2,107,407	1,871,865	2,550,607	678,742
Mixed beverage	<u>21,397</u>	<u>17,424</u>	<u>18,652</u>	<u>1,228</u>
Total taxes	<u>10,597,155</u>	<u>9,609,164</u>	<u>10,289,413</u>	<u>680,249</u>
Licenses and permits:				
Electrical	12,611	22,880	20,575	( 2,305)
Building	43,425	74,150	76,413	2,263
Plumbing	15,667	28,875	26,520	( 2,355)
Mechanical	5,222	4,820	4,370	( 450)
Other	<u>14,063</u>	<u>35,325</u>	<u>34,428</u>	<u>( 897)</u>
Total licenses and permits	<u>90,988</u>	<u>166,050</u>	<u>162,306</u>	<u>( 3,744)</u>
Interest	<u>9,600</u>	<u>3,535</u>	<u>8,849</u>	<u>5,314</u>
Total interest	<u>9,600</u>	<u>3,535</u>	<u>8,849</u>	<u>5,314</u>
Fines and penalties:				
Court	493,736	385,000	368,386	( 16,614)
Library	13,500	11,500	11,554	54
Other	<u>3,510</u>	<u>3,510</u>	<u>3,232</u>	<u>( 278)</u>
Total fines and penalties	<u>510,746</u>	<u>400,010</u>	<u>383,172</u>	<u>( 16,838)</u>
Charges for services:				
Concession	5,000	3,850	2,310	( 1,540)
Building rental	66,480	46,550	43,432	( 3,118)
Rental	22,395	14,925	13,108	( 1,817)
EMS	1,219,115	88,510	75,314	( 13,196)
Other	<u>156,250</u>	<u>31,250</u>	<u>31,250</u>	<u>-</u>
Total charges for services	<u>1,469,240</u>	<u>185,085</u>	<u>165,414</u>	<u>( 19,671)</u>
Intergovernmental	1,200	-	61	61
Grant	9,839	9,839	15,100	5,261
Miscellaneous	<u>80,200</u>	<u>38,900</u>	<u>84,439</u>	<u>45,539</u>
Total revenues	<u>12,768,968</u>	<u>10,412,583</u>	<u>11,108,754</u>	<u>696,171</u>

**(continued)**

**CITY OF CORSICANA, TEXAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

(Continued)

YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government:				
Personnel services	\$ 912,631	\$ 901,453	\$ 908,593	\$ ( 7,140)
Materials and supplies	73,099	50,053	46,261	3,792
Services	335,276	272,649	280,913	( 8,264)
Maintenance	20,704	10,610	12,702	( 2,092)
Sundry	-	-	30	( 30)
Total general government	<u>1,341,710</u>	<u>1,234,765</u>	<u>1,248,499</u>	<u>( 13,734)</u>
Public safety:				
Personnel services	6,168,591	5,235,858	5,262,358	( 26,500)
Materials and supplies	272,196	194,530	193,391	1,139
Services	341,836	174,227	164,589	9,638
Maintenance	140,538	97,197	101,906	( 4,709)
Capital expenditures	48,267	39,186	37,385	1,801
Total public safety	<u>6,971,428</u>	<u>5,740,998</u>	<u>5,759,629</u>	<u>( 18,631)</u>
Public health:				
Personnel services	67,226	61,166	61,079	87
Materials and supplies	8,550	4,736	3,649	1,087
Services	96,180	79,860	95,315	( 15,455)
Maintenance	4,800	3,600	3,084	516
Total public health	<u>176,756</u>	<u>149,362</u>	<u>163,127</u>	<u>( 13,765)</u>
Public works:				
Personnel services	1,180,259	1,022,436	1,015,840	6,596
Materials and supplies	88,045	82,021	100,363	( 18,342)
Services	468,139	378,504	373,348	5,156
Maintenance	454,731	383,617	599,323	( 215,706)
Capital expenditures	5,995	5,443	5,443	-
Total public works	<u>2,197,169</u>	<u>1,872,021</u>	<u>2,094,317</u>	<u>( 222,296)</u>
Community and cultural:				
Personnel services	910,344	874,578	872,179	2,399
Materials and supplies	150,806	131,969	135,493	( 3,524)
Services	156,828	139,917	132,939	6,978
Maintenance	229,616	137,279	134,418	2,861
Capital expenditures	20,034	11,079	11,062	17
Total community and cultural	<u>1,467,628</u>	<u>1,294,822</u>	<u>1,286,091</u>	<u>8,731</u>

(continued)

**CITY OF CORSICANA, TEXAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
(Continued)**

**YEAR ENDED SEPTEMBER 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Other governmental:				
Personnel services	\$ 242,339	\$ 254,662	\$ 252,594	\$ 2,068
Materials and supplies	51,522	48,872	50,393	( 1,521)
Services	122,169	105,882	107,121	( 1,239)
Maintenance	84,017	51,736	56,462	( 4,726)
Sundry	7,791	7,791	6,233	1,558
Capital expenditures	11,000	5,000	-	5,000
Total other governmental	<u>518,838</u>	<u>473,943</u>	<u>472,803</u>	<u>1,140</u>
Nondepartmental:				
Personnel services	81,650	64,303	67,801	( 3,498)
Materials and supplies	46	46	172	( 126)
Services	227,760	224,290	234,193	( 9,903)
Sundry	10,260	10,260	347	9,913
Capital expenditures	3,000	3,000	-	3,000
Total nondepartmental	<u>322,716</u>	<u>301,899</u>	<u>302,513</u>	<u>( 614)</u>
Debt service:				
Principal	366,961	517,819	462,202	55,617
Interest and fiscal charges	155,782	25,337	89,039	( 63,702)
Total debt service	<u>522,743</u>	<u>543,156</u>	<u>551,241</u>	<u>( 8,699)</u>
Total expenditures	<u>13,518,988</u>	<u>11,610,966</u>	<u>11,878,220</u>	<u>( 267,254)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 750,020)</u>	<u>( 1,198,383)</u>	<u>( 769,466)</u>	<u>428,917</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,532,258	1,532,258	1,453,765	( 78,493)
Operating transfers out	( 302,302)	( 216,469)	( 293,653)	( 77,184)
Capital-related debt issued	-	-	63,942	63,942
Total other financing sources (uses)	<u>1,229,956</u>	<u>1,315,789</u>	<u>1,224,054</u>	<u>( 91,735)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES</b>	479,936	117,406	454,588	337,182
<b>FUND BALANCE, BEGINNING</b>	<u>97,284</u>	<u>97,284</u>	<u>97,284</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 577,220</u>	<u>\$ 214,690</u>	<u>\$ 551,872</u>	<u>\$ 337,182</u>

**The notes to the financial statements are an integral part of this statement.**

# CITY OF CORSICANA, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2003

	Business-type Activities - Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 129,898	\$ 917,418	\$ -	\$ 1,047,316
Accounts receivable, net of allowances	1,162,503	84,745	669,640	1,916,888
Due from other funds	2,518,719	11,211	-	2,529,930
Due from other governments	170,040	-	-	170,040
Deferred charges	739,724	71,821	-	811,545
Prepays	-	1,375	-	1,375
Total current assets	4,720,884	1,086,570	669,640	6,477,094
Noncurrent assets:				
Restricted cash and investments	7,014,902	272,785	-	7,287,687
Capital assets:				
Land	3,648,279	218,558	-	3,866,837
Buildings	6,660,405	143,111	-	6,803,516
Waterworks and wastewater system	56,892,377	2,381,277	-	59,273,654
Machinery and equipment	10,276,074	6,041,599	425,456	16,743,129
Construction in progress	-	242,000	-	242,000
Less accumulated depreciation:				
Buildings	( 5,971,446)	( 82,057)	-	( 6,053,503)
Waterworks and wastewater system	( 12,483,513)	( 1,907,326)	-	( 14,390,839)
Machinery and equipment	( 2,628,130)	( 2,578,710)	( 60,779)	( 5,267,619)
Total capital assets	56,394,046	4,458,452	364,677	61,217,175
Total noncurrent assets	63,408,948	4,731,237	364,677	68,504,862
Total assets	68,129,832	5,817,807	1,034,317	74,981,956
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	328,562	307,747	9,545	645,854
Accrued liabilities	115,263	21,218	32,183	168,664
Deferred revenue	-	-	42,554	42,554
Due to other funds	996,124	60,116	535,206	1,591,446
Due to state	-	44,645	-	44,645
Capital leases payable	-	276,654	56,378	333,032
Revenue bonds payable	1,810,000	350,761	-	2,160,761
Total current liabilities	3,249,949	1,061,141	675,866	4,986,956

(continued)

# CITY OF CORSICANA, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2003

	Business-type Activities - Enterprise Funds			
	Utility		Emergency	
	Operations	Sanitation	Medical Services	Totals
<b>LIABILITIES (Continued)</b>				
Current liabilities payable from restricted assets:				
Customer deposits	\$ 258,730	\$ -	\$ -	\$ 258,730
Landfill closure liability	<u>-</u>	<u>487,545</u>	<u>-</u>	<u>487,545</u>
Total current liabilities payable from restricted assets	<u>258,730</u>	<u>487,545</u>	<u>-</u>	<u>746,275</u>
Noncurrent liabilities:				
Capital leases payable	207,630	109,889	323,525	641,044
Compensated absences	165,799	10,110	890	176,799
Revenue bonds payable	35,606,000	2,029,402	-	37,635,402
Deferred interest payable	<u>242,399</u>	<u>8,705</u>	<u>-</u>	<u>251,104</u>
Total noncurrent liabilities	<u>36,221,828</u>	<u>2,158,106</u>	<u>324,415</u>	<u>38,704,349</u>
Total liabilities	<u>39,730,507</u>	<u>3,706,792</u>	<u>1,000,281</u>	<u>44,437,580</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	18,770,416	1,968,400	41,152	20,779,968
Restricted for debt service	988,410	332,452	-	1,320,862
Unrestricted:				
Unreserved	<u>8,640,499</u>	<u>( 189,837)</u>	<u>( 7,116)</u>	<u>8,443,546</u>
Total net assets	<u>\$ 28,399,325</u>	<u>\$ 2,111,015</u>	<u>\$ 34,036</u>	<u>\$ 30,544,376</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF CORSICANA, TEXAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2003

	Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
<b>OPERATING REVENUES</b>				
Water sales	\$ 6,496,600	\$ -	\$ -	\$ 6,496,600
Sewer charges	2,907,445	-	-	2,907,445
Tap fees	28,909	-	-	28,909
Other charges	369,103	13,611	55,343	438,057
Garbage collection fees	-	833,850	-	833,850
Landfill	-	1,807,340	-	1,807,340
Emergency medical services	-	-	2,618,834	2,618,834
Total operating revenues	<u>9,802,057</u>	<u>2,654,801</u>	<u>2,674,177</u>	<u>15,131,035</u>
<b>OPERATING EXPENSES</b>				
Costs of sales and services	5,127,500	1,978,951	2,522,529	9,628,980
Administration	777,646	101,498	-	879,144
Depreciation	1,535,266	267,995	60,779	1,864,040
Total operating expenses	<u>7,440,412</u>	<u>2,348,444</u>	<u>2,583,308</u>	<u>12,372,164</u>
<b>OPERATING INCOME</b>	<u>2,361,645</u>	<u>306,357</u>	<u>90,869</u>	<u>2,758,871</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	154,415	16,676	-	171,091
Interest expense	( 1,558,312)	( 224,478)	-	( 1,782,790)
Total nonoperating revenues (expenses)	<u>( 1,403,897)</u>	<u>( 207,802)</u>	<u>-</u>	<u>( 1,611,699)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>957,748</u>	<u>98,555</u>	<u>90,869</u>	<u>1,147,172</u>
<b>TRANSFERS IN</b>	10,085,572	578,733	-	10,664,305
<b>TRANSFERS OUT</b>	( 11,034,458)	( 935,392)	( 56,833)	( 12,026,683)
<b>CHANGES IN NET ASSETS</b>	8,862	( 258,104)	34,036	( 215,206)
<b>TOTAL NET ASSETS, BEGINNING</b>	25,370,386	2,068,129	-	27,438,515
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>3,020,077</u>	<u>300,990</u>	<u>-</u>	<u>3,321,067</u>
<b>TOTAL NET ASSETS, BEGINNING AS RESTATED</b>	<u>28,390,463</u>	<u>2,369,119</u>	<u>-</u>	<u>30,759,582</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 28,399,325</u>	<u>\$ 2,111,015</u>	<u>\$ 34,036</u>	<u>\$ 30,544,376</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF CORSICANA, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2003**

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 7,765,663	\$ 2,485,993	\$ 1,516,208	\$ 11,767,864
Cash paid to suppliers for goods and services	( 660,614)	( 513,140)	( 661,637)	( 1,835,391)
Cash paid to employees for services	( 1,881,521)	( 396,771)	( 752,185)	( 3,030,477)
Net cash provided by operating activities	<u>5,223,528</u>	<u>1,576,082</u>	<u>102,386</u>	<u>6,901,996</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	10,085,572	578,733	-	10,664,305
Transfers out	( 11,034,458)	( 935,392)	( 56,833)	( 12,026,683)
Net cash used for noncapital financing activities	<u>( 948,886)</u>	<u>( 356,659)</u>	<u>( 56,833)</u>	<u>( 1,362,378)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	( 8,463,988)	( 392,999)	( 425,456)	( 9,282,443)
Proceeds from debt issues	7,114,262	2,466,619	425,456	10,006,337
Refunding of long-term debt	-	( 2,746,048)	-	( 2,746,048)
Principal paid on debt	( 1,898,103)	( 318,460)	( 45,553)	( 2,262,116)
Interest paid on debt	( 1,558,312)	( 224,478)	-	( 1,782,790)
Net cash used for capital and related financing activities	<u>( 4,806,141)</u>	<u>( 1,215,366)</u>	<u>( 45,553)</u>	<u>( 6,067,060)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on investments	<u>154,415</u>	<u>16,676</u>	<u>-</u>	<u>171,091</u>
Net cash provided by investing activities	<u>154,415</u>	<u>16,676</u>	<u>-</u>	<u>171,091</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 377,084)</u>	<u>20,733</u>	<u>-</u>	<u>( 356,351)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>7,521,884</u>	<u>1,169,470</u>	<u>-</u>	<u>8,691,354</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 7,144,800</u>	<u>\$ 1,190,203</u>	<u>\$ -</u>	<u>\$ 8,335,003</u>

(continued)

**CITY OF CORSICANA, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**(Continued)**

**YEAR ENDED SEPTEMBER 30, 2003**

	Enterprise Funds			
	Water	Wastewater	Solid Waste	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,361,645	\$ 306,357	\$ 90,869	\$ 2,758,871
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,535,266	267,995	60,779	1,864,040
Prior period adjustment	3,020,077	300,990	-	3,321,067
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	259,740	168,808	( 669,640)	( 241,092)
Due from other funds	( 1,728,849)	( 11,211)	-	( 1,740,060)
Prepays	-	( 1,375)	-	( 1,375)
Other assets	( 97,618)	( 11,370)	-	( 108,988)
Increase (decrease) in liabilities:				
Accounts payable	( 315,508)	191,790	9,545	( 114,173)
Accrued liabilities	( 21,237)	-	32,183	10,946
Deferred revenue	-	-	42,554	42,554
Due to other funds	203,265	59,943	535,206	798,414
Compensated absences payable	3,310	1,837	890	6,037
Customer deposits	2,535	( 6,599)	-	( 4,064)
Other liabilities	902	308,917	-	309,819
	\$ 5,223,528	\$ 1,576,082	\$ 102,386	\$ 6,901,996
Net cash provided by operations				

**The notes to the financial statements are an integral part of this statement.**

**CITY OF CORSICANA, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2003**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>60</u>
Total assets	\$ <u>60</u>
<b>LIABILITIES</b>	
Due to others	\$ <u>60</u>
Total liabilities	\$ <u>60</u>

# CITY OF CORSICANA, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Corsicana, Texas (the City) was incorporated July 11, 1848, while the City's Home Rule Charter was adopted in 1996. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, water and wastewater services.

The City's accounting and reporting policies relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments, which include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following represent the significant accounting and reporting policies and practices used by the City.

#### A. Reporting Entity

The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is able either to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and has determined that there are none.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Implementation of New Accounting Pronouncement

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the City’s activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City implemented the general provisions of the Statement in the current year.

### C. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 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 among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Measurement Focus, Basis 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*, as are the proprietary 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City has the following major governmental fund:

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

The City reports the following major proprietary funds:

The ***Utility Operating Fund*** – is used to account for water and wastewater operations that are intended to be self-supporting through user charges.

The ***Sanitation Fund*** – is used to account for sanitation operations that are intended to be self-supporting through user charges.

The ***EMS Operating Fund*** – is used to account for emergency medical service operations that are intended to be self-supporting through user charges.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(Continued)

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 Governmental Accounting Standards Board. 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 City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Operating Fund, Sanitation Fund, and EMS Operating Fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers as cash equivalents, cash, certificates of deposit, investment securities with a maturity of three months or less at date of purchase, and money market accounts.

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U. S. Treasury or the state of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits.

(continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

**2. Investments**

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

**3. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rate percentages.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Navarro County Central Appraisal District ("CAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the CAD. The Navarro County Tax Assessor performs billing and collection of tax levies/Collector's office.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

3. Receivables and Payables (Continued)

The maximum tax rate permitted by the State of Texas is \$2.50 per \$100 of assessed valuation, and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2002, levy was \$.5995 (\$.4841 for general government and \$.1154 for debt service) per \$100 of assessed valuation.

During the year ended September 30, 2003, 95% of the current tax levy (October 1, 2002) was collected. At September 30, 2003, the delinquent property taxes receivable totaled \$885,309 in the General Fund and \$213,624 in the Debt Service Fund. The City recognizes penalties and interest due on delinquent taxes receivable as a component of delinquent taxes receivable. The additional receivable is treated as deferred revenue until available.

The Texas Property Tax Code requires all property to be assessed on the basis of 100% of appraised value. The value of property must be reviewed at least every five years.

Under the Property Tax Code, if the effective tax rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements and revaluations, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Assets, Liabilities, and Net Assets or Equity** (Continued)

4. **Capital Assets** (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 10
Improvements	10 - 40

5. **Compensated Absences**

Accumulated unpaid compensated absences for vacation and sick leave are accrued when incurred. For business-type activities, the accruals are reported as liabilities and expenses for the year incurred. For governmental activities, the liability is not recorded in the fund financial statements, but only in the government-wide financial statements since payment of this liability will not be made with expendable available resources.

6. **Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. As of September 30, 2003, bond premiums or discounts are immaterial to the basic financial statements. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

6. Long-term Obligations (Continued)

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

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 the use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$8,969,420 difference are as follows:

General and certifications of obligation	\$ 7,349,837
Note payable	540,551
Accrued interest payable	48,192
Compensated absences	378,278
Capital lease obligations	<u>652,562</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>8,969,420</u>

### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of this \$886,449 difference are as follows:

Capital outlay	\$ 1,778,525
Depreciation expense	<u>( 892,076)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>886,449</u>

(continued)

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
(Continued)

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities** (Continued)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the 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." The details of this \$1,220,551 difference are as follows:

Debt issued or incurred:	
General and certificates of obligation	\$ 2,586,377
Capital lease obligations	413,211
Principal repayments	<u>( 1,779,037)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,220,551</u>

Another element of that reconciliation states, "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." The details of this \$27,876 difference are as follows:

Compensated absences	\$ 23,550
Accrued interest	<u>4,326</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 27,876</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the Capital Projects Fund, which adopts a project length budget. The City adopts a non-appropriation budget for the Proprietary Fund Types on a working capital basis. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control is the total approved budget for each department. The City Manager may transfer funds within department categories without Council approval up to \$500 per line item account provided such transfers do not exceed \$1,500 per fiscal year for any individual department and provided that no amounts shall be transferred from or to any capital outlay item accounts. Council must approve all transfers from one department to another or from one fund to another. The final amended budget is used in this report. Appropriations lapse at the end of the year.

The City of Corsicana has complied with all budget requirements for the year ended September 30, 2003. Several supplemental budget appropriations were made for the year ended September 30, 2003.

4. **DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

Substantially all cash, cash equivalents and investments are maintained in consolidated cash and investment accounts. Interest income relating to consolidated cash, cash equivalents and investments is allocated to the individual funds monthly based on each fund's prorate share of total consolidated cash, cash equivalents and investments.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act. The investments of the City are in compliance with the Council's investment policies. Section 105.034 of the Local Government Code of Texas Codes Annotated authorizes the City to invest in:

- a. Obligations of the United States or its agencies or instrumentalities;
- b. Direct obligations of the State of Texas or its agencies;
- c. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
- d. Obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

At year-end the carrying value of the City's investments (which approximates fair value) was as follows:

	<u>Carrying Value</u>
Investments not subject to categorization:	
Investment in TexStar	\$ <u>8,951,251</u>
	\$ <u>8,951,251</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Deposits and Investments** (Continued)

**Credit Risk Categorization for Deposits**

At September 30, 2003, the City's carrying amount of deposits was \$1,072,280 and the bank balance was \$1,021,429. Of the City's bank balance, \$100,000 was covered by FDIC insurance, \$921,429 was collateralized by government securities held in the pledging institution's trust department in the City's name. The City's bank balance is classified as to credit risk by three categories described below:

- Category 1:* Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2:* Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3:* Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

The City's bank balance of deposits at September 30, 2003, is summarized below:

	<u>Category</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bank balance of deposits	\$ <u>100,000</u>	\$ <u>921,429</u>	\$ <u>-</u>

State law provides that collateral pledged as security for bank deposits must have a fair value of not less than the amount of the deposits and must consist of (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the States of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

**Credit Risk Categorization for Temporary Investments**

At September 30, 2003, the City's U. S. government and agency securities were insured or registered, or securities held by the City's agent in the City's name. Investment balances in public investment pools are not evidenced by underlying securities that exist in physical or book entry form and, therefore, are not subject to credit risk categorization.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Deposits and Investments** (Continued)

**Public Funds Investment Pools**

The public funds investment pools noted previously were created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas government Code, Chapter 2256. The primary objective of these pools is to maintain the safety of principal, while providing participating government entities with the highest possible rate of return for invested funds. Participants own pro rata interests in the underlying assets of the fund in which they participate. A participant's sole source of payment from its investments in the pools is the market value of such assets.

Pursuant to investment agreements approved by each participant with each pool, the business and affairs of the pools are required to be managed by each pool's Board of Trustees (the Board). The Board consists of members, representing entities that have adopted the investment agreements. The duties of the Boards include, but are not limited to, adopting investment policies, appointing investment officers, overseeing the selection of investment managers, custodian banks, investment consultants, and other service providers, monitoring compliance with the pools' investment policy, monitoring performance, and revising the investment policies to reflect changing conditions affecting the pools or the needs of the participants.

Pursuant to Section 2256.016(g) of the Investment Act, these pools have established advisory boards composed of participants and other knowledgeable individuals. The purpose of the advisory boards shall be to gather and exchange information from participants and non-participants relating to the pools' operations.

**Restricted Cash and Investment**

As of September 30, 2003, the City held restricted cash and investment of \$7,287,687 for the following purposes:

Enterprise Fund:	
Construction	\$ 3,466,672
Debt service	706,473
Bonds	2,670,715
Held by Trinity River Authority	<u>443,827</u>
 Total Enterprise Fund	 <u>7,287,687</u>
 Total Restricted Cash and Investment	 <u>\$ 7,287,687</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Utility Operations	Sanitation	Emergency Medical Service	Nonmajor Governmental	Total
Receivables:						
Property taxes	\$ 939,828	\$ -	\$ -	\$ -	\$ 226,666	\$ 1,166,494
Franchise fees, sales and use tax	1,422,238	-	-	-	51,952	1,474,190
Accounts	22,911	1,349,138	124,492	1,157,969	200,752	2,855,262
Intergovernmental	-	170,040	-	-	698,671	868,711
Adjudicated fines	<u>267,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,173</u>
Gross receivables	2,652,150	1,519,178	124,492	1,157,969	1,178,041	6,631,830
Less: allowance for uncollectibles	<u>54,519</u>	<u>186,635</u>	<u>39,747</u>	<u>488,329</u>	<u>13,042</u>	<u>782,272</u>
Net total receivables	<u>\$ 2,597,631</u>	<u>\$ 1,332,543</u>	<u>\$ 84,745</u>	<u>\$ 669,640</u>	<u>\$ 1,164,999</u>	<u>\$ 5,849,558</u>

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent property taxes receivable	\$ 885,309	\$ -
Total General Fund	<u>885,309</u>	<u>-</u>
Other Governmental Funds		
Delinquent property taxes receivable	213,624	-
Intergovernmental	-	680,361
Miscellaneous	<u>199,150</u>	<u>-</u>
Total Other Governmental Funds	<u>412,774</u>	<u>680,361</u>
Total Governmental Funds	<u>\$ 1,298,083</u>	<u>\$ 680,361</u>

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Capital Assets

Capital asset activity for the year ended September 30, 2003, was as follows:

##### **Primary Government**

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,492,760	\$ -	\$ 7,839	\$ -	\$ 3,500,599
Construction in progress	-	-	1,382,036	-	1,382,036
Total assets not being depreciated	<u>3,492,760</u>	<u>-</u>	<u>1,389,875</u>	<u>-</u>	<u>4,882,635</u>
Capital assets, being depreciated:					
Buildings and improvements	15,844,831	-	30,986	-	15,875,817
Machinery and equipment	4,117,714	-	357,664	-	4,475,378
Total capital assets being depreciated	<u>19,962,545</u>	<u>-</u>	<u>388,650</u>	<u>-</u>	<u>20,351,195</u>
Less accumulated depreciation:					
Buildings and improvements	9,869,038	-	507,065	-	10,376,103
Machinery and equipment	2,275,110	-	385,011	-	2,660,121
Total accumulated depreciation	<u>12,144,148</u>	<u>-</u>	<u>892,076</u>	<u>-</u>	<u>13,036,224</u>
Total capital assets being depreciated, net	<u>7,818,397</u>	<u>-</u>	<u>( 503,426)</u>	<u>-</u>	<u>7,314,971</u>
Governmental activities capital assets, net	<u>\$ 11,311,157</u>	<u>\$ -</u>	<u>\$ 886,449</u>	<u>\$ -</u>	<u>\$ 12,197,606</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,866,837	\$ -	\$ -	\$ -	\$ 3,866,837
Construction in progress	-	-	242,000	-	242,000
Total assets not being depreciated	<u>3,866,837</u>	<u>-</u>	<u>242,000</u>	<u>-</u>	<u>4,108,837</u>
Capital assets, being depreciated:					
Buildings	143,111	6,660,405	-	-	6,803,516
Machinery and equipment	59,127,023	( 5,147,233)	5,293,864	-	59,273,654
Waterworks and wastewater system	14,510,171	2,086,327	146,631	-	16,743,129
Total capital assets being depreciated	<u>73,780,305</u>	<u>3,599,499</u>	<u>5,440,495</u>	<u>-</u>	<u>82,820,299</u>
Less accumulated depreciation:					
Buildings	76,333	5,914,317	62,853	-	6,053,503
Machinery and equipment	4,627,666	-	639,953	-	5,267,619
Water and wastewater system	19,143,922	( 5,914,317)	1,161,234	-	14,390,839
Total accumulated depreciation	<u>23,847,921</u>	<u>-</u>	<u>1,864,040</u>	<u>-</u>	<u>25,711,961</u>
Total capital assets being depreciated, net	<u>49,932,384</u>	<u>3,599,499</u>	<u>3,576,455</u>	<u>-</u>	<u>57,108,338</u>
Business-type activities capital assets, net	<u>\$ 53,799,221</u>	<u>\$ 3,599,499</u>	<u>\$ 3,818,455</u>	<u>\$ -</u>	<u>\$ 61,217,175</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

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

Governmental Activities:	
General government	\$ 572,505
Public safety	38,133
Public works	5,067
Community and cultural	<u>276,371</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 892,076</u>
Business-type Activities:	
Water and wastewater	<u>\$ 1,864,040</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,864,040</u>

**Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2003, is as follows:

**Due to/from other funds:**

	Due from				Total
	General	Nonmajor Governmental	Utility Operations	Sanitation	
Due to:					
Governmental:					
General	\$ 376	\$ -	\$ 535,637	\$ -	\$ 536,013
Nonmajor - governmental funds	119,437	-	646,963	-	766,400
Business-type:					
Utility operations	30,000	1,908	964,216	-	996,124
Sanitation	2,000	639	46,266	11,211	60,116
Emergency Medical Services	<u>140,434</u>	<u>56,833</u>	<u>337,939</u>	<u>-</u>	<u>535,206</u>
Total Transfers	<u>\$ 292,247</u>	<u>\$ 59,380</u>	<u>\$ 2,531,021</u>	<u>\$ 11,211</u>	<u>\$ 2,893,859</u>

This balance resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Receivables, Payables and Transfers (Continued)**

**Interfund transfers:**

	Transfers in				Total
	General	Nonmajor Governmental	Utility Operations	Sanitation	
Transfers out:					
Governmental:					
General	\$ -	\$ 293,653	\$ -	\$ -	\$ 293,653
Nonmajor - governmental funds	293	40,680	1,648,843	27,850	1,717,666
Business-type:					
Utility operations	1,068,963	1,528,766	8,436,729	-	11,034,458
Sanitation	384,509	-	-	550,883	935,392
Emergency Medical Services	-	56,833	-	-	56,833
Total Transfers	<u>\$ 1,453,765</u>	<u>\$ 1,919,932</u>	<u>\$ 10,085,572</u>	<u>\$ 578,733</u>	<u>\$ 14,038,002</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2003, was as follows:

	Balance October 1, 2002	Additions	Retirements	Balance September 30, 2003	Amounts Due Within One Year
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 4,035,000	\$ 481,377	\$ 846,540	\$ 3,669,837	\$ 374,239
Certificates of obligation	1,845,000	2,105,000	270,000	3,680,000	250,000
Capital leases payable	802,399	412,660	562,497	652,562	383,678
Line of credit	640,000	551	100,000	540,551	100,000
Compensated absences	354,728	23,550	-	378,278	-
Total Governmental Activities	<u>7,677,127</u>	<u>3,023,138</u>	<u>1,779,037</u>	<u>8,921,228</u>	<u>1,107,917</u>
<b><u>Business-type Activities</u></b>					
Revenue bonds	32,166,000	1,140,000	1,745,000	31,561,000	1,675,000
Certificates of obligation	2,565,000	8,293,623	2,623,460	8,235,163	485,761
Capital leases payable	1,041,066	572,715	639,705	974,076	454,338
Compensated absences	170,762	6,037	-	176,799	-
Total Business-type Activities	<u>35,942,828</u>	<u>10,012,375</u>	<u>5,008,165</u>	<u>40,947,038</u>	<u>2,615,099</u>
Total	<u>\$ 43,619,955</u>	<u>\$ 13,035,513</u>	<u>\$ 6,787,202</u>	<u>\$ 49,868,266</u>	<u>\$ 3,723,016</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Leases

The government has acquired certain fixed assets for governmental activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital lease obligations	\$ <u>652,562</u>	\$ <u>974,076</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2004	\$ 396,884	\$ 477,925
2005	249,041	259,264
2006	23,845	76,823
2007	-	68,315
2008	-	68,315
2009-2013	<u>-</u>	<u>79,700</u>
Total minimum lease payments	669,770	1,030,342
Less: amount representing interest	<u>( 17,208)</u>	<u>( 56,266)</u>
Present value of minimum lease payments	<u>\$ 652,562</u>	<u>\$ 974,076</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Leases (Continued)**

Governmental Activities long-term liabilities at September 30, 2003, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
<b>General Obligation Bonds:</b>			
Series 1994 General Obligation Bonds	\$ 1,400,000	5.1% to 8.0%	\$ 985,000
Series 1995 General Obligation Bonds	1,335,000	5.0% to 7.0%	990,000
Series 2001 General Obligation Refunding Bonds	1,560,000	3.5% to 4.0%	1,225,000
Series 2002 General Obligation Refunding Bonds	481,377	3.0% to 3.75%	<u>469,837</u>
Total General Obligation Bonds			<u>3,669,837</u>
<b>Certificates of Obligation:</b>			
Series 2001 Combination Tax and Revenue Certificates of Obligation	2,000,000	3.5% to 4.0%	1,685,000
Series 2002 Combination Tax and Revenue Certificates of Obligation	2,105,000	4.25% to 5.125%	<u>1,995,000</u>
Total Certificates of Obligation			<u>3,680,000</u>
			<u>\$ 7,349,837</u>

The funds utilized for the repayment of long-term liabilities for governmental activities are the Debt Service Fund.

Business-type Activities long-term liabilities at September 30, 2003, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
1996 Waterworks and Sewer System Revenue Refunding Bonds	\$ 3,065,000	3.6% to 4.8%	\$ 1,435,000
Series 1997-A Waterworks and Sewer System Revenue Refunding Bonds	6,835,000	3.8% to 5.75%	4,560,000
Series 1997-B Waterworks and Sewer System Revenue Refunding Bonds	1,345,000	6.8% to 7.5%	480,000
Series 1997-C Waterworks and Sewer System Revenue Refunding Bonds	10,075,000	3.0% to 4.75%	7,910,000
Series 1997-D Waterworks and Sewer System Revenue Refunding Bonds	1,700,000	4.25% to 5.75%	1,355,000
Series 1999 Waterworks and Sewer System Revenue Refunding Bonds	10,865,000	3.0% to 4.6%	9,571,000
Series 1999-A Waterworks and Sewer System Revenue Refunding Bonds	6,700,000	5.1% to 7.0%	6,250,000
Series 2002 Refunding General Obligation Bonds	2,438,623	3.0% to 3.75%	2,380,163
Series 2002-A Certificates of Obligation	5,855,000	3.0% to 3.75%	<u>5,855,000</u>
			<u>\$ 39,796,163</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities (Continued)

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2003, are as follows:

September 30,	General Obligation Bonds and Certificates of Obligation			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 624,239	\$ 307,645	\$ 931,884	\$ 100,000	\$ 33,397	\$ 133,397
2005	637,536	284,237	921,773	100,000	27,214	127,214
2006	661,658	259,970	921,628	100,000	21,031	121,031
2007	687,482	234,037	921,519	100,000	14,848	114,848
2008	826,051	203,344	1,029,395	100,000	11,146	111,146
2009-2013	2,837,871	495,979	3,333,850	40,551	2,433	42,984
2014-2018	750,000	153,635	903,635	-	-	-
2019-2022	325,000	41,457	366,457	-	-	-
	<u>\$ 7,349,837</u>	<u>\$ 1,980,304</u>	<u>\$ 9,330,141</u>	<u>\$ 540,551</u>	<u>\$ 110,069</u>	<u>\$ 650,620</u>

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2003, are as follows:

September 30,	Revenue Bonds		
	Principal	Interest	Total
2004	\$ 2,160,761	\$ 2,036,526	\$ 4,197,287
2005	2,442,464	1,764,033	4,206,497
2006	2,528,342	1,658,924	4,187,266
2007	2,402,518	1,548,219	3,950,737
2008	1,888,949	1,458,933	3,347,882
2009-2013	9,682,129	6,061,991	15,744,120
2014-2018	11,340,000	3,723,540	15,063,540
2019-2023	6,446,000	1,174,389	7,620,389
2024-2028	905,000	79,460	984,460
	<u>\$ 39,796,163</u>	<u>\$ 19,506,015</u>	<u>\$ 59,302,178</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Employee Retirement Systems**

**Texas Municipal Retirement System (TMRS)**

**Plan Description**

The City provides pension benefits for all of its full-time employees, except for firefighters which are covered by a separate plan, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 774 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P. O. Box 149153, Austin, Texas 78714-9153.

**Benefits**

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for services rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members may retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Employee Retirement Systems (Continued)**

**Texas Municipal Retirement System (TMRS) (Continued)**

**Contributions**

The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1, both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution 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 a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year in which the rate goes into effect. (i.e. December 31, 2002 valuation is effective for rates beginning January 2004.)

**Schedule of Actuarial Liabilities and Funding Progress**

Actual valuation date	12/31/02	12/31/01	12/31/00
Actuarial value of assets	\$ 12,171,581	\$ 11,111,518	\$ 10,762,344
Actuarial accrued liability	15,926,562	14,567,254	13,977,893
Percentage funded	76.4%	76.3%	77.0%
Unfunded (over-funded)			
actuarial accrued liability (UAAL)	3,754,981	3,455,736	3,215,549
Annual covered payroll	6,761,585	6,383,644	6,026,640
UAAL as a percentage of covered payroll	55.5%	54.1%	53.4%
Net pension obligation (NPO) at the beginning of period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	731,503	644,881	617,314
Contributions made	751,503	644,881	617,314
Increase in NPO	-	-	-
NPO at the end of period	-	-	-

The actuarial value of assets was market-related rolling 25 years.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement Systems (Continued)

**Texas Municipal Retirement System (TMRS) (Continued)**

**Contributions (Continued)**

Actuarial Assumptions

Actuarial Cost Method	-	Unit Credit
Amortization Method	-	Level percent of Payroll
Remaining Amortization Period	-	25 Years - Open Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	8%
Projected Salary Increases	-	None
Includes Inflation At	-	None
Cost-of-Living Adjustments	-	None

Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Corsicana Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$487,545 reported to date based on the use of 20.13 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,421,472 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. The City expects to close the landfill in the year 2029. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements, and, at September 30, 2003, investments of \$674,516 fair value are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

(continued)

#### 4. DETAILED NOTES ON ALL FUNDS (Continued)

##### Contingent Liabilities

The City is involved in various litigation in the normal course of operations. While the results of any litigation contains an element of uncertainty, the City's management believes that the amount of any liability and costs which might result, would not have a material adverse affect on the general purpose financial statements.

The City participates in a number of federal award programs. Although the City's programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through September 30, 2003, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

##### Prior Period Adjustment

In the year ended September 30, 2002, the City understated capital assets by \$3,020,077 in the Utility Operations Fund and \$404,490 in the Sanitation Fund. Additionally, garbage receivables in the Sanitation Fund were overstated by \$103,500. Adjustments have been made to increase the beginning net assets to correct these balances.

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

### **NONMAJOR GOVERNMENTAL FUNDS**

*Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*Debt Service Funds* are used to account for the accumulation of resources and payment of debt for governmental funds.

*Capital Projects Funds* are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

*Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

**CITY OF CORSICANA, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2003**

	Special Revenue			
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash	\$ 187,404	\$ 49,339	\$ 26,702	\$ 13,424
Receivables, (net):				
Taxes	51,952	-	-	-
Accounts	50	-	380	-
Intergovernmental	-	-	-	-
Due from other funds	-	639	-	-
	<u>\$ 239,406</u>	<u>\$ 49,978</u>	<u>\$ 27,082</u>	<u>\$ 13,424</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ 167,012	\$ 1,607	\$ 530	\$ 107
Accrued payroll	3,368	-	2,968	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>170,380</u>	<u>1,607</u>	<u>3,498</u>	<u>107</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved, reported in:				
Special revenue	69,026	48,371	23,584	13,317
Capital projects	-	-	-	-
Total fund balances	<u>69,026</u>	<u>48,371</u>	<u>23,584</u>	<u>13,317</u>
Total liabilities and fund balances	<u>\$ 239,406</u>	<u>\$ 49,978</u>	<u>\$ 27,082</u>	<u>\$ 13,424</u>

Special Revenue

Parks/ Recreation Special Revenue	Parks/ Recreation Events	Library Grants and Contributions	Economic Development Grants (TRVCIF)	City/County Economic Development	Police Special Revenue	Lake Halbert Boat Ramp Grant	Summer Recreation Programs
\$ 54,522	\$ 5,642	\$ 6,356	\$ 152,193	\$ -	\$ 26,962	\$ -	\$ 7,782
-	-	-	-	-	-	-	-
-	-	-	-	-	20	-	-
-	-	-	-	-	-	-	-
<u>\$ 54,522</u>	<u>\$ 5,642</u>	<u>\$ 6,356</u>	<u>\$ 152,193</u>	<u>\$ -</u>	<u>\$ 26,982</u>	<u>\$ -</u>	<u>\$ 7,782</u>
\$ 8,502	\$ -	\$ 111	\$ -	\$ -	\$ 100	\$ -	\$ 67
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>8,502</u>	<u>-</u>	<u>111</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>67</u>
-	-	-	-	-	-	-	-
46,020	5,642	6,245	152,193	-	26,882	-	7,715
-	-	-	-	-	-	-	-
<u>46,020</u>	<u>5,642</u>	<u>6,245</u>	<u>152,193</u>	<u>-</u>	<u>26,882</u>	<u>-</u>	<u>7,715</u>
<u>\$ 54,522</u>	<u>\$ 5,642</u>	<u>\$ 6,356</u>	<u>\$ 152,193</u>	<u>\$ -</u>	<u>\$ 26,982</u>	<u>\$ -</u>	<u>\$ 7,782</u>

(continued)

**CITY OF CORSICANA, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**SEPTEMBER 30, 2003**

	Special Revenue			
	Ward Foundation Parks Donation	1992 TCDP-TCR Infrastructure Venture	Fire Special Revenue	Palace Theater
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash	\$ -	\$ -	\$ 6,885	\$ -
Receivables, (net):				
Taxes	-	-	-	-
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ -	\$ -	\$ 6,885	\$ -
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 978
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	-	-	-	-
Total liabilities	-	-	-	978
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved, reported in:				
Special revenue	-	-	6,885	( 978)
Capital projects	-	-	-	-
	-	-	6,885	( 978)
Total fund balances	-	-	6,885	( 978)
Total liabilities and fund balances	\$ -	\$ -	\$ 6,885	\$ -

Special Revenue

Police LEOSE	2001 Cops More Grant	CHDO Home Buyer Program	Activity Tourism Center	Tax Increment Financing District	Court Technology	Court Building Security	2001 Local Law Enforcement Grant
\$ 6,620	\$ -	\$ -	\$ 93,784	\$ -	\$ 4,689	\$ 24,238	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	675,280	-	-	-
-	-	13,630	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,620</u>	<u>\$ -</u>	<u>\$ 13,630</u>	<u>\$ 93,784</u>	<u>\$ 675,280</u>	<u>\$ 4,689</u>	<u>\$ 24,238</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 704	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	13,630	-	462,159	-	-	-
-	-	-	-	675,280	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,280</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>13,630</u>	<u>-</u>	<u>1,138,143</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
6,620	-	-	93,784	( 462,863)	4,689	24,238	-
-	-	-	-	-	-	-	-
<u>6,620</u>	<u>-</u>	<u>-</u>	<u>93,784</u>	<u>( 462,863)</u>	<u>4,689</u>	<u>24,238</u>	<u>-</u>
<u>\$ 6,620</u>	<u>\$ -</u>	<u>\$ 13,630</u>	<u>\$ 93,784</u>	<u>\$ 675,280</u>	<u>\$ 4,689</u>	<u>\$ 24,238</u>	<u>\$ -</u>

(continued)

**CITY OF CORSICANA, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**SEPTEMBER 30, 2003**

	Special Revenue		
	2002 Local Law Enforcement Grant	EMS Equipment Replacement	FEMA Engineering Grant
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash	\$ 5,122	\$ -	\$ -
Receivables, (net):			
Taxes	-	-	-
Accounts	-	-	-
Intergovernmental	-	-	9,622
Due from other funds	-	56,833	-
 Total assets	\$ 5,122	\$ 56,833	\$ 9,622
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 41	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	9,622
Deferred revenue	5,081	-	-
Total liabilities	5,122	-	9,622
Fund balances:			
Reserved for:			
Debt service	-	-	-
Unreserved, reported in:			
Special revenue	-	56,833	-
Capital projects	-	-	-
Total fund balances	-	56,833	-
 Total liabilities and fund balances	\$ 5,122	\$ 56,833	\$ 9,622

Debt Service Interest and Redemption Tax Supported Bonds G.O.	Capital Projects					Totals
	2001-02 Capital Purchases	2001 CO Construction	2002/2003 Capital Purchases	2002/2003 Capital Purchases EMS	2002-B CO Construction	
\$ 121,645	\$ -	\$ 444,632	\$ -	\$ -	\$ 845,222	\$ 2,083,163
213,624	-	-	-	-	-	265,576
1,291	-	-	199,150	-	-	876,171
-	-	-	-	-	-	23,252
1,908	-	-	-	-	-	59,380
<u>\$ 338,468</u>	<u>\$ -</u>	<u>\$ 444,632</u>	<u>\$ 199,150</u>	<u>\$ -</u>	<u>\$ 845,222</u>	<u>\$ 3,307,542</u>
\$ -	\$ -	\$ 30,146	\$ 49,900	\$ -	\$ -	\$ 259,805
-	-	-	-	-	-	6,336
107,135	-	-	149,250	-	12,302	754,098
213,624	-	-	199,150	-	-	1,093,135
<u>320,759</u>	<u>-</u>	<u>30,146</u>	<u>398,300</u>	<u>-</u>	<u>12,302</u>	<u>2,113,374</u>
17,709	-	-	-	-	-	17,709
-	-	-	-	-	-	128,203
-	-	414,486	( 199,150)	-	832,920	1,048,256
<u>17,709</u>	<u>-</u>	<u>414,486</u>	<u>( 199,150)</u>	<u>-</u>	<u>832,920</u>	<u>1,194,168</u>
<u>\$ 338,468</u>	<u>\$ -</u>	<u>\$ 444,632</u>	<u>\$ 199,150</u>	<u>\$ -</u>	<u>\$ 845,222</u>	<u>\$ 3,307,542</u>

**CITY OF CORSICANA, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2003**

	Special Revenue			
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures
<b>REVENUES</b>				
Occupancy tax	\$ 215,926	\$ -	\$ -	\$ -
Interest income	2,151	14	27	7
Fines and fees	-	-	-	2,410
Charges for services	-	5,198	224	-
Contributions/donations	-	10,000	-	-
Intergovernmental	-	10,078	-	-
Miscellaneous	150,285	-	24,869	-
Total revenues	<u>368,362</u>	<u>25,290</u>	<u>25,120</u>	<u>2,417</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	54,476	-	-
Public safety	-	-	-	3,757
Public works	-	-	94,316	-
Culture and recreation	344,792	-	-	-
Capital outlay	13,389	11,092	7,216	1,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>358,181</u>	<u>65,568</u>	<u>101,532</u>	<u>4,757</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>10,181</u>	<u>( 40,278)</u>	<u>( 76,412)</u>	<u>( 2,340)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	65,000	45,401	96,000	-
Transfers out	( 9,510)	-	-	-
Proceeds from issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>55,490</u>	<u>45,401</u>	<u>96,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	65,671	5,123	19,588	( 2,340)
<b>FUND BALANCES, BEGINNING</b>	<u>3,355</u>	<u>43,248</u>	<u>3,996</u>	<u>15,657</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 69,026</u>	<u>\$ 48,371</u>	<u>\$ 23,584</u>	<u>\$ 13,317</u>

Special Revenue

<u>Parks/ Recreation Special Revenue</u>	<u>Parks/ Recreation Events</u>	<u>Library Grants and Contributions</u>	<u>Economic Development Grants (TRVCIF)</u>	<u>City/County Economic Development</u>	<u>Police Special Revenue</u>	<u>Lake Halbert Boat Ramp Grant</u>	<u>Summer Recreation Programs</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25	5	3	1,571	15	11	-	5
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
88,535	5,493	695	-	-	11,332	-	-
-	-	4,051	148,601	-	-	-	-
-	-	-	-	-	-	-	-
<u>88,560</u>	<u>5,498</u>	<u>4,749</u>	<u>150,172</u>	<u>15</u>	<u>11,343</u>	<u>-</u>	<u>5</u>
-	-	-	-	34,753	-	-	-
-	-	-	-	-	8,056	-	-
-	-	-	-	-	-	-	-
115,959	9,366	4,234	-	-	-	-	19,400
26,098	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>142,057</u>	<u>9,366</u>	<u>4,234</u>	<u>-</u>	<u>34,753</u>	<u>8,056</u>	<u>-</u>	<u>19,400</u>
( 53,497)	( 3,868)	515	150,172	( 34,738)	3,287	-	( 19,395)
31,170	9,510	-	-	29,167	-	19,676	25,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>31,170</u>	<u>9,510</u>	<u>-</u>	<u>-</u>	<u>29,167</u>	<u>-</u>	<u>19,676</u>	<u>25,000</u>
( 22,327)	5,642	515	150,172	( 5,571)	3,287	19,676	5,605
68,347	-	5,730	2,021	5,571	23,595	( 19,676)	2,110
<u>\$ 46,020</u>	<u>\$ 5,642</u>	<u>\$ 6,245</u>	<u>\$ 152,193</u>	<u>\$ -</u>	<u>\$ 26,882</u>	<u>\$ -</u>	<u>\$ 7,715</u>

(continued)

**CITY OF CORSICANA, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**YEAR ENDED SEPTEMBER 30, 2003**

	Special Revenue			
	Ward Foundation Parks Donation	1992 TCDP-TCR Infrastructure Venture	Fire Special Revenue	Palace Theater
<b>REVENUES</b>				
Occupancy tax	\$ -	\$ -	\$ -	\$ -
Interest income	13	-	3	-
Fines and fees	-	-	-	-
Charges for services	-	-	-	-
Contributions/donations	-	-	3,725	-
Intergovernmental	-	-	783	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>13</u>	<u>-</u>	<u>4,511</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	4,834	-
Public works	-	-	-	-
Culture and recreation	-	-	-	12,569
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>4,834</u>	<u>12,569</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13</u>	<u>-</u>	<u>( 323)</u>	<u>( 12,569)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	11,591
Transfers out	( 31,170)	( 70)	-	-
Proceeds from issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>( 31,170)</u>	<u>( 70)</u>	<u>-</u>	<u>11,591</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<u>( 31,157)</u>	<u>( 70)</u>	<u>( 323)</u>	<u>( 978)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>31,157</u>	<u>70</u>	<u>7,208</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,885</u>	<u>\$ ( 978)</u>

Special Revenue

Police LEOSE	2001 Cops More Grant	CHDO Home Buyer Program	Activity Tourism Center	Tax Increment Financing District	Court Technology	Court Building Security	2001 Local Law Enforcement Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	-	-	48	-	2	9	-
-	-	-	-	-	9,368	9,368	-
-	-	-	-	-	-	-	-
4,073	113,167	-	-	-	-	-	3,169
-	-	-	-	180,693	-	-	-
<u>4,075</u>	<u>113,167</u>	<u>-</u>	<u>48</u>	<u>180,693</u>	<u>9,370</u>	<u>9,377</u>	<u>3,169</u>
-	1,800	-	-	-	-	-	-
749	-	-	-	-	-	-	-
-	175	-	-	-	-	-	-
-	711	-	4,509	-	2,610	924	-
-	-	-	-	-	-	-	3,212
-	-	-	-	100,000	10,737	-	-
-	-	-	-	38,384	729	-	-
<u>749</u>	<u>2,686</u>	<u>-</u>	<u>4,509</u>	<u>138,384</u>	<u>14,076</u>	<u>924</u>	<u>3,212</u>
<u>3,326</u>	<u>110,481</u>	<u>-</u>	<u>( 4,461)</u>	<u>42,309</u>	<u>( 4,706)</u>	<u>8,453</u>	<u>( 43)</u>
-	( 83)	-	-	1,510,146	-	-	-
-	-	-	-	( 6,646)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	<u>( 83)</u>	<u>-</u>	<u>-</u>	<u>1,503,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,326	110,398	-	( 4,461)	1,545,809	( 4,706)	8,453	( 43)
<u>3,294</u>	<u>( 110,398)</u>	<u>-</u>	<u>98,245</u>	<u>(2,008,672)</u>	<u>9,395</u>	<u>15,785</u>	<u>43</u>
<u>\$ 6,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,784</u>	<u>\$ ( 462,863)</u>	<u>\$ 4,689</u>	<u>\$ 24,238</u>	<u>\$ -</u>

(continued)

Debt Service Interest and Redemption Tax Supported Bonds G.O.	Capital Projects					Totals
	2001-02 Capital Purchases	2001 CO Construction	2002/2003 Capital Purchases	2002/2003 Capital Purchases EMS	2002-B CO Construction	
\$ 812,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,028,530
16,817	-	2,701	-	-	7,249	30,683
-	-	-	-	-	-	21,146
-	-	-	-	-	-	5,422
-	-	-	-	-	-	119,780
-	-	-	-	-	-	311,455
-	-	-	-	-	-	355,847
<u>829,421</u>	<u>-</u>	<u>2,701</u>	<u>-</u>	<u>-</u>	<u>7,249</u>	<u>1,872,863</u>
-	-	-	-	-	-	91,029
-	-	-	-	-	-	23,427
-	-	-	-	-	-	94,491
-	-	-	-	-	-	524,696
-	-	30,146	407,137	18,620	1,198,825	1,724,635
661,540	-	-	-	-	-	772,277
352,873	-	-	-	-	-	391,986
<u>1,014,413</u>	<u>-</u>	<u>30,146</u>	<u>407,137</u>	<u>18,620</u>	<u>1,198,825</u>	<u>3,622,541</u>
( 184,992)	-	( 27,445)	( 407,137)	( 18,620)	( 1,191,576)	( 1,749,678)
-	-	-	-	18,620	-	1,919,932
-	( 222)	(1,510,146)	( 141,282)	-	( 18,620)	( 1,717,666)
550,000	-	-	349,269	-	2,043,116	2,942,385
( 550,000)	-	-	-	-	-	( 550,000)
<u>-</u>	<u>( 222)</u>	<u>(1,510,146)</u>	<u>207,987</u>	<u>18,620</u>	<u>2,024,496</u>	<u>2,594,651</u>
( 184,992)	( 222)	(1,537,591)	( 199,150)	-	832,920	844,973
<u>202,701</u>	<u>222</u>	<u>1,952,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,195</u>
<u>\$ 17,709</u>	<u>\$ -</u>	<u>\$ 414,486</u>	<u>\$ ( 199,150)</u>	<u>\$ -</u>	<u>\$ 832,920</u>	<u>\$ 1,194,168</u>

# **SINGLE AUDIT SECTION**



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and  
Members of the City Council  
City of Corsicana, Texas

We have audited the financial statements of the City of Corsicana, Texas, as of and for the year ended September 30, 2003, and have issued our report thereon dated April 23, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 grants, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corsicana, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Corsicana, Texas, in a separate letter dated April 23, 2004.

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

*Pattillo, Brown & Hill, L.L.P.*

April 23, 2004



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

The Honorable Mayor and  
Members of the City Council  
City of Corsicana, Texas

**Compliance**

We have audited the compliance of the City of Corsicana, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Corsicana, Texas' major federal programs are identified in the summary of auditors' 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 the City of Corsicana, Texas' management. Our responsibility is to express an opinion on the 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 Nonprofit 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 the 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 the City of Corsicana, Texas' compliance with those requirements.

In our opinion, the City of Corsicana, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

## Internal Control Over Compliance

The management of the 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 the City of Corsicana, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

*Pattillo, Brown & Hill, L.L.P.*

April 23, 2004

# CITY OF CORSICANA, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2003

### Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	None
Reportable condition(s) identified that are not considered to be material weakness(es)?	None
Internal control over major programs: Material weakness(es) identified?	None
Reportable condition(s) identified that are not considered to be material weakness(es)?	None
Noncompliance which is material to the general purpose financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The City did not qualify as a low-risk auditee in the context of OMB Circular A-133
Major federal programs	Environmental Protection Agency: Capitalization Grants for Drinking Water State Revolving Funds, CFDA #66.468  U. S. Department of Transportation and Aviation Grant, CFDA #20.106

### Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

### Findings and Questioned Costs for Federal Awards

None

**CITY OF CORSICANA, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2003**

None

**CITY OF CORSICANA, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED SEPTEMBER 30, 2003**

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Passed through Office of Rural Community Affairs:			
Community Development Block Grant	14.228	722151	\$ <u>122,183</u>
Total Passed through Office of Rural Community Affairs			<u>122,183</u>
Total U. S. Department of Housing and Urban Development			<u>122,183</u>
<b><u>U. S. Department of Justice</u></b>			
Local Law Enforcement Block Grant	16.592	2001-LB-BX-2737	3,169
Local Law Enforcement Block Grant	16.592	2002-LB-BX-2813	12,029
Bullet Proof Vest Partnership Program	16.607	2009501	1,894
COPS More	16.710	2001 CMWX0419	<u>113,167</u>
Total U. S. Department of Justice			<u>130,259</u>
<b><u>Environmental Protection Agency</u></b>			
Office of Water			
Passed through Texas Water Development Board:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	60135-199A	<u>985,848</u>
Total Environmental Protection Agency			<u>985,848</u>
<b><u>Department of Homeland Security</u></b>			
Cooperative Technical Partnership Grant	97.045	EMT-2001-CA-0093	<u>15,508</u>
Total Department of Homeland Security			<u>15,508</u>
 Total Federal Expenditures			\$ <u>1,253,798</u>

**CITY OF CORSICANA, TEXAS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

**BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Corsicana, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

# **STATISTICAL SECTION**

**CITY OF CORSICANA, TEXAS**

**TOP TEN TAXPAYERS**

**SEPTEMBER 30, 2003**

<u>Taxpayer's Name</u>	<u>Total Taxable Value</u>
1. K-Mart of Texas, L.P.	\$ 52,168,950
2. Guardian Industrial Corporation	30,638,830
3. Russell Stover Candies - Abated	23,533,210
4. Tru-Serv Corp. - Non-abated	21,916,170
5. Pactive Foam	11,796,340
6. Oncor Electric Delivery Company	11,238,160
7. Russell Stover Candies	8,499,420
8. Guardian Industries - Abated	7,896,120
9. Navarro Regional Hospital	7,342,500
10. Southwestern Bell Telephone	7,191,600

**CITY OF CORSICANA, TEXAS**  
**MISCELLANEOUS STATISTICAL FACTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**  
**(UNAUDITED)**

Date of Incorporation	1848
Date of Adoption of City Charter	1996
Form of Government	Mayor/Council
Area	22.73 sq. miles
<b>Building Permits:</b>	
Permits Issued	237
Estimated Cost	\$ 33,278,450
<b>Fire Protection:</b>	
Number of Fire Stations	4
Number of Employees	56
<b>Recreation:</b>	
Parks	625.5 acres
Playgrounds	9
Number of Swimming Pools	2
<b>Municipal Water Plant:</b>	
Number of Meters in Service	9,764
Average Daily Consumption	708 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meter	2,611m.
Number of Gallons Sold	2,383,314 gal.
Number of Fire Hydrants	750
Municipal Employees	286

Historical Data  
Population - City of Corsicana

<u>Year</u>	<u>Population *</u>
1920	11,356
1930	15,202
1940	15,232
1950	19,108
1960	20,344
1970	19,972
1980	21,712
1990	22,911
2000	24,485

\* Data provided from Federal Census

**CITY OF CORSICANA, TEXAS**

**TOP TEN EMPLOYERS**

**SEPTEMBER 30, 2003**

<u>Employer Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
1. Russell Stover's Candies	Manufacturing	1,000
2. Corsicana Independent School District	Government	795
3. Navarro College	Government	784
4. Collin Street Bakery	Manufacturing	500
5. Guardian Industries	Manufacturing	400
6. Navarro Regional Hospital	Medical Services	400
7. Texas Youth Commission	Government	335
8. City of Corsicana	Government	296
9. Navarro County	Government	289
10. Medical Arts Clinic	Medical Services	287