

CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2005**

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CITY OF CORSICANA, TEXAS

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INTRODUCTORY SECTION

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January 31, 2006

To the Citizens of the City of Corsicana:

The annual financial report of the City of Corsicana for the year ended September 30, 2005, 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 is 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 statement 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 Funds are included in the reporting entity since the city exercises oversight of these funds.

The City of Corsicana, with a population of approximately 25,858 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.

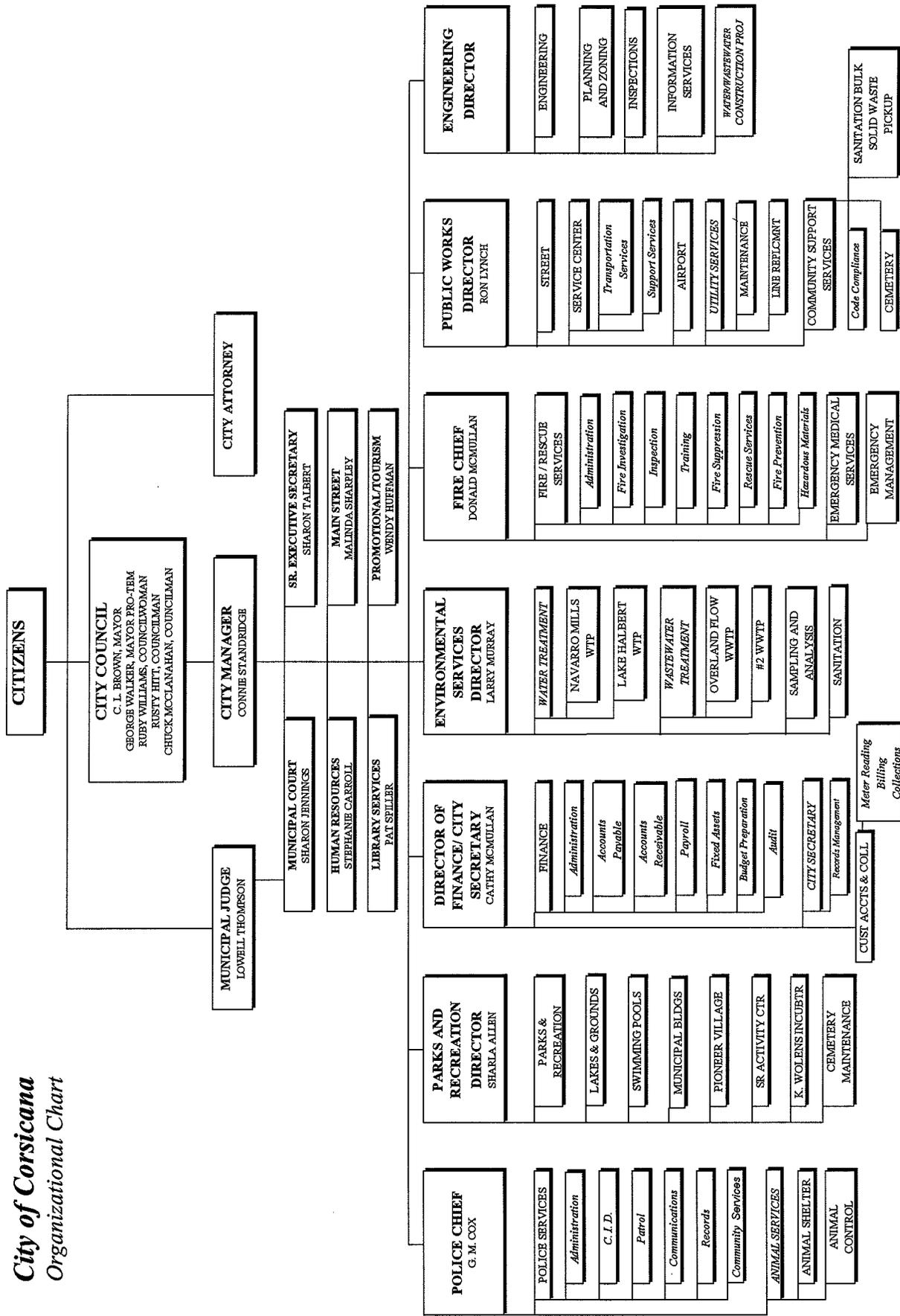
The City has designated an area as an Enterprise Zone pursuant to the Texas Enterprise Zone Act and provided tax incentives and assistance to induce investment from private resources in productive business enterprises to locate in a severely distressed area of the City, and to provide employment to residents 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, 2005

ELECTED OFFICIALS

Mayor	C. L. Brown
Mayor Pro-tem and Council Member, Place 1	George Walker
Council Member, Place 2	Ruby Williams
Council Member, Place 3	Rusty Hitt
Council Member, Place 4	Chuck McClanahan
City Attorney	Terry Jacobson
Municipal Court Judge	Lowell Thompson

CITY STAFF

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
Planning Manager	Sherri Warren
Main Street Project Facilitator	Malinda Sharpley
Promotion Advertisement/Tourism Facilitator	Wendy Huffman
Inspections Manager	David Tipton
Human Resources Manager	Stephanie Carroll

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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, 2005, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2005, and the respective changes in financial position, and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corsicana, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Davillo, Brown & Hill LLP

December 21, 2005

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2005. 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.

FINANCIAL HIGHLIGHTS

- The assets of the City of Corsicana exceeded its liabilities as of September 30, 2005, by \$37,295,619 (net assets). Of this amount, \$191,504 (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 decreased by \$11,278.
- At the close of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$2,675,639. Of this amount, \$1,382,987 represents unreserved fund balances available for use within the City's fund designation and fiscal policies.
- As of September 30, 2005, the unreserved, undesignated fund balance for the General Fund was \$1,081,209.

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 – 48 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 49 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 \$37,295,619 as of September 30, 2005.

The largest portion of the City's net assets \$31,863,678 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.

CITY OF CORSICANA'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,628,602	\$ 4,166,803	\$ 9,188,967	\$ 9,957,530	\$ 14,817,569	\$ 14,124,333
Capital assets	12,299,090	12,265,633	60,252,907	61,034,867	72,551,997	73,300,500
Total assets	<u>17,927,692</u>	<u>16,432,436</u>	<u>69,441,874</u>	<u>70,992,397</u>	<u>87,369,566</u>	<u>87,424,833</u>
Other liabilities	1,966,125	1,672,639	2,287,305	4,037,888	4,253,430	5,710,527
Long-term liabilities	8,609,494	8,191,656	37,211,023	36,215,753	45,820,517	44,407,409
Total liabilities	<u>10,575,619</u>	<u>9,864,295</u>	<u>39,498,328</u>	<u>40,253,641</u>	<u>50,073,947</u>	<u>50,117,936</u>
Net assets:						
Invested in capital assets, net of related debt	5,698,501	4,626,914	26,165,177	25,240,352	31,863,678	29,867,266
Restricted	295,483	749,216	4,944,954	5,846,543	5,240,437	6,595,759
Unrestricted	<u>1,358,089</u>	<u>1,192,011</u>	(1,166,585)	(348,139)	<u>191,504</u>	<u>843,872</u>
Total net assets	<u>\$ 7,352,073</u>	<u>\$ 6,568,141</u>	<u>\$ 29,943,546</u>	<u>\$ 30,738,756</u>	<u>\$ 37,295,619</u>	<u>\$ 37,306,897</u>

A portion of the City's net assets, \$5,240,437, represents resources that are subject to external restriction on how they may be used. The remaining balance, \$191,504 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, 2005. Governmental activities increased the City of Corsicana's net assets by \$783,932 and business-type activities decreased the City's net assets by \$(795,210).

CITY OF CORSICANA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 974,558	\$ 769,451	\$ 15,842,300	\$ 15,491,661	\$ 16,816,858	\$ 16,261,112
Operating grants and contributions	446,849	265,487	-	-	446,849	265,487
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Ad valorem taxes	5,233,564	5,054,960	-	-	5,233,564	5,054,960
Sales taxes	4,506,522	4,143,163	-	-	4,506,522	4,143,163
Franchise taxes	1,932,129	1,901,848	-	-	1,932,129	1,901,848
Other taxes	258,335	220,225	-	-	258,335	220,225
Investment earnings	83,393	33,916	179,360	87,159	262,753	121,075
Miscellaneous	271,730	434,660	-	127,817	271,730	562,477
Total revenues	<u>13,707,080</u>	<u>12,823,710</u>	<u>16,021,660</u>	<u>15,706,637</u>	<u>29,728,740</u>	<u>28,530,347</u>
Expenses:						
General government	3,485,656	3,201,891	-	-	3,485,656	3,201,891
Public safety	6,260,915	6,185,214	-	-	6,260,915	6,185,214
Public works	2,170,220	2,155,190	-	-	2,170,220	2,155,190
Community services	2,279,684	2,306,801	-	-	2,279,684	2,306,801
Interest on long-term debt	276,438	367,144	-	-	276,438	367,144
Utility operations	-	-	10,218,684	9,264,155	10,218,684	9,264,155
Sanitation	-	-	2,344,646	2,047,417	2,344,646	2,047,417
Emergency medical services	-	-	2,703,775	2,779,496	2,703,775	2,779,496
Total expenses	<u>14,472,913</u>	<u>14,216,240</u>	<u>15,267,105</u>	<u>14,091,068</u>	<u>29,740,018</u>	<u>28,307,308</u>
Increases in net assets before transfers	(765,833)	(1,392,530)	754,555	1,615,569	(11,278)	223,039
Transfers	<u>1,549,765</u>	<u>1,421,189</u>	<u>(1,549,765)</u>	<u>(1,421,189)</u>	<u>-</u>	<u>-</u>
Change in net assets	783,932	28,659	(795,210)	194,380	(11,278)	223,039
Net assets - beginning	<u>6,568,141</u>	<u>6,539,482</u>	<u>30,738,756</u>	<u>30,544,376</u>	<u>37,306,897</u>	<u>37,083,858</u>
Net assets - ending	<u>\$ 7,352,073</u>	<u>\$ 6,568,141</u>	<u>\$ 29,943,546</u>	<u>\$ 30,738,756</u>	<u>\$ 37,295,619</u>	<u>\$ 37,306,897</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 \$2,675,639. Approximately 52% of this total fund balance constitutes an unreserved fund balance. The remainder of the fund balance \$1,292,652 is reserved to indicate what 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 \$340,510 decrease in fund balance. The actual decrease to fund balance for the General Fund was \$32,317 for fiscal year 2005. The main reason for the greater than expected addition to fund balance is the increase in property tax revenues and sales tax revenues.

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 \$94,272 for the Utility Operations Fund, \$(963,658) for the Sanitation Fund, and \$(297,199) for the EMS Fund. These proprietary funds experienced changes in total net assets during the year of \$(709,802), \$9,978, and \$(95,386), respectively. The decrease in the Utility Operations Fund was due to the wet conditions during the early part of the year. Rainfall during the summer months was sporadic enough to decrease the need for watering of lawns in the hottest part of the year. Many citizens have commented that due to the economy they were watering lawns less often. We sell water to most towns surrounding Corsicana and these are our top users. Rainfall and self-rationing by customers had a big impact on our revenue. The slight increase in the Sanitation Operating Fund is due to increased usage of our Landfill. The EMS Fund decrease is due to lower collections as compared to revenues and accounts receivable write-offs.

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 2005.

CAPITAL ASSETS

The City of Corsicana's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounts to \$72,551,997 (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		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 3,500,599	\$ 3,500,599	\$ 3,880,735	\$ 3,880,735	\$ 7,381,334	\$ 7,381,334
Buildings and improvements	16,137,964	16,137,964	7,007,527	6,688,209	23,145,491	22,826,173
Machinery and equipment	5,355,455	5,174,339	19,255,172	17,635,933	24,610,627	22,810,272
Waterworks and wastewater system	-	-	59,755,970	59,755,970	59,755,970	59,755,970
Construction in progress	2,176,043	1,560,291	-	242,000	2,176,043	1,802,291
Less: accumulated depreciation	(14,870,971)	(14,107,560)	(29,646,497)	(27,167,978)	(44,517,468)	(41,275,538)
Total capital assets	\$ 12,299,090	\$ 12,265,633	\$ 60,252,907	\$ 61,034,869	\$ 72,551,997	\$ 73,300,502

Additional information on the City's capital assets can be found in Note 4, pages 39 – 40 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Corsicana had total bonded debt of \$43,875,000. Of this amount, \$15,070,000 represents bonded debt backed by the full faith and credit of the government and \$28,805,000 represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

CITY OF CORSICANA'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation	\$ 2,918,062	\$ 3,395,598	\$ -	\$ -	\$ 2,918,062	\$ 3,395,598
Revenue bonds payable	-	-	28,805,000	30,015,000	28,805,000	30,015,000
Certificates of obligation	4,554,018	3,430,000	7,597,920	7,749,402	12,151,938	11,179,402
	\$ 7,472,080	\$ 6,825,598	\$ 36,402,920	\$ 37,764,402	\$ 43,875,000	\$ 44,590,000

During the fiscal year, the City issued \$1,855,000 in General Obligation Refunding Bonds and \$6,760,000 in Revenue Bonds.

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

	Moody's	Standard and Poor's
Tax Bonds	BAaa1	BBB+
Revenue Bonds	Baa1	BBB

In addition, various bond issues are rated Aaa by Moody's and AAA by S & P as a result of a policy of insurance executed at the time the bonds were sold. Additional information on the City of Corsicana's long-term debt can be found on pages 41 – 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The General Fund budget (including transfers in) for fiscal year 2006 is based on a projected revenue growth of 3.48% compared to the fiscal year 2005 adopted budget due to anticipated growth. Approximately 34.97% of General Fund revenues are sales taxes. Property taxes are budgeted in FY 2006, makes up about 33.74% of budgeted revenues.

The City's budget has been impacted by an increase in economic growth and sales tax receipts increased in FY 2005. This revenue source is the most volatile but due to new economic indicators, the City is expecting a 2% increase in sales tax for FY 2006 as compared to FY 2005.

Expenditures remained fairly level with the prior year budget. Departments were asked to hold increases in operational expenses to a minimum, which resulted in only a .51% increase over the previous year's budget. The budget includes funding for a 2% salary increase for all employees.

The Water and Sewer Fund budget includes a small increase in sewer rates that was implemented in February 2005. Due to the continued decrease in revenue, a firm has again been engaged to update our rate study for possible rate changes in mid 2006.

REQUESTS 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) at 200 N. 12th Street, Corsicana, Texas 75110, or call (903) 654-4815.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,542,503	\$ 448,767	\$ 2,991,270
Receivables (net of allowances for uncollectibles)			
Accounts	1,330,993	2,753,333	4,084,326
Taxes	1,347,763	-	1,347,763
Due from other governments	49,302	-	49,302
Internal balances	141,813	(141,813)	-
Deferred charges	188,277	1,183,726	1,372,003
Inventories	16,790	-	16,790
Prepays	11,161	-	11,161
Restricted cash and investments	-	4,944,954	4,944,954
Capital assets, net of accumulated depreciation:			
Land	3,500,599	3,880,735	7,381,334
Buildings and improvements	4,585,281	805,733	5,391,014
Waterworks and wastewater system	-	43,475,262	43,475,262
Machinery and equipment	2,037,167	12,091,177	14,128,344
Construction work in progress	2,176,043	-	2,176,043
Total assets	17,927,692	69,441,874	87,369,566
LIABILITIES			
Accounts payable	758,572	825,274	1,583,846
Accrued liabilities	487,603	254,603	742,206
Unearned revenue	675,758	35,714	711,472
Due to state	-	49,710	49,710
Liabilities payable from restricted assets	-	914,611	914,611
Accrued interest payable	44,191	207,393	251,584
Noncurrent liabilities:			
Due within one year	982,372	2,874,862	3,857,234
Due in more than one year	7,627,123	34,336,161	41,963,284
Total liabilities	10,575,619	39,498,328	50,073,947
NET ASSETS			
Invested in capital assets, net of related debt	5,698,501	26,165,177	31,863,678
Restricted for:			
Debt service	295,483	4,944,954	5,240,437
Unrestricted	1,358,089	(1,166,585)	191,504
Total net assets	\$ 7,352,073	\$ 29,943,546	\$ 37,295,619

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

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 3,485,656	\$ 530,469	\$ 21,431	\$ -
Public safety	6,260,915	210,766	310,241	-
Public works	2,170,220	144,471	2,424	-
Community services	2,279,684	88,852	112,753	-
Interest on long-term debt	<u>276,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>14,472,913</u>	<u>974,558</u>	<u>446,849</u>	<u>-</u>
Business-type activities:				
Utility operations	10,218,684	10,498,900	-	-
Sanitation	2,344,646	2,731,365	-	-
Emergency medical services	<u>2,703,775</u>	<u>2,612,035</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>15,267,105</u>	<u>15,842,300</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 29,740,018</u>	<u>\$ 16,816,858</u>	<u>\$ 446,849</u>	<u>\$ -</u>

General revenues:

 Taxes:

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Sales taxes

 Franchise taxes

 Other taxes

 Investment earnings

 Miscellaneous

Transfers

 Total general revenues and transfers

 Change in net assets

Net assets, beginning

Net assets, ending

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
\$(2,933,756)	\$ -	\$(2,933,756)
(5,739,908)	-	(5,739,908)
(2,023,325)	-	(2,023,325)
(2,078,079)	-	(2,078,079)
<u>(276,438)</u>	<u>-</u>	<u>(276,438)</u>
<u>(13,051,506)</u>	<u>-</u>	<u>(13,051,506)</u>
-	280,216	280,216
-	386,719	386,719
<u>-</u>	<u>(91,740)</u>	<u>(91,740)</u>
<u>-</u>	<u>575,195</u>	<u>575,195</u>
<u>(13,051,506)</u>	<u>575,195</u>	<u>(12,476,311)</u>
4,288,884	-	4,288,884
944,680	-	944,680
4,506,522	-	4,506,522
1,932,129	-	1,932,129
258,335	-	258,335
83,393	179,360	262,753
271,730	-	271,730
<u>1,549,765</u>	<u>(1,549,765)</u>	<u>-</u>
<u>13,835,438</u>	<u>(1,370,405)</u>	<u>12,465,033</u>
783,932	(795,210)	(11,278)
<u>6,568,141</u>	<u>30,738,756</u>	<u>37,306,897</u>
<u>\$ 7,352,073</u>	<u>\$ 29,943,546</u>	<u>\$ 37,295,619</u>

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CITY OF CORSICANA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 198,838	\$ 2,343,665	\$ 2,542,503
Receivables (net of allowances for uncollectibles)			
Taxes	1,204,441	143,322	1,347,763
Accounts	58,204	823,189	881,393
Intergovernmental	-	49,302	49,302
Inventory	16,790	-	16,790
Prepays	11,161	-	11,161
Due from other funds	<u>977,209</u>	<u>2,213</u>	<u>979,422</u>
 Total assets	 <u>\$ 2,466,643</u>	 <u>\$ 3,361,691</u>	 <u>\$ 5,828,334</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 599,935	\$ 158,638	\$ 758,573
Accrued liabilities	477,364	10,239	487,603
Due to other funds	2,213	835,396	837,609
Deferred revenue	<u>305,922</u>	<u>762,988</u>	<u>1,068,910</u>
Total liabilities	<u>1,385,434</u>	<u>1,767,261</u>	<u>3,152,695</u>
Fund balances:			
Reserved for:			
Debt service	-	208,253	208,253
Unreserved, reported in:			
General fund			
Undesignated	1,081,209	-	1,081,209
Special revenue funds	-	3,190	3,190
Capital projects fund			
Undesignated	<u>-</u>	<u>1,382,987</u>	<u>1,382,987</u>
Total fund balances	<u>1,081,209</u>	<u>1,594,430</u>	<u>2,675,639</u>
 Total liabilities and fund balances	 <u>\$ 2,466,643</u>	 <u>\$ 3,361,691</u>	

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.	12,299,090
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	871,651
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,494,307)</u>
 Net assets of governmental activities	 <u>\$ 7,352,073</u>

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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 10,780,428	\$ 956,809	\$ 11,737,237
Occupancy tax	-	237,642	237,642
Licenses and permits	150,411	-	150,411
Investment earnings	45,800	37,593	83,393
Fines and penalties	476,377	37,253	513,630
Charges for services	111,713	34,316	146,029
Contributions/donations	1,555	196,342	197,897
Intergovernmental	5,768	258,435	264,203
Miscellaneous	119,637	77,692	197,329
Total revenues	<u>11,691,689</u>	<u>1,836,082</u>	<u>13,527,771</u>
EXPENDITURES			
Current:			
General government	2,720,679	128,603	2,849,282
Public safety	6,159,084	47,705	6,206,789
Public works	2,129,007	305,463	2,434,470
Community and cultural	1,487,233	498,629	1,985,862
Capital outlay	40,723	602,960	643,683
Debt service:			
Principal	375,459	781,125	1,156,584
Bond issuance costs	-	59,018	59,018
Interest and fiscal charges	11,936	268,475	280,411
Total expenditures	<u>12,924,121</u>	<u>2,691,978</u>	<u>15,616,099</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,232,432)</u>	<u>(855,896)</u>	<u>(2,088,328)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,546,115	424,650	1,970,765
Transfers out	(346,000)	(75,000)	(421,000)
Capital-related debt issued	-	1,523,726	1,523,726
Total other financing sources and uses	<u>1,200,115</u>	<u>1,873,376</u>	<u>3,073,491</u>
NET CHANGE IN FUND BALANCES	<u>(32,317)</u>	<u>1,017,480</u>	<u>985,163</u>
FUND BALANCES, BEGINNING	<u>1,113,526</u>	<u>576,950</u>	<u>1,690,476</u>
FUND BALANCES, ENDING	<u>\$ 1,081,209</u>	<u>\$ 1,594,430</u>	<u>\$ 2,675,639</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, 2005

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)	\$ 985,163
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.	33,457
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	120,159
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.	(314,738)
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.	(40,109)
Change in net assets of governmental activities (pages 12 - 13)	<u>\$ 783,932</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 4,197,516	\$ 4,197,516	\$ 4,243,714	\$ 46,198
Interest and penalty on taxes	100,000	100,000	77,370	(22,630)
Sales	4,172,653	4,172,653	4,506,522	333,869
Franchise	1,929,791	1,929,791	1,932,129	2,338
Mixed beverage	20,000	20,000	20,693	693
Total taxes	<u>10,419,960</u>	<u>10,419,960</u>	<u>10,780,428</u>	<u>360,468</u>
Licenses and permits:				
Electrical	44,911	44,911	26,935	(17,976)
Building	71,393	71,393	54,861	(16,532)
Plumbing	25,385	25,385	20,854	(4,531)
Mechanical	11,659	11,659	7,153	(4,506)
Other	59,541	59,541	40,608	(18,933)
Total licenses and permits	<u>212,889</u>	<u>212,889</u>	<u>150,411</u>	<u>(62,478)</u>
Interest	8,730	8,730	45,800	37,070
Total interest	<u>8,730</u>	<u>8,730</u>	<u>45,800</u>	<u>37,070</u>
Fines and penalties:				
Court	427,890	427,890	465,324	37,434
Library	11,169	11,169	10,628	(541)
Other	255	255	425	170
Total fines and penalties	<u>439,314</u>	<u>439,314</u>	<u>476,377</u>	<u>37,063</u>
Charges for services:				
Concession	2,000	2,000	1,838	(162)
Building rental	47,468	47,468	47,601	133
Rental	9,892	9,892	12,274	2,382
Other	49,500	49,500	50,000	500
Total charges for services	<u>108,860</u>	<u>108,860</u>	<u>111,713</u>	<u>2,853</u>
Intergovernmental	1,000	1,000	1,555	555
Grant	9,207	9,207	5,768	(3,439)
Miscellaneous	76,244	76,244	119,637	43,393
Total revenues	<u>11,276,204</u>	<u>11,276,204</u>	<u>11,691,689</u>	<u>415,485</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General government:				
Personnel services	\$ 968,923	\$ 968,923	\$ 794,347	\$ 174,576
Materials and supplies	54,007	54,007	43,349	10,658
Services	368,839	368,839	383,080	(14,241)
Maintenance	12,900	12,900	10,298	2,602
Sundry	100	100	-	100
Total general government	<u>1,404,769</u>	<u>1,404,769</u>	<u>1,231,074</u>	<u>173,695</u>
Public safety:				
Personnel services	5,817,311	5,817,311	5,636,416	180,895
Materials and supplies	242,064	242,064	229,512	12,552
Services	188,418	188,418	172,459	15,959
Maintenance	124,245	124,245	120,697	3,548
Capital expenditures	-	-	79	(79)
Total public safety	<u>6,372,038</u>	<u>6,372,038</u>	<u>6,159,163</u>	<u>212,875</u>
Public health:				
Personnel services	64,279	64,279	60,252	4,027
Materials and supplies	6,350	6,350	3,678	2,672
Services	41,800	41,800	32,743	9,057
Maintenance	4,400	4,400	892	3,508
Total public health	<u>116,829</u>	<u>116,829</u>	<u>97,565</u>	<u>19,264</u>
Public works:				
Personnel services	1,194,686	1,194,686	1,074,745	119,941
Materials and supplies	116,202	116,202	141,278	(25,076)
Services	378,841	378,841	402,622	(23,781)
Maintenance	478,362	478,362	510,362	(32,000)
Capital expenditures	45,000	45,000	39,444	5,556
Total public works	<u>2,213,091</u>	<u>2,213,091</u>	<u>2,168,451</u>	<u>44,640</u>
Community and cultural:				
Personnel services	1,023,301	1,023,301	975,631	47,670
Materials and supplies	172,072	172,072	179,619	(7,547)
Services	164,656	164,656	173,029	(8,373)
Maintenance	180,982	180,982	158,954	22,028
Total community and cultural	<u>1,541,011</u>	<u>1,541,011</u>	<u>1,487,233</u>	<u>53,778</u>

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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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Other governmental:				
Personnel services	\$ 255,913	\$ 255,913	\$ 265,374	\$ (9,461)
Materials and supplies	49,369	49,369	44,769	4,600
Services	115,045	115,045	151,084	(36,039)
Maintenance	63,551	63,551	64,273	(722)
Total other governmental	<u>483,878</u>	<u>483,878</u>	<u>525,500</u>	<u>(41,622)</u>
Nondepartmental:				
Personnel services	83,727	83,727	97,278	(13,551)
Materials and supplies	500	500	279	221
Services	255,035	255,035	289,422	(34,387)
Sundry	300	300	479,561	(479,261)
Capital outlay	-	-	1,200	(1,200)
Total nondepartmental	<u>339,562</u>	<u>339,562</u>	<u>867,740</u>	<u>(528,178)</u>
Debt service:				
Principal	334,320	334,320	375,459	(41,139)
Interest and fiscal charges	75,351	75,351	11,936	63,415
Total debt service	<u>409,671</u>	<u>409,671</u>	<u>387,395</u>	<u>(505,902)</u>
Total expenditures	<u>12,880,849</u>	<u>12,880,849</u>	<u>12,924,121</u>	<u>(43,272)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,604,645)</u>	<u>(1,604,645)</u>	<u>(1,232,432)</u>	<u>372,213</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,550,629	1,550,629	1,546,115	(4,514)
Operating transfers out	(286,494)	(286,494)	(346,000)	(59,506)
Total other financing sources (uses)	<u>1,264,135</u>	<u>1,264,135</u>	<u>1,200,115</u>	<u>(64,020)</u>
NET CHANGE IN FUND BALANCE	<u>(340,510)</u>	<u>(340,510)</u>	<u>(32,317)</u>	<u>308,193</u>
FUND BALANCE, BEGINNING	<u>1,113,526</u>	<u>1,113,526</u>	<u>1,113,526</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 773,016</u>	<u>\$ 773,016</u>	<u>\$ 1,081,209</u>	<u>\$ 308,193</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, 2005

	Business-type Activities - Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
ASSETS				
Current assets:				
Cash and investments	\$ 61,088	\$ 387,479	\$ 200	\$ 448,767
Accounts receivable, net of allowances	1,687,611	110,911	954,811	2,753,333
Due from other funds	751,404	-	-	751,404
Deferred charges	<u>1,119,694</u>	<u>64,032</u>	<u>-</u>	<u>1,183,726</u>
Total current assets	<u>3,619,797</u>	<u>562,422</u>	<u>955,011</u>	<u>5,137,230</u>
Noncurrent assets:				
Restricted cash and investments	4,548,276	396,678	-	4,944,954
Capital assets:				
Land	3,662,177	218,558	-	3,880,735
Buildings	6,545,098	462,429	-	7,007,527
Waterworks and wastewater system	57,122,823	2,633,147	-	59,755,970
Machinery and equipment	12,319,998	6,384,500	550,674	19,255,172
Less accumulated depreciation:				
Buildings	(6,107,689)	(94,105)	-	(6,201,794)
Waterworks and wastewater system	(14,373,382)	(1,907,326)	-	(16,280,708)
Machinery and equipment	(4,121,523)	(2,895,996)	(146,476)	(7,163,995)
Total capital assets	<u>55,047,502</u>	<u>4,801,207</u>	<u>404,198</u>	<u>60,252,907</u>
Total noncurrent assets	<u>59,595,778</u>	<u>5,197,885</u>	<u>404,198</u>	<u>65,197,861</u>
Total assets	<u>63,215,575</u>	<u>5,760,307</u>	<u>1,359,209</u>	<u>70,335,091</u>
LIABILITIES				
Current liabilities:				
Accounts payable	398,309	415,040	11,925	825,274
Accrued liabilities	177,626	31,815	45,162	254,603
Deferred revenue	-	-	35,714	35,714
Due to other funds	-	1,379	891,838	893,217
Due to state	-	49,710	-	49,710
Accrued interest payable	195,754	11,639	-	207,393
Capital leases payable	-	29,868	266,652	296,520
Revenue bonds payable	<u>2,190,000</u>	<u>388,342</u>	<u>-</u>	<u>2,578,342</u>
Total current liabilities	<u>2,961,689</u>	<u>927,793</u>	<u>1,251,291</u>	<u>5,140,773</u>

(continued)

CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2005

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
LIABILITIES (Continued)				
Current liabilities payable from restricted assets:				
Customer deposits	\$ 328,880	\$ -	\$ -	\$ 328,880
Landfill closure liability	<u>-</u>	<u>585,731</u>	<u>-</u>	<u>585,731</u>
Total current liabilities payable from restricted assets	<u>328,880</u>	<u>585,731</u>	<u>-</u>	<u>914,611</u>
Noncurrent liabilities:				
Capital leases payable	235,274	27,878	-	263,152
Compensated absences	234,956	12,556	919	248,431
Revenue bonds payable	<u>32,015,000</u>	<u>1,809,578</u>	<u>-</u>	<u>33,824,578</u>
Total noncurrent liabilities	<u>32,485,230</u>	<u>1,850,012</u>	<u>919</u>	<u>34,336,161</u>
Total liabilities	<u>35,775,799</u>	<u>3,363,536</u>	<u>1,252,210</u>	<u>40,391,545</u>
NET ASSETS				
Invested in capital assets, net of related debt	22,797,228	2,963,751	404,198	26,165,177
Restricted for debt service	4,548,276	396,678	-	4,944,954
Unrestricted:				
Unreserved	<u>94,272</u>	<u>(963,658)</u>	<u>(297,199)</u>	<u>(1,166,585)</u>
Total net assets	<u>\$ 27,439,776</u>	<u>\$ 2,396,771</u>	<u>\$ 106,999</u>	<u>\$ 29,943,546</u>

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

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CITY OF CORSICANA, TEXAS

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

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
OPERATING REVENUES				
Water sales	\$ 6,588,157	\$ -	\$ -	\$ 6,588,157
Sewer charges	3,334,872	-	-	3,334,872
Tap fees	65,214	-	-	65,214
Other charges	510,657	15,576	71,814	598,047
Garbage collection fees	-	841,176	-	841,176
Landfill	-	1,874,613	-	1,874,613
Emergency medical services	-	-	2,540,221	2,540,221
Total operating revenues	<u>10,498,900</u>	<u>2,731,365</u>	<u>2,612,035</u>	<u>15,842,300</u>
OPERATING EXPENSES				
Costs of sales and services	5,586,077	2,065,334	2,619,195	10,270,606
Administration	660,472	50,246	-	710,718
Depreciation	2,243,074	157,115	84,580	2,484,769
Total operating expenses	<u>8,489,623</u>	<u>2,272,695</u>	<u>2,703,775</u>	<u>13,466,093</u>
OPERATING INCOME	<u>2,009,277</u>	<u>458,670</u>	<u>(91,740)</u>	<u>2,376,207</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	155,919	23,437	4	179,360
Interest expense	(1,729,061)	(71,951)	-	(1,801,012)
Total nonoperating revenues (expenses)	<u>(1,573,142)</u>	<u>(48,514)</u>	<u>4</u>	<u>(1,621,652)</u>
INCOME BEFORE TRANSFERS	436,135	410,156	(91,736)	754,555
TRANSFERS IN	-	-	100,000	100,000
TRANSFERS OUT	(1,145,937)	(400,178)	(103,650)	(1,649,765)
CHANGES IN NET ASSETS	(709,802)	9,978	(95,386)	(795,210)
TOTAL NET ASSETS, BEGINNING	<u>28,149,578</u>	<u>2,386,793</u>	<u>202,385</u>	<u>30,738,756</u>
TOTAL NET ASSETS, ENDING	<u>\$ 27,439,776</u>	<u>\$ 2,396,771</u>	<u>\$ 106,999</u>	<u>\$ 29,943,546</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, 2005

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,213,456	\$ 2,875,341	\$ 2,876,454	\$ 15,965,251
Cash paid to suppliers for goods and services	(2,899,045)	(602,484)	(1,403,053)	(4,904,582)
Cash paid to employees for services	(3,577,110)	(1,237,902)	(1,412,882)	(6,227,894)
Net cash provided by operating activities	<u>3,737,301</u>	<u>1,034,955</u>	<u>60,519</u>	<u>4,832,775</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	100,000	100,000
Transfers out	(1,145,937)	(400,178)	(103,650)	(1,649,765)
Net cash used for noncapital financing activities	<u>(1,145,937)</u>	<u>(400,178)</u>	<u>(3,650)</u>	<u>(1,549,765)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,163,702)	(539,107)	-	(1,702,809)
Disposal of fixed assets	-	-	-	-
Proceeds from issuance of debt	6,976,384	589,035	-	7,565,419
Principal paid on debt	(8,462,750)	(498,033)	(56,873)	(9,017,656)
Interest paid on debt	(1,729,061)	(71,951)	-	(1,801,012)
Net cash used for capital and related financing activities	<u>(4,379,129)</u>	<u>(520,056)</u>	<u>(56,873)</u>	<u>(4,956,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>155,919</u>	<u>23,437</u>	<u>4</u>	<u>179,360</u>
Net cash provided by investing activities	<u>155,919</u>	<u>23,437</u>	<u>4</u>	<u>179,360</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,631,846)	138,158	-	(1,493,688)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>6,241,210</u>	<u>645,999</u>	<u>200</u>	<u>6,887,409</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,609,364</u>	<u>\$ 784,157</u>	<u>\$ 200</u>	<u>\$ 5,393,721</u>

(continued)

CITY OF CORSICANA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,009,277	\$ 458,670	\$(91,740)	\$ 2,376,207
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	2,243,074	157,115	84,580	2,484,769
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	(283,947)	9,141	(3,695)	(278,501)
Due from other funds	(67,487)	-	-	(67,487)
Prepays	1,000	-	-	1,000
Deferred charges	(435,226)	(13,777)	-	(449,003)
Increase (decrease) in liabilities:				
Accounts payable	154,064	317,054	5,356	476,474
Accrued liabilities	29,544	4,360	3,761	37,665
Deferred revenue	-	-	(5,144)	(5,144)
Due to other funds	-	1,379	67,487	68,866
Due to other governments	-	(397)	-	(397)
Compensated absences payable	43,574	401	(86)	43,889
Customer deposits	56,116	-	-	56,116
Other liabilities	(12,688)	101,009	-	88,321
Net cash provided by operations	\$ <u>3,737,301</u>	\$ <u>1,034,955</u>	\$ <u>60,519</u>	\$ <u>4,832,775</u>

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, 2005

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

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

CITY OF CORSICANA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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 and last updated by election in 2005. 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. 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.

C. 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.

(continued)

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

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

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 reports 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.

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.

(continued)

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

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

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.

D. 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.

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.

(continued)

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

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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.

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, 2004, levy was \$.6272 (\$.5190 for general government and \$.1082 for debt service) per \$100 of assessed valuation.

During the year ended September 30, 2005, 97.48% of the current tax levy (October 1, 2004) was collected. At September 30, 2005, the delinquent property taxes receivable totaled \$359,908 in the General Fund and \$102,624 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.

(continued)

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

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

3. **Receivables and Payables** (Continued)

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.

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

The City has elected to delay implementation of the requirements of GASB 34 related to infrastructure (roads, sidewalks, etc.) assets acquired prior to October 1, 2002. GASB 34 permits an optional four-year transition period for governmental infrastructure reporting.

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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

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, 2005, 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.

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 \$8,465,408 difference are as follows:

General and certifications of obligation	\$ 7,472,079
Note payable	340,551
Accrued interest payable	44,211
Compensated absences	496,641
Capital lease obligations	300,203
Bond issuance costs	(188,277)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$ <u>8,465,408</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 \$33,457 difference are as follows:

Capital outlay	\$ 987,226
Depreciation expense	(953,769)
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>33,457</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 \$(314,738) difference are as follows:

Debt issued or incurred:	
General and certificates of obligation	\$(1,319,018)
Capital lease obligations	(204,708)
Issuance cost	59,018
Principal repayments	<u>1,149,970</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(314,738)</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 \$40,019 difference are as follows:

Compensated absences	\$ 44,082
Amortization of bond costs	(28,899)
Accrued interest	<u>24,926</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 40,109</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, 2005. Several supplemental budget appropriations were made for the year ended September 30, 2005.

B. Deficit Fund Balance

The Hotel Occupancy, Palace Theater and Tax Increment Financing District Special Revenue Funds had a deficit fund balance of \$36,637, \$2,583 and \$696,115, respectively, as of September 30, 2005. The City plans to transfer funds from the General Fund to cover the deficit fund balance in the Hotel Occupancy and Palace Theater Funds. The deficit fund balance in the Tax Increment Financing District will be covered with the collection of the special assessment within the District.

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;

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

- 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.

As of September 30, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexStar	\$ <u>7,271,622</u>	33

The City's investment pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to a maximum of 180 days.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2005, \$938,182 of the City's \$1,038,182 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$100,000 was covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pool was rated AAAM by Standard & Poor's Investors Service.

(continued)

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

Deposits and Investments (Continued)

Restricted Cash and Investment

As of September 30, 2005, the City held restricted cash and investment of \$4,944,954 for the following purposes:

Enterprise Fund:	
Construction	\$ 1,931,984
Debt service	430,335
Bonds	2,138,808
Held by Trinity River Authority	<u>443,827</u>
 Total Enterprise Fund	 <u>4,944,954</u>
 Total Restricted Cash and Investment	 <u>\$ 4,944,954</u>

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:

	<u>General</u>	<u>Utility Operations</u>	<u>Sanitation</u>	<u>Emergency Medical Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 359,908	\$ -	\$ -	\$ -	\$ 102,624	\$ 462,532
Franchise fees, sales and use tax	898,519	-	-	-	56,092	954,611
Accounts	58,204	2,089,978	196,267	1,862,362	823,189	5,030,000
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,302</u>	<u>49,302</u>
Gross receivables	1,316,631	2,089,978	196,267	1,862,362	1,031,207	6,496,445
Less: allowance for uncollectibles	<u>53,986</u>	<u>402,367</u>	<u>85,356</u>	<u>907,551</u>	<u>15,394</u>	<u>1,464,654</u>
Net total receivables	<u>\$ 1,262,645</u>	<u>\$ 1,687,611</u>	<u>\$ 110,911</u>	<u>\$ 954,811</u>	<u>\$ 1,015,813</u>	<u>\$ 5,031,791</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables (Continued)

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	\$ 305,922	\$ -
Total General Fund	<u>305,922</u>	<u>-</u>
Other Governmental Funds		
Delinquent property taxes receivable	87,230	-
Intergovernmental	-	675,280
Miscellaneous	-	478
Total Other Governmental Funds	<u>87,230</u>	<u>675,758</u>
Total Governmental Funds	<u>\$ 393,152</u>	<u>\$ 675,758</u>
Enterprise Fund		
Emergency Medical Services		
Ambulance subscription fees	\$ -	\$ 35,714
Total Emergency Medical Services	<u>-</u>	<u>35,714</u>
Total Enterprise Funds	<u>\$ -</u>	<u>\$ 35,714</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,500,599	\$ -	\$ -	\$ 3,500,599
Construction in progress	<u>1,560,291</u>	<u>615,752</u>	<u>-</u>	<u>2,176,043</u>
Total assets not being depreciated	<u>5,060,890</u>	<u>615,752</u>	<u>-</u>	<u>5,676,642</u>
Capital assets, being depreciated:				
Buildings and improvements	16,137,964	-	-	16,137,964
Machinery and equipment	<u>5,174,339</u>	<u>371,474</u>	<u>190,358</u>	<u>5,355,455</u>
Total capital assets being depreciated	<u>21,312,303</u>	<u>371,474</u>	<u>190,358</u>	<u>21,493,419</u>
Less accumulated depreciation:				
Buildings and improvements	10,993,965	558,718	-	11,552,683
Machinery and equipment	<u>3,113,595</u>	<u>395,051</u>	<u>190,358</u>	<u>3,318,288</u>
Total accumulated depreciation	<u>14,107,560</u>	<u>953,769</u>	<u>190,358</u>	<u>14,870,971</u>
Total capital assets being depreciated, net	<u>7,204,743</u>	<u>(582,295)</u>	<u>-</u>	<u>6,622,448</u>
Governmental activities capital assets, net	<u>\$ 12,265,633</u>	<u>\$ 33,457</u>	<u>\$ -</u>	<u>\$ 12,299,090</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,880,735	\$ -	\$ -	\$ 3,880,735
Construction in progress	<u>242,000</u>	<u>-</u>	<u>242,000</u>	<u>-</u>
Total assets not being depreciated	<u>4,122,735</u>	<u>-</u>	<u>242,000</u>	<u>3,880,735</u>
Capital assets, being depreciated:				
Buildings	6,688,209	319,318	-	7,007,527
Waterworks and wastewater system	59,755,970	-	-	59,755,970
Machinery and equipment	<u>17,635,933</u>	<u>1,619,239</u>	<u>-</u>	<u>19,255,172</u>
Total capital assets being depreciated	<u>84,080,112</u>	<u>1,938,557</u>	<u>-</u>	<u>86,018,669</u>
Less accumulated depreciation:				
Buildings	6,138,400	63,394	-	6,201,794
Waterworks and wastewater system	14,951,430	1,329,278	-	16,280,708
Machinery and equipment	<u>6,078,148</u>	<u>1,085,847</u>	<u>-</u>	<u>7,163,995</u>
Total accumulated depreciation	<u>27,167,978</u>	<u>2,478,519</u>	<u>-</u>	<u>29,646,497</u>
Total capital assets being depreciated, net	<u>56,912,134</u>	<u>(539,962)</u>	<u>-</u>	<u>56,372,172</u>
Business-type activities capital assets, net	<u>\$ 61,034,869</u>	<u>\$ (539,962)</u>	<u>\$ 242,000</u>	<u>\$ 60,252,907</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	\$ 29,387
Public safety	186,619
Public works	432,100
Community and cultural	<u>305,663</u>
Total depreciation expense - governmental activities	<u>\$ 953,769</u>
Business-type activities:	
Water and wastewater, sanitation and EMS	<u>\$ 2,478,519</u>
Total depreciation expense	<u>\$ 3,432,288</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2005, is as follows:

Due to/from other funds:

	Due from				Total
	General	Nonmajor Governmental	Sanitation	Emergency Medical Services	
Due to:					
Governmental:					
General	\$ -	\$ 835,396	\$ 1,379	\$ 140,434	\$ 977,209
Nonmajor - governmental funds	<u>2,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,213</u>
Total due to/from	<u>\$ 2,213</u>	<u>\$ 835,396</u>	<u>\$ 1,379</u>	<u>\$ 140,434</u>	<u>\$ 979,422</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:

The following schedule briefly summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Utility Operations	\$ 1,445,937	Subsidy for administrative expenditures (\$830,000) Payment in lieu of franchise taxes (\$315,937)
General	Sanitation	400,178	Subsidy for administrative expenditures (\$318,000) Payment in lieu of franchise taxes (\$82,178)
Nonmajor governmental	General	246,000	Subsidy for other programs in the City
Nonmajor governmental	Nonmajor governmental	75,000	Subsidy for economic development
Nonmajor governmental	Emergency Medical Services	103,650	Equipment replacement
Emergency Medical Services	General	100,000	Supplement for EMS Costs

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2005</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$ 3,395,598	\$ -	\$ 477,536	\$ 2,918,062	\$ 331,657
Certificates of obligation	3,430,000	1,319,018	195,000	4,554,018	360,000
Capital leases payable	472,930	204,708	377,435	300,203	91,383
Notes payable	440,551	-	100,000	340,551	100,000
Compensated absences	<u>452,577</u>	<u>438,316</u>	<u>394,252</u>	<u>496,641</u>	<u>99,331</u>
Total governmental activities	<u>8,191,656</u>	<u>1,962,042</u>	<u>1,544,223</u>	<u>8,609,475</u>	<u>982,371</u>
<u>Business-type activities</u>					
Revenue bonds	30,015,000	6,760,000	7,970,000	28,805,000	1,860,000
Certificates of obligation	7,749,402	535,982	687,464	7,597,920	718,342
Capital leases payable	650,621	271,294	362,244	559,671	216,535
Compensated absences	<u>204,542</u>	<u>202,535</u>	<u>158,646</u>	<u>248,431</u>	<u>49,686</u>
Total business-type activities	<u>38,619,565</u>	<u>7,769,811</u>	<u>9,178,354</u>	<u>37,211,022</u>	<u>2,844,563</u>
Total	<u>\$ 46,811,221</u>	<u>\$ 9,731,853</u>	<u>\$ 10,722,577</u>	<u>\$ 45,820,497</u>	<u>\$ 3,826,934</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities (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>300,169</u>	\$ <u>559,671</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 189,141	\$ 231,483
2007	95,544	177,949
2008	24,069	99,886
2009	-	68,315
2010	-	11,386
Total minimum lease payments	308,754	589,019
Less: amount representing interest	(8,551)	(29,348)
Present value of minimum lease payments	\$ <u>300,203</u>	\$ <u>559,671</u>

Bonds Payable

Governmental activities long-term liabilities at September 30, 2005, consisted of the following:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
General Obligation Bonds:			
Series 2001 General Obligation Refunding Bonds	\$ 1,560,000	3.5% to 4.0%	\$ 800,000
Series 2002 General Obligation Refunding Bonds	481,377	3.0% to 3.75%	328,062
Series 2004 General Obligation Refunding Bonds	1,890,000	2.0% to 3.3%	<u>1,790,000</u>
Total General Obligation Bonds			<u>2,918,062</u>
Certificates of Obligation:			
Series 2001 Combination Tax and Revenue Certificates of Obligation	2,000,000	3.5% to 4.0%	1,420,000
Series 2002 Combination Tax and Revenue Certificates of Obligation	2,105,000	4.25% to 5.125%	1,815,000
Series 2005 Combination Tax and Revenue Certificates of Obligation	1,319,017	3.25% to 4.5%	<u>1,319,017</u>
Total Certificates of Obligation			<u>4,554,017</u>
			<u>\$ 7,472,079</u>

(continued)

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

Long-term Liabilities (Continued)

Bonds Payable (Continued)

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, 2005, consisted of the following:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
1996 Waterworks and Sewer System Revenue Refunding Bonds	\$ 3,065,000	3.6% to 4.8%	\$ 745,000
Series 1997-A Waterworks and Sewer System Revenue Refunding Bonds	6,835,000	3.8% to 5.75%	4,305,000
Series 1997-B Waterworks and Sewer System Revenue Refunding Bonds	1,345,000	6.8% to 7.5%	170,000
Series 1997-C Waterworks and Sewer System Revenue Refunding Bonds	10,075,000	3.0% to 4.75%	7,050,000
Series 1997-D Waterworks and Sewer System Revenue Refunding Bonds	1,700,000	4.25% to 5.75%	155,000
Series 1999 Waterworks and Sewer System Revenue Refunding Bonds	10,865,000	3.0% to 4.6%	8,860,000
Series 1999-A Waterworks and Sewer System Revenue Refunding Bonds	6,700,000	5.1% to 7.0%	760,000
Series 2005 Waterworks and Sewer System Revenue Refunding Bonds	6,760,000	3.25% to 4.5%	6,760,000
Series 2002 Refunding General Obligation Bonds	2,438,623	3.0% to 3.75%	1,661,938
Series 2002-A Certificates of Obligation	5,855,000	3.0% to 3.75%	5,400,000
Series 2005 Certificates of Obligation	535,982	3.25% to 4.5%	<u>535,982</u>
			<u>\$ 36,402,920</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, 2005, are as follows:

September 30,	General Obligation Bonds and Certificates of Obligation			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 691,657	\$ 259,970	\$ 951,627	\$ 100,000	\$ 21,031	\$ 121,031
2007	813,475	211,575	1,025,050	100,000	14,848	114,848
2008	911,491	184,157	1,095,648	100,000	11,146	111,146
2009	946,694	152,091	1,098,785	40,551	2,433	42,984
2010	1,346,392	114,796	1,461,188	40,551	2,433	42,984
2011-2015	1,414,639	346,988	1,761,627	-	-	-
2016-2020	783,093	156,016	939,109	-	-	-
2021-2025	489,977	32,399	522,376	-	-	-
2026	74,661	1,681	76,342	-	-	-
	<u>\$ 7,472,079</u>	<u>\$ 1,459,673</u>	<u>\$ 8,931,752</u>	<u>\$ 381,102</u>	<u>\$ 51,891</u>	<u>\$ 432,993</u>

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2005, are as follows:

September 30,	Revenue Bonds		
	Principal	Interest	Total
2006	\$ 2,578,342	\$ 1,557,685	\$ 4,136,027
2007	2,491,524	1,452,467	3,943,991
2008	1,968,509	1,369,370	3,337,879
2009	2,038,306	1,295,673	3,333,979
2010	2,113,609	1,224,211	3,337,820
2011-2015	10,290,361	4,895,357	15,185,718
2016-2020	11,021,907	2,447,830	13,469,737
2021-2025	3,870,023	438,982	4,309,005
2026-2030	30,339	-	30,339
	<u>\$ 36,402,920</u>	<u>\$ 14,681,575</u>	<u>\$ 51,084,495</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 statewide Texas Municipal Retirement System (TMRS), one of 801 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, 2004 valuation is effective for rates beginning January 2006.)

Schedule of Actuarial Liabilities and Funding Progress

Actual valuation date	12/31/04	12/31/03	12/31/02
Actuarial value of assets	\$ 14,317,449	\$ 13,472,002	\$ 12,171,581
Actuarial accrued liability	18,483,560	17,751,138	15,926,562
Percentage funded	77.5%	75.9%	76.4%
Unfunded (over-funded)			
actuarial accrued liability (UAAL)	4,166,111	4,279,136	3,754,981
Annual covered payroll	7,488,062	6,912,356	6,761,585
UAAL as a percentage of covered payroll	55.6%	61.9%	55.5%
Net pension obligation (NPO) at the beginning of period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	765,008	810,319	731,503
Contributions made	765,008	810,319	751,503
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 \$585,731 reported to date based on the use of 20.16 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,905,776 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. 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, 2005, investments of \$223,870 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 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, 2005, 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.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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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.

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	Special Revenue				
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures	Parks/ Recreation Special Revenue
ASSETS					
Assets:					
Cash	\$ -	\$ 79,918	\$ 27,892	\$ 16,000	\$ 59,495
Receivables, (net):					
Taxes	56,092	-	-	-	-
Accounts	-	-	-	745	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
	<u>\$ 56,092</u>	<u>\$ 79,918</u>	<u>\$ 27,892</u>	<u>\$ 16,745</u>	<u>\$ 59,495</u>
Total assets					
	<u>\$ 56,092</u>	<u>\$ 79,918</u>	<u>\$ 27,892</u>	<u>\$ 16,745</u>	<u>\$ 59,495</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 47,790	\$ 6,753	\$ 14,060	\$ 423	\$ 25
Accrued payroll	5,288	-	4,951	-	-
Due to other funds	39,651	-	-	-	-
Deferred revenue	-	438	40	-	-
	<u>92,729</u>	<u>7,191</u>	<u>19,051</u>	<u>423</u>	<u>25</u>
Total liabilities					
	<u>92,729</u>	<u>7,191</u>	<u>19,051</u>	<u>423</u>	<u>25</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue	(36,637)	72,727	8,841	16,322	59,470
Capital projects	-	-	-	-	-
	<u>(36,637)</u>	<u>72,727</u>	<u>8,841</u>	<u>16,322</u>	<u>59,470</u>
Total fund balances					
	<u>(36,637)</u>	<u>72,727</u>	<u>8,841</u>	<u>16,322</u>	<u>59,470</u>
Total liabilities and fund balances	<u>\$ 56,092</u>	<u>\$ 79,918</u>	<u>\$ 27,892</u>	<u>\$ 16,745</u>	<u>\$ 59,495</u>

Special Revenue

<u>Parks/ Recreation Events</u>	<u>Library Grants and Contributions</u>	<u>Economic Development Reserve</u>	<u>City/County Economic Development</u>	<u>Police Special Revenue</u>	<u>Summer Recreation Programs</u>	<u>Community Support Special Revenue</u>	<u>Fire Special Revenue</u>
\$ 7,065	\$ 63,745	\$ 24,382	\$ 126,600	\$ 40,610	\$ 4,171	\$ 2,550	\$ 6,304
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 7,065</u>	<u>\$ 63,745</u>	<u>\$ 24,382</u>	<u>\$ 126,600</u>	<u>\$ 40,610</u>	<u>\$ 4,171</u>	<u>\$ 2,550</u>	<u>\$ 6,304</u>
\$ -	\$ -	\$ -	\$ -	\$ 851	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	851	-	-	-
-	-	-	-	-	-	-	-
7,065	63,745	24,382	126,600	39,759	4,171	2,550	6,304
-	-	-	-	-	-	-	-
<u>7,065</u>	<u>63,745</u>	<u>24,382</u>	<u>126,600</u>	<u>39,759</u>	<u>4,171</u>	<u>2,550</u>	<u>6,304</u>
<u>\$ 7,065</u>	<u>\$ 63,745</u>	<u>\$ 24,382</u>	<u>\$ 126,600</u>	<u>\$ 40,610</u>	<u>\$ 4,171</u>	<u>\$ 2,550</u>	<u>\$ 6,304</u>

(continued)

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2005

	Special Revenue				
	Palace Theater	TDHCA 99	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
ASSETS					
Assets:					
Cash	\$ 152	\$ -	\$ 2,802	\$ -	\$ -
Receivables, (net):					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	35,672	13,630
Due from other funds	-	-	-	-	-
	-	-	-	-	-
Total assets	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 2,802</u>	<u>\$ 35,672</u>	<u>\$ 13,630</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,735	\$ -	\$ -	\$ 35,672	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	13,630
Deferred revenue	-	-	-	-	-
	2,735	-	-	35,672	13,630
Total liabilities	<u>2,735</u>	<u>-</u>	<u>-</u>	<u>35,672</u>	<u>13,630</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue	(2,583)	-	2,802	-	-
Capital projects	-	-	-	-	-
	(2,583)	-	2,802	-	-
Total fund balances	<u>(2,583)</u>	<u>-</u>	<u>2,802</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 2,802</u>	<u>\$ 35,672</u>	<u>\$ 13,630</u>

Activity Tourism Center	Special Revenue						Debt Service
	Tax Increment Financing District	Court Technology	Court Building Security	2003 Local Law Enforcement Grant	Master Plan	EMS Equipment Replacement	Interest and Redemption Tax Supported Bonds G.O.
\$ 72,108	\$ -	\$ 10,978	\$ 44,663	\$ 107	\$ 55,141	\$ 149,214	\$ 205,826
-	-	-	-	-	-	-	87,230
-	675,280	-	-	-	-	-	214
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,213
<u>\$ 72,108</u>	<u>\$ 675,280</u>	<u>\$ 10,978</u>	<u>\$ 44,663</u>	<u>\$ 107</u>	<u>\$ 55,141</u>	<u>\$ 149,214</u>	<u>\$ 295,483</u>
\$ 543	\$ -	\$ -	\$ -	\$ 91	\$ 27,790	\$ -	\$ -
-	-	-	-	-	-	-	-
-	696,115	-	-	-	-	-	-
-	675,280	-	-	-	-	-	87,230
<u>543</u>	<u>1,371,395</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>27,790</u>	<u>-</u>	<u>87,230</u>
-	-	-	-	-	-	-	208,253
71,565	(696,115)	10,978	44,663	16	27,351	149,214	-
-	-	-	-	-	-	-	-
<u>71,565</u>	<u>(696,115)</u>	<u>10,978</u>	<u>44,663</u>	<u>16</u>	<u>27,351</u>	<u>149,214</u>	<u>208,253</u>
<u>\$ 72,108</u>	<u>\$ 675,280</u>	<u>\$ 10,978</u>	<u>\$ 44,663</u>	<u>\$ 107</u>	<u>\$ 55,141</u>	<u>\$ 149,214</u>	<u>\$ 295,483</u>

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CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2005

	Capital Projects					Totals
	2001 CO <u>Construction</u>	2003/2004 Capital <u>Purchases</u>	2002-B CO <u>Construction</u>	2004/2005 Capital <u>Purchases</u>	2005 CO <u>Construction</u>	
ASSETS						
Assets:						
Cash	\$ 750	\$ -	\$ 109,259	\$ -	\$ 1,233,933	\$ 2,343,665
Receivables, (net):						
Taxes	-	-	-	-	-	143,322
Accounts	-	-	-	146,950	-	823,189
Intergovernmental	-	-	-	-	-	49,302
Due from other funds	-	-	-	-	-	2,213
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,213</u>
Total assets	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 109,259</u>	<u>\$ 146,950</u>	<u>\$ 1,233,933</u>	<u>\$ 3,361,691</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 7,228	\$ 11,968	\$ 2,709	\$ 158,638
Accrued payroll	-	-	-	-	-	10,239
Due to other funds	-	-	-	86,000	-	835,396
Deferred revenue	-	-	-	-	-	762,988
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,988</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>7,228</u>	<u>97,968</u>	<u>2,709</u>	<u>1,767,261</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	-	208,253
Unreserved, reported in:						
Special revenue	-	-	-	-	-	3,190
Capital projects	750	-	102,031	48,982	1,231,224	1,382,987
	<u>750</u>	<u>-</u>	<u>102,031</u>	<u>48,982</u>	<u>1,231,224</u>	<u>1,594,430</u>
Total fund balances	<u>750</u>	<u>-</u>	<u>102,031</u>	<u>48,982</u>	<u>1,231,224</u>	<u>1,594,430</u>
	<u>-</u>	<u>-</u>	<u>7,228</u>	<u>97,968</u>	<u>2,709</u>	<u>1,767,261</u>
Total liabilities and fund balances	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 109,259</u>	<u>\$ 146,950</u>	<u>\$ 1,233,933</u>	<u>\$ 3,361,691</u>

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue				Parks/ Recreation Special Revenue
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	237,642	-	-	-	-
Interest income	-	1,736	477	25	367
Fines and fees	-	-	-	10,248	-
Charges for services	-	34,055	261	-	-
Contributions/donations	-	-	-	-	78,806
Intergovernmental	-	19,425	-	-	-
Miscellaneous	-	2,170	48,212	-	-
Total revenues	<u>237,642</u>	<u>57,386</u>	<u>48,950</u>	<u>10,273</u>	<u>79,173</u>
EXPENDITURES					
Current:					
General government	-	42,180	-	-	-
Public safety	-	-	-	5,827	-
Public works	-	-	151,918	-	-
Culture and recreation	328,716	-	-	-	93,377
Capital outlay	-	-	-	-	-
Debt service:					
Principal	684	-	1,708	-	-
Bond Issuance Costs					
Interest	65	-	118	-	-
Total expenditures	<u>329,465</u>	<u>42,180</u>	<u>153,744</u>	<u>5,827</u>	<u>93,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(91,823)	15,206	(104,794)	4,446	(14,204)
OTHER FINANCING SOURCES (USES)					
Transfers in	65,000	-	95,000	-	-
Transfers out	(10,000)	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-
Total other financing sources (uses)	<u>55,000</u>	<u>-</u>	<u>95,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(36,823)	15,206	(9,794)	4,446	(14,204)
FUND BALANCES, BEGINNING	<u>186</u>	<u>57,521</u>	<u>18,635</u>	<u>11,876</u>	<u>73,674</u>
FUND BALANCES, ENDING	<u>\$ (36,637)</u>	<u>\$ 72,727</u>	<u>\$ 8,841</u>	<u>\$ 16,322</u>	<u>\$ 59,470</u>

Special Revenue

<u>Parks/ Recreation Events</u>	<u>Library Grants and Contributions</u>	<u>Economic Development Reserve</u>	<u>City/County Economic Development</u>	<u>Police Special Revenue</u>	<u>Summer Recreation Programs</u>	<u>Community Support Special Revenue</u>	<u>Fire Special Revenue</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
5	88	1,069	586	188	8	1	4
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,475	63,964	-	-	17,297	-	5,800	1,000
-	7,554	-	-	-	-	-	760
-	-	-	-	-	-	-	-
<u>4,480</u>	<u>71,606</u>	<u>1,069</u>	<u>586</u>	<u>17,485</u>	<u>8</u>	<u>5,801</u>	<u>1,764</u>
-	-	-	-	-	-	-	-
-	-	-	-	12,874	-	-	2,515
-	-	-	-	-	-	-	-
16,594	15,657	-	-	-	27,384	-	-
-	-	-	-	-	-	5,614	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>16,594</u>	<u>15,657</u>	<u>-</u>	<u>-</u>	<u>12,874</u>	<u>27,384</u>	<u>5,614</u>	<u>2,515</u>
(12,114)	55,949	1,069	586	4,611	(27,376)	187	(751)
10,000	-	-	96,000	-	25,000	-	-
-	-	(65,000)	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>10,000</u>	<u>-</u>	<u>(65,000)</u>	<u>96,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
(2,114)	55,949	(63,931)	96,586	4,611	(2,376)	187	(751)
9,179	7,796	88,313	30,014	35,148	6,547	2,363	7,055
<u>\$ 7,065</u>	<u>\$ 63,745</u>	<u>\$ 24,382</u>	<u>\$ 126,600</u>	<u>\$ 39,759</u>	<u>\$ 4,171</u>	<u>\$ 2,550</u>	<u>\$ 6,304</u>

(continued)

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue				
	Palace Theater	TDHCA 99	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-	-
Interest income	-	-	4	-	-
Fines and fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Contributions/donations	-	-	-	-	-
Intergovernmental	-	2,424	3,973	224,299	-
Miscellaneous	<u>11,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>11,813</u>	<u>2,424</u>	<u>3,977</u>	<u>224,299</u>	<u>-</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	9,828	14,642	-
Public works	-	2,424	-	-	-
Culture and recreation	14,396	-	-	-	-
Capital outlay	-	-	-	209,799	-
Debt service:					
Principal	-	-	-	-	-
Bond Issuance Costs					
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,396</u>	<u>2,424</u>	<u>9,828</u>	<u>224,441</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,583)</u>	<u>-</u>	<u>(5,851)</u>	<u>(142)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds from issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(2,583)</u>	<u>-</u>	<u>(5,851)</u>	<u>(142)</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>8,653</u>	<u>142</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ (2,583)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,802</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Activity Tourism Center	Special Revenue						Debt Service Interest and Redemption Tax Supported Bonds G.O.
	Tax Increment Financing District	Court Technology	Court Building Security	2003 Local Law Enforcement Grant	Master Plan	EMS Equipment Replacement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,809
-	-	-	-	-	-	-	-
1,379	-	3	64	1	141	240	6,959
-	-	15,150	11,855	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	25,000	-	-
-	-	-	-	-	-	-	-
-	15,317	-	-	-	-	-	-
<u>1,379</u>	<u>15,317</u>	<u>15,153</u>	<u>11,919</u>	<u>1</u>	<u>25,141</u>	<u>240</u>	<u>963,768</u>
-	-	-	-	-	27,790	-	-
-	-	-	-	2,019	-	-	-
-	-	-	-	-	-	-	-
600	-	1,456	449	-	-	-	-
-	-	-	-	-	-	-	-
-	100,000	6,197	-	-	-	-	672,536
-	26,551	57	-	-	-	-	241,684
<u>600</u>	<u>126,551</u>	<u>7,710</u>	<u>449</u>	<u>2,019</u>	<u>27,790</u>	<u>-</u>	<u>914,220</u>
<u>779</u>	<u>(111,234)</u>	<u>7,443</u>	<u>11,470</u>	<u>(2,018)</u>	<u>(2,649)</u>	<u>240</u>	<u>49,548</u>
-	-	-	-	-	30,000	103,650	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	30,000	103,650	-
779	(111,234)	7,443	11,470	(2,018)	27,351	103,890	49,548
<u>70,786</u>	<u>(584,881)</u>	<u>3,535</u>	<u>33,193</u>	<u>2,034</u>	<u>-</u>	<u>45,324</u>	<u>158,705</u>
<u>\$ 71,565</u>	<u>\$ (696,115)</u>	<u>\$ 10,978</u>	<u>\$ 44,663</u>	<u>\$ 16</u>	<u>\$ 27,351</u>	<u>\$ 149,214</u>	<u>\$ 208,253</u>

(continued)

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2005

	Capital Projects					Totals
	2001 CO <u>Construction</u>	2003/2004 Capital <u>Purchases</u>	2002-B CO <u>Construction</u>	2004/2005 Capital <u>Purchases</u>	2005 CO <u>Construction</u>	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 956,809
Occupancy tax	-	-	-	-	-	237,642
Interest income	16	-	2,383	-	21,849	37,593
Fines and fees	-	-	-	-	-	37,253
Charges for services	-	-	-	-	-	34,316
Contributions/donations	-	-	-	-	-	196,342
Intergovernmental	-	-	-	-	-	258,435
Miscellaneous	-	180	-	-	-	77,692
Total revenues	<u>16</u>	<u>180</u>	<u>2,383</u>	<u>-</u>	<u>21,849</u>	<u>1,836,082</u>
EXPENDITURES						
Current:						
General government	-	-	11,543	47,090	-	128,603
Public safety	-	-	-	-	-	47,705
Public works	151,121	-	-	-	-	305,463
Culture and recreation	-	-	-	-	-	498,629
Capital outlay	-	-	228,286	108,636	50,625	602,960
Debt service:						
Principal	-	-	-	-	-	781,125
Bond Issuance Costs	-	-	-	-	59,018	59,018
Interest	-	-	-	-	-	268,475
Total expenditures	<u>151,121</u>	<u>-</u>	<u>239,829</u>	<u>155,726</u>	<u>109,643</u>	<u>2,691,978</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,105)</u>	<u>180</u>	<u>(237,446)</u>	<u>(155,726)</u>	<u>(87,794)</u>	<u>(855,896)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	424,650
Transfers out	-	-	-	-	-	(75,000)
Proceeds from issuance of debt	-	-	-	204,708	1,319,018	1,523,726
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,708</u>	<u>1,319,018</u>	<u>1,873,376</u>
NET CHANGE IN FUND BALANCES	<u>(151,105)</u>	<u>180</u>	<u>(237,446)</u>	<u>48,982</u>	<u>1,231,224</u>	<u>1,017,480</u>
FUND BALANCES, BEGINNING	<u>151,855</u>	<u>(180)</u>	<u>339,477</u>	<u>-</u>	<u>-</u>	<u>576,950</u>
FUND BALANCES, ENDING	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 102,031</u>	<u>\$ 48,982</u>	<u>\$ 1,231,224</u>	<u>\$ 1,594,430</u>

STATISTICAL SECTION

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CITY OF CORSICANA, TEXAS

TOP TEN TAXPAYERS

SEPTEMBER 30, 2005

<u>Agency</u>	<u>Market</u>	<u>Taxable</u>
1. Guardian Industrial Corporation	\$ 30,321,450	\$ 30,321,450
2. Russell Stover Candies - Abated	54,622,170	27,311,080
3. Tru-Serv Corp. - Non-abated	22,615,740	22,615,740
4. Pactive Foam	14,431,380	14,431,380
5. TXU Electric Delivery Company	11,771,050	11,771,050
6. Kohl's Distribution Center #607 - Abated	18,773,100	11,238,160
7. Russell Stover Candies	10,292,550	10,292,550
8. Corsicana Technologies, Inc.	9,241,290	9,241,290
9. Guardian Industries - Abated	18,249,660	9,124,820
10. Williamhouse of Texas LLC	8,917,840	8,917,840

CITY OF CORSICANA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)

Date of Incorporation	1848
Date of Last Amendment of City Charter	2005
Form of Government	Mayor/Council
Area	22.73 sq. miles
Building Permits:	
Permits Issued	261
Estimated Cost	\$31,056,780
Fire Protection and EMS:	
Number of Fire Stations	4
Number of Employees	60
Police Personnel	58
Recreation:	
Parks	12 with 625.5 acres
Playgrounds	9
Number of Swimming Pools	2
Municipal Water Plant:	
Number of Meters in Service	9,888
Average Daily Consumption	675 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meter	2,592,203,000 gal.
Number of Gallons Sold	2,463,524,000 gal.
Number of Fire Hydrants	750
Municipal Employees	
Full-time	278
Part-time	56.5

Historical Data	
Population - City of Corsicana	
Year	Population *
1930	15,202
1940	15,232
1950	19,108
1960	20,344
1970	19,972
1980	21,712
1990	22,911
2000	24,485
2004	25,000 (est.)
2005	25,858 (est.)

* Data provided from Federal Census

CITY OF CORSICANA, TEXAS

TOP TEN EMPLOYERS

SEPTEMBER 30, 2005

<u>Taxpayer's Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
1. Corsicana Independent School District	Government/Schools	879
2. Russell Stover Candies	Manufacturing	859
3. Navarro College	Government	827
4. Collin Street Bakery	Manufacturing	700
5. Navarro Regional Hospital	Medical Services	377
6. Guardian Glass Industries	Manufacturing	367
7. Texas Youth Commission	Government/State School	337
8. City of Corsicana (includes part-time)	Government/City	335
9. Texas Youth Commission	Government	335
10. Navarro County	Government/County	282

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COMPLIANCE SECTION

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

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

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

We have audited the 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, 2005, which collectively comprise the City of Corsicana, Texas' basic financial statements and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corsicana, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 December 21, 2005.

Compliance and Other Matters

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 grant agreements, 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*.

That report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Patillo, Brown & Hill LLP

December 21, 2005