



CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2007**

CITY OF CORSICANA, TEXAS

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INTRODUCTORY SECTION



CITY OF CORSICANA, TEXAS

December 31, 2007

To the Citizens of the City of Corsicana:

The annual financial report of the City of Corsicana for the year ended September 30, 2007, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 basic financial statements and the individual and combining fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

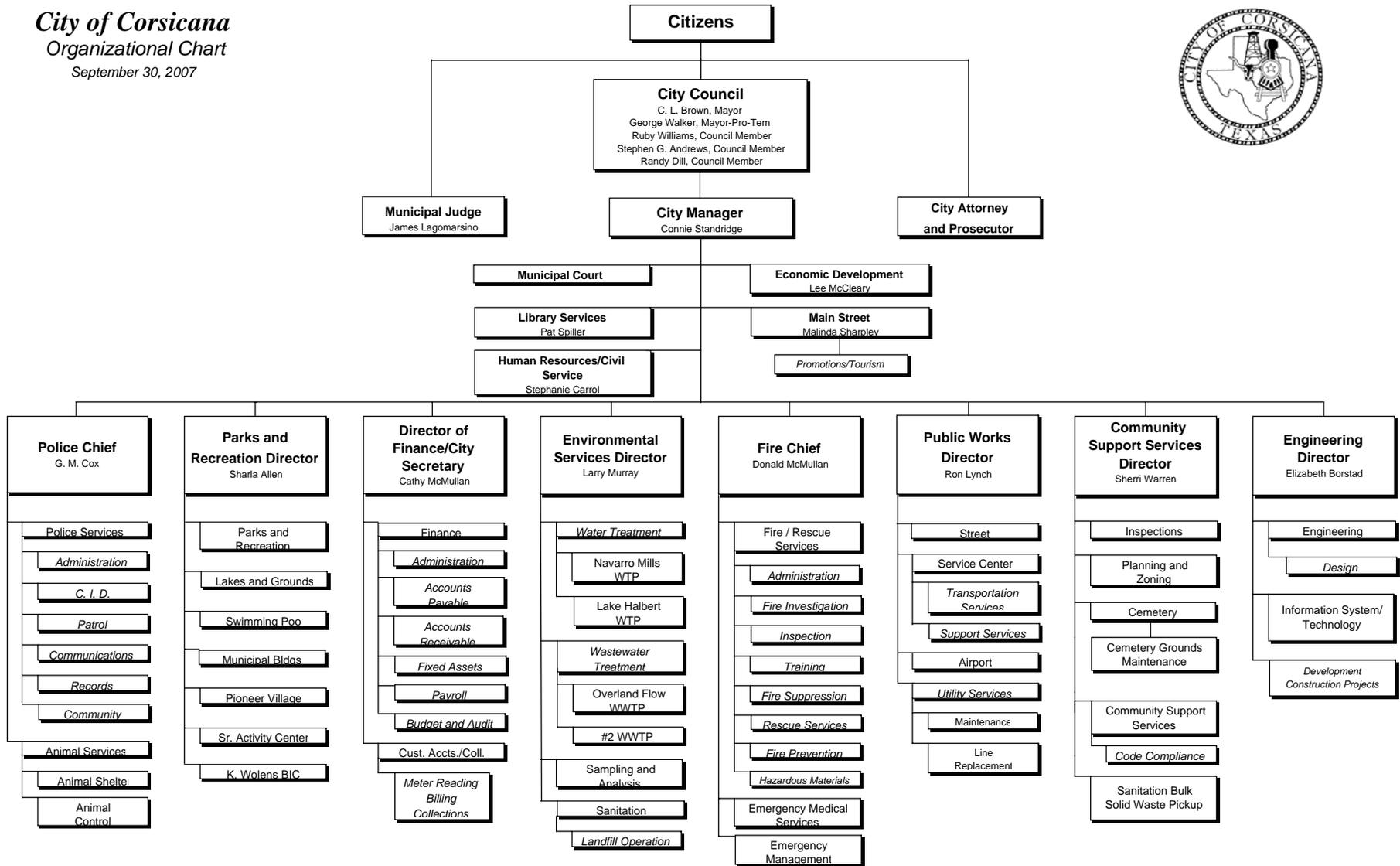
The City of Corsicana, with a population of approximately 26,442 is located in north central Texas, 53 miles south of Dallas and 54 miles east of Waco. The City has a diversified economic base comprised of agri-business, industry and mineral production.

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
 September 30, 2007



CITY OF CORSICANA, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2007

ELECTED OFFICIALS

Mayor	C. L. "Buster" Brown
Mayor Pro-tem, Precinct 1	George Walker
Council Member, Precinct 2	Ruby Williams
Council Member, Precinct 3	Stephen G. Andrews
Council Member, Precinct 4	Randy Dill
City Attorney	Terry Jacobson
Municipal Court Judge	James Lagomarsino

CITY STAFF

City Manager	Connie Standridge
Director of Finance/City Secretary	Cathy McMullan
Economic Development Director	Lee McCleary
Police Chief	G. M. Cox
Fire Chief	Donald McMullan
Public Works Director	Ron Lynch
Director of Environmental Services	Larry Murray
Engineering Director	Elizabeth Borstad
Parks and Recreation Director	Sharla Allen
Library Director	Pat Spiller
Community Support Services Director	Sherri Warren
Human Resources Director	Stephanie Carroll
Main Street Manager	Malinda Sharpley

FINANCIAL SECTION

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, 2007, 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, 2007, 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.

In accordance with *Government's Auditing Standards*, we have also issued our report dated February 19, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

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

February 19, 2008

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As management of the City of Corsicana, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. 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, 2007, by \$63,690,031 (net assets). Of this amount, \$3,070,485 (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 change in net assets was an increase of \$1,267,678.
- At the close of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$7,311,719. Of this amount, \$52,673 represents unreserved fund balances available for use within the City's fund designation and fiscal policies.
- As of September 30, 2007, the unreserved, undesignated fund balance for the General Fund was \$1,927,520.

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).

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 13 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 19 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 23 – 45 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 46 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 \$63,690,031 as of September 30, 2007.

The largest portion of the City's net assets \$57,127,075 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	
	2007	2006	2007	2006	2007	2005
Current and other assets	\$ 9,943,545	\$ 10,082,746	\$ 24,065,548	\$ 8,510,925	\$ 34,009,093	\$ 18,593,671
Capital assets	49,769,694	48,934,849	44,924,253	45,778,881	94,693,947	94,713,730
Total assets	<u>59,713,239</u>	<u>59,017,595</u>	<u>68,989,801</u>	<u>54,289,806</u>	<u>128,703,040</u>	<u>113,307,401</u>
Other liabilities	2,568,614	2,395,944	4,754,837	4,778,531	7,323,451	7,174,475
Long-term liabilities	10,978,438	11,650,133	46,711,120	32,060,440	57,689,558	43,710,573
Total liabilities	<u>13,547,052</u>	<u>14,046,077</u>	<u>51,465,957</u>	<u>36,838,971</u>	<u>65,013,009</u>	<u>50,885,048</u>
Net assets:						
Invested in capital assets, net of related debt	43,535,773	43,075,796	13,591,302	12,347,749	57,127,075	55,423,545
Restricted	65,981	171,784	3,426,490	3,587,314	3,492,471	3,759,098
Unrestricted	<u>2,564,433</u>	<u>1,723,938</u>	<u>506,052</u>	<u>1,515,772</u>	<u>3,070,485</u>	<u>3,239,710</u>
Total net assets	<u>\$ 46,166,187</u>	<u>\$ 44,971,518</u>	<u>\$ 17,523,844</u>	<u>\$ 17,450,835</u>	<u>\$ 63,690,031</u>	<u>\$ 62,422,353</u>

A portion of the City's net assets, \$3,492,471 represents resources that are subject to external restriction on how they may be used. The remaining balance, \$3,070,485 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, 2007. Governmental activities increased the City of Corsicana's net assets by \$1,194,669 and business-type activities increased the City's net assets by \$73,009.

CITY OF CORSICANA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 924,505	\$ 937,330	\$ 18,542,753	\$ 18,987,567	\$ 19,467,258	\$ 19,924,897
Operating grants and contributions	841,099	232,566	-	-	841,099	232,566
Capital grants and contributions	525,399	63,527	-	-	525,399	63,527
General revenues:						
Ad valorem taxes	6,214,531	5,499,625	-	-	6,214,531	5,499,625
Sales taxes	5,025,853	4,910,743	-	-	5,025,853	4,910,743
Franchise taxes	2,739,941	2,073,663	-	-	2,739,941	2,073,663
Other taxes	654,922	349,510	-	-	654,922	349,510
Investment earnings	451,178	287,884	735,809	195,101	1,186,987	482,985
Miscellaneous	360,569	670,163	-	-	360,569	670,163
Total revenues	<u>17,737,997</u>	<u>15,025,011</u>	<u>19,278,562</u>	<u>19,182,668</u>	<u>37,016,559</u>	<u>34,207,679</u>
Expenses:						
General government	3,716,908	3,323,134	-	-	3,716,908	3,323,134
Public safety	7,203,500	6,851,979	-	-	7,203,500	6,851,979
Public works	3,746,007	2,784,764	-	-	3,746,007	2,784,764
Community services	2,670,104	2,422,318	-	-	2,670,104	2,422,318
Interest on long-term debt	578,480	453,507	-	-	578,480	453,507
Utility operations	-	-	11,227,697	10,939,204	11,227,697	10,939,204
Sanitation	-	-	2,541,502	2,039,657	2,541,502	2,039,657
Emergency medical services	-	-	4,064,683	4,328,036	4,064,683	4,328,036
Total expenses	<u>17,914,999</u>	<u>15,835,702</u>	<u>17,833,882</u>	<u>17,306,897</u>	<u>35,748,881</u>	<u>33,142,599</u>
Increases in net assets before transfers	(177,002)	(810,691)	1,444,680	1,875,771	1,267,678	1,065,080
Transfers	<u>1,371,671</u>	<u>1,106,504</u>	(1,371,671)	(1,106,504)	-	-
Change in net assets	1,194,669	295,813	73,009	769,267	1,267,678	1,065,080
Net assets - beginning	44,971,518	7,352,073	17,450,835	29,943,546	62,422,353	37,295,619
Prior period adjustment	-	<u>37,323,632</u>	-	(13,261,978)	-	<u>24,061,654</u>
Net assets - ending	<u>\$ 46,166,187</u>	<u>\$ 44,971,518</u>	<u>\$ 17,523,844</u>	<u>\$ 17,450,835</u>	<u>\$ 63,690,031</u>	<u>\$ 62,422,353</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 \$7,311,719. Approximately 99% of this total fund balance constitutes an unreserved fund balance. The remainder of the fund balance \$52,673 is reserved to indicate what is not available for new spending because it has already been committed to pay for debt service. Refer to page 13 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City originally budgeted for a \$73,823 increase in fund balance. The actual increase to fund balance for the General Fund was \$283,214 for fiscal year 2007. 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 19 of this report, provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets are \$420,095 for the Utility Operations Fund, \$(486,387) for the Sanitation Fund, and \$572,344 for the EMS Fund. These proprietary funds experienced changes in total net assets during the year of \$(399,888), \$251,612, and \$221,285, respectively. The City sells water to most surrounding towns in Navarro County and these are the City's top users. Utility rates were increased in March 2007 to provide funding for a water line from Richland Chambers Lake. Revenues came in lower than expected due to rain throughout the year. The slight decrease in the Sanitation Operating Fund is due to a decrease in usage of our Landfill. The EMS Fund increase is due to higher collections and a larger services payment from the county.

General Fund Budgetary Highlights – Refer to the General Fund Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual on pages 16 – 18 of this report for a detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2007.

CAPITAL ASSETS

The City of Corsicana's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$94,693,947 (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	
	2007	2006	2007	2006	2007	2006
Land	\$ 15,016,660	\$ 15,016,660	\$ 3,686,358	\$ 3,686,358	\$ 18,703,018	\$ 18,703,018
Buildings and improvements	16,351,400	16,339,528	4,279,228	3,689,281	20,630,628	20,028,809
Machinery and equipment	5,895,853	5,251,554	23,717,073	23,592,910	29,612,926	28,844,464
Waterworks and wastewater system	-	-	33,682,894	31,080,563	33,682,894	31,080,563
Infrastructure	41,022,059	40,222,217	-	-	41,022,059	40,222,217
Construction in progress	323,346	-	709,686	-	1,033,032	-
Less: accumulated depreciation	(28,839,624)	(27,895,110)	(21,150,986)	(16,270,231)	(49,990,610)	(44,165,341)
Total capital assets	\$ 49,769,694	\$ 48,934,849	\$ 44,924,253	\$ 45,778,881	\$ 94,693,947	\$ 94,713,730

Additional information on the City's capital assets can be found in Note 4, pages 35 – 36 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Corsicana had total bonded debt of \$59,065,000. Of this amount, \$33,695,000 represents bonded debt backed by the full faith and credit of the government and \$25,370,000 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	
	2007	2006	2007	2006	2007	2006
General obligation	\$ 3,968,922	\$ 4,191,404	\$ -	\$ -	\$ 3,968,922	\$ 4,191,404
Revenue bonds payable	-	-	25,370,000	26,945,000	25,370,000	26,945,000
Certificates of obligation	6,618,025	6,784,018	23,108,053	6,879,578	29,726,078	13,663,596
	\$ 10,586,947	\$ 10,975,422	\$ 48,478,053	\$ 33,824,578	\$ 59,065,000	\$ 44,800,000

During the fiscal year, the City issued \$7,000,000 in General Obligation Refunding Bonds and \$17,000,000 in Certificates of Obligation.

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 38 – 41 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The General Fund budget (including transfers in) for fiscal year 2008 is based on a projected revenue increase of 5.5% compared to the fiscal year 2007 adopted budget due to anticipated growth. Approximately 32% of General Fund revenues budgeted is sales taxes. Property taxes in FY 2008 make up about 32% of budgeted revenues.

The City's budget has been impacted by an increase in economic growth and sales tax receipts for FY 2007. This revenue source is the most volatile and the City is expecting a small increase in sales tax for FY 2008 as compared to FY 2007.

Operating expenditures remained fairly level with the prior year budget. A 20-year step pay plan was implemented for all non-civil service employees. Implementation guaranteed at least a 4% salary increase in this fiscal year.

The Water and Sewer Fund budget reflects an increase in utility rates implemented in March 2007 to provide funding for a water line from Richland Chambers Lake. The City re-evaluates utility rates annually at mid-year.

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**

CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 6,845,551	\$ 616,846	\$ 7,462,397
Receivables, net of allowances for uncollectibles			
Accounts	555,000	2,534,506	3,089,506
Taxes	1,799,501	-	1,799,501
Due from other governments	404,616	-	404,616
Deferred charges	286,012	1,151,253	1,437,265
Inventories	49,739	-	49,739
Prepays	3,126	-	3,126
Restricted cash and investments	-	19,762,943	19,762,943
Capital assets:			
Land	15,016,660	3,686,358	18,703,018
Construction in progress	323,346	709,686	1,033,032
Buildings and improvements	16,351,400	4,279,228	20,630,628
Waterworks and wastewater system	-	33,682,894	33,682,894
Machinery and equipment	5,895,853	23,717,073	29,612,926
Infrastructure	41,022,059	-	41,022,059
Less: accumulated depreciation	(28,839,624)	(21,150,986)	(49,990,610)
Total capital assets	49,769,694	44,924,253	94,693,947
Total assets	59,713,239	68,989,801	128,703,040
LIABILITIES			
Accounts payable	657,312	595,210	1,252,522
Accrued liabilities	526,205	287,183	813,388
Unearned revenue	6,411	34,670	41,081
Due to other governments	379,542	39,739	419,281
Liabilities payable from restricted assets	-	1,001,566	1,001,566
Accrued interest payable	51,628	361,413	413,041
Noncurrent liabilities:			
Due within one year	947,516	2,435,056	3,382,572
Due in more than one year	10,978,438	46,711,120	57,689,558
Total liabilities	13,547,052	51,465,957	65,013,009
NET ASSETS			
Invested in capital assets, net of related debt	43,535,773	13,591,302	57,127,075
Restricted for:			
Debt service	65,981	3,426,490	3,492,471
Unrestricted	2,564,433	506,052	3,070,485
Total net assets	\$ 46,166,187	\$ 17,523,844	\$ 63,690,031

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 3,716,908	\$ 443,617	\$ 62,690	\$ 475,399	\$(2,735,202)	\$ -	\$(2,735,202)
Public safety	7,203,500	167,625	277,871	-	(6,758,004)	-	(6,758,004)
Public works	3,746,007	151,525	186,018	50,000	(3,358,464)	-	(3,358,464)
Community services	2,670,104	161,738	314,520	-	(2,193,846)	-	(2,193,846)
Interest on long-term debt	578,480	-	-	-	(578,480)	-	(578,480)
Total governmental activities	<u>17,914,999</u>	<u>924,505</u>	<u>841,099</u>	<u>525,399</u>	<u>(15,623,996)</u>	<u>-</u>	<u>(15,623,996)</u>
Business-type activities:							
Utility operations	11,227,697	11,286,355	-	-	-	58,658	58,658
Sanitation	2,541,502	3,088,374	-	-	-	546,872	546,872
Emergency medical services	4,064,683	4,168,024	-	-	-	103,341	103,341
Total business-type activities	<u>17,833,882</u>	<u>18,542,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>708,871</u>	<u>708,871</u>
Total primary government	<u>\$ 35,748,881</u>	<u>\$ 19,467,258</u>	<u>\$ 841,099</u>	<u>\$ 525,399</u>	<u>(15,623,996)</u>	<u>708,871</u>	<u>(14,915,125)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,161,717	-	5,161,717
Property taxes, levied for debt service					1,052,814	-	1,052,814
Sales taxes					5,025,853	-	5,025,853
Franchise taxes					2,739,941	-	2,739,941
Other taxes					654,922	-	654,922
Investment earnings					451,178	735,809	1,186,987
Miscellaneous					360,569	-	360,569
Transfers					1,371,671	(1,371,671)	-
Total general revenues and transfers					<u>16,818,665</u>	<u>(635,862)</u>	<u>16,182,803</u>
Change in net assets					1,194,669	73,009	1,267,678
Net assets - beginning					<u>44,971,518</u>	<u>17,450,835</u>	<u>62,422,353</u>
Net assets - ending					<u>\$ 46,166,187</u>	<u>\$ 17,523,844</u>	<u>\$ 63,690,031</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 378,846	\$ 6,466,705	\$ 6,845,551
Receivables, net of allowances for uncollectibles			
Taxes	1,615,286	184,215	1,799,501
Accounts	552,821	2,179	555,000
Due from other funds	964,713	-	964,713
Due from other governments	-	404,616	404,616
Inventories	25,254	24,485	49,739
Prepaid expenses	3,126	-	3,126
Total assets	\$ 3,540,046	\$ 7,082,200	\$ 10,622,246
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	390,122	267,190	657,312
Accrued liabilities	508,169	18,036	526,205
Due to other funds	-	964,713	964,713
Due to other governments	-	379,542	379,542
Deferred revenue	714,235	68,520	782,755
Total liabilities	1,612,526	1,698,001	3,310,527
Fund balances:			
Reserved for:			
Debt service	-	52,673	52,673
Unreserved, reported in:			
General fund			
Undesignated	1,927,520	-	1,927,520
Special revenue funds	-	464,689	464,689
Capital projects funds	-	4,866,837	4,866,837
Total fund balances	1,927,520	5,384,199	7,311,719
Total liabilities and fund balances	\$ 3,540,046	\$ 7,082,200	

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.	49,769,694
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	776,344
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,691,570)
Net assets of governmental activities	\$ 46,166,187

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 12,964,761	\$ 1,293,886	\$ 14,258,647
Occupancy taxes	-	386,523	386,523
Fines and forfeitures	393,529	136,858	530,387
Licenses and permits	165,586	-	165,586
Intergovernmental	2,803	1,106,107	1,108,910
Charges for services	195,501	40,811	236,312
Investment earnings	156,776	294,403	451,179
Miscellaneous	281,679	78,890	360,569
Contributions/donations	-	257,588	257,588
Total revenues	14,160,635	3,595,066	17,755,701
EXPENDITURES			
Current:			
General government	2,372,264	824,269	3,196,533
Public safety	6,906,347	65,518	6,971,865
Public works	2,751,478	789,978	3,541,456
Community services	1,610,239	933,093	2,543,332
Debt service:			
Principal	90,346	676,692	767,038
Interest and other charges	2,070	558,572	560,642
Capital outlay	11,762	1,933,919	1,945,681
Total expenditures	13,744,506	5,782,041	19,526,547
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	416,129	(2,186,975)	(1,770,846)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	339,506	339,506
Transfers in	1,483,433	1,507,586	2,991,019
Transfers out	(1,616,348)	(3,000)	(1,619,348)
Total other financing sources and uses	(132,915)	1,844,092	1,711,177
NET CHANGE IN FUND BALANCES	283,214	(342,883)	(59,669)
FUND BALANCES, BEGINNING	1,644,306	5,727,082	7,371,388
FUND BALANCES, ENDING	\$ 1,927,520	\$ 5,384,199	\$ 7,311,719

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds:	\$(59,669)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of the 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.	834,845
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(17,702)
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 on long-term debt and related items.	427,532
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.	<u>9,663</u>
Change in net assets of governmental activities	<u>\$ 1,194,669</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	4,800,423	\$ 5,069,918	\$ 5,088,383	\$ 18,465
Interest and penalty on taxes	80,000	78,000	79,257	1,257
Sales	4,950,000	5,079,179	5,025,853	(53,326)
Franchise	2,545,987	2,820,529	2,739,941	(80,588)
Mixed beverage	24,000	26,500	31,327	4,827
Total taxes	<u>12,400,410</u>	<u>13,074,126</u>	<u>12,964,761</u>	<u>(109,365)</u>
Licenses and permits:				
Electrical	21,304	18,565	17,925	(640)
Building	75,500	76,290	75,963	(327)
Plumbing	21,012	16,932	16,010	(922)
Mechanical	7,834	5,993	6,119	126
Other	51,750	56,386	49,569	(6,817)
Total licenses and permits	<u>177,400</u>	<u>174,166</u>	<u>165,586</u>	<u>(8,580)</u>
Interest	140,150	160,000	156,776	(3,224)
Total interest	<u>140,150</u>	<u>160,000</u>	<u>156,776</u>	<u>(3,224)</u>
Fines and penalties:				
Court	462,648	400,000	376,836	(23,164)
Library	12,240	12,875	13,068	193
Other	4,080	4,000	3,625	(375)
Total fines and penalties	<u>478,968</u>	<u>416,875</u>	<u>393,529</u>	<u>(23,346)</u>
Charges for services:				
Concession	6,000	7,000	4,984	(2,016)
Building rental	86,098	88,180	87,590	(590)
Rental	24,108	30,600	27,932	(2,668)
Other	75,000	75,000	74,995	(5)
Total charges for services	<u>191,206</u>	<u>200,780</u>	<u>195,501</u>	<u>(5,279)</u>
Intergovernmental - contributions/donations	5,131	5,234	2,803	(2,431)
Miscellaneous	237,423	299,111	281,679	(17,432)
Total revenues	<u>13,630,688</u>	<u>14,330,292</u>	<u>14,160,635</u>	<u>(169,657)</u>

(continued)

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Administration:				
Personnel services	\$ 1,068,088	\$ 1,018,676	\$ 981,993	\$ 36,683
Materials and supplies	102,856	105,872	99,849	6,023
Services	832,122	844,355	779,147	65,208
Maintenance	89,100	118,656	87,605	31,051
Sundry	5,000	4,989	4,962	27
Total administration	2,097,166	2,092,548	1,953,556	138,992
Judicial:				
Personnel services	270,426	285,768	302,400	(16,632)
Materials and supplies	16,400	15,042	17,194	(2,152)
Services	85,800	119,632	98,560	21,072
Maintenance	2,000	300	554	(254)
Total judicial	374,626	420,742	418,708	2,034
Total general government	2,471,792	2,513,290	2,372,264	141,026
Public safety:				
Personnel services	6,463,276	6,294,749	6,326,525	(31,776)
Materials and supplies	263,582	274,825	248,056	26,769
Services	192,099	187,451	161,162	26,289
Maintenance	173,970	187,248	170,604	16,644
Total public safety	7,092,927	6,944,273	6,906,347	37,926
Public works:				
Personnel services	1,256,107	1,272,298	1,281,986	(9,688)
Materials and supplies	160,035	163,352	176,140	(12,788)
Services	558,838	549,155	560,215	(11,060)
Maintenance	713,201	795,012	733,137	61,875
Total public works	2,688,181	2,779,817	2,751,478	28,339
Community and cultural:				
Personnel services	1,023,308	1,046,180	1,043,150	3,030
Materials and supplies	198,236	193,470	191,189	2,281
Services	200,376	185,552	176,827	8,725
Maintenance	191,874	188,852	199,073	(10,221)
Capital outlay	-	-	11,762	(11,762)
Total community and cultural	1,613,794	1,614,054	1,622,001	(7,947)

(continued)

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 209,173	\$ 90,346	\$ 90,346	\$ -
Interest and fiscal charges	<u>2,070</u>	<u>2,070</u>	<u>2,070</u>	<u>-</u>
Total debt service	<u>211,243</u>	<u>92,416</u>	<u>92,416</u>	<u>-</u>
Total expenditures	<u>14,077,937</u>	<u>13,943,850</u>	<u>13,744,506</u>	<u>199,344</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(447,249)</u>	<u>386,442</u>	<u>416,129</u>	<u>29,687</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,072	1,484,929	1,483,433	(1,496)
Transfers out	<u>(979,000)</u>	<u>(1,664,000)</u>	<u>(1,616,348)</u>	<u>47,652</u>
Total other financing sources (uses)	<u>521,072</u>	<u>(179,071)</u>	<u>(132,915)</u>	<u>46,156</u>
NET CHANGE IN FUND BALANCE	73,823	207,371	283,214	75,843
FUND BALANCE, BEGINNING	<u>1,644,306</u>	<u>1,644,306</u>	<u>1,644,306</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,718,129</u>	<u>\$ 1,851,677</u>	<u>\$ 1,927,520</u>	<u>\$ 75,843</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, 2007

ASSETS	Enterprise Funds			
	Utility	Sanitation	Emergency	Total
	Operations		Medical Services	
Current assets:				
Cash and investment:	\$ 265,577	\$ 344,446	\$ 6,823	\$ 616,846
Accounts receivable, net of allowances for uncollectible	1,740,678	134,051	659,777	2,534,506
Due from other funds	405,643	-	-	405,643
Total current assets	2,411,898	478,497	666,600	3,556,995
Non-current assets				
Restricted cash and investment	19,499,930	263,013	-	19,762,943
Deferred charges:	1,110,400	40,853	-	1,151,253
Capital assets:				
Land	3,467,800	218,558	-	3,686,358
Construction in progress:	709,686	-	-	709,686
Buildings	3,852,755	426,473	-	4,279,228
Waterworks and wastewater system	31,147,466	2,535,428	-	33,682,894
Machinery and equipment	20,173,728	2,848,991	694,354	23,717,073
Less accumulated depreciation	(18,615,138)	(1,980,246)	(555,602)	(21,150,986)
Total capital assets	40,736,297	4,049,204	138,752	44,924,253
Total non-current assets	61,346,627	4,353,070	138,752	65,838,449
Total assets	63,758,525	4,831,567	805,352	69,395,444
LIABILITIES				
Current liabilities:				
Accounts payable	317,988	277,222	-	595,210
Accrued liabilities:	189,863	38,378	58,942	287,183
Deferred revenue	-	-	34,670	34,670
Due to other funds:	405,643	-	-	405,643
Due to other government:	-	39,739	-	39,739
Accrued interest payable	354,924	6,489	-	361,413
Compensated absence:	61,358	3,617	129	65,104
Capital leases payable	96,258	60,611	74,574	231,443
Revenue bonds payable	1,830,000	308,509	-	2,138,509
Total current liabilities	3,256,034	734,565	168,315	4,158,914
Current liabilities payable from restricted assets:				
Customer deposit:	416,595	-	-	416,595
Landfill closure liability	-	584,971	-	584,971
Total current liabilities payable from restricted assets	416,595	584,971	-	1,001,566
Non-current liabilities				
Compensated absence:	245,432	14,468	515	260,415
Capital leases payable	86,793	227,387	90,047	404,227
Revenue bonds payable	44,978,356	1,068,122	-	46,046,478
Total non-current liabilities	45,310,581	1,309,977	90,562	46,711,120
Total liabilities	48,983,210	2,629,513	258,877	51,871,600
NET ASSETS				
Invested in capital assets, net of related debt	11,191,743	2,425,428	(25,869)	13,591,302
Restricted for debt service:	3,163,477	263,013	-	3,426,490
Unrestricted	420,095	(486,387)	572,344	506,052
Total net assets	\$ 14,775,315	\$ 2,202,054	\$ 546,475	\$ 17,523,844

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS

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

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
OPERATING REVENUES				
Water sales	\$ 7,259,517	\$ -	\$ -	\$ 7,259,517
Sewer charges	3,609,034	-	-	3,609,034
Tap fees	70,636	-	-	70,636
Other charges	347,168	27,727	59,371	434,266
Garbage collection fees	-	966,747	-	966,747
Landfill	-	2,093,900	-	2,093,900
Emergency medical services	-	-	4,108,653	4,108,653
Total operating revenues	<u>11,286,355</u>	<u>3,088,374</u>	<u>4,168,024</u>	<u>18,542,753</u>
OPERATING EXPENSES				
Costs of sales and services	7,313,046	2,115,282	3,993,924	13,422,252
Administration	634,889	47,342	-	682,231
Depreciation	1,481,619	300,366	70,759	1,852,744
Total operating expenses	<u>9,429,554</u>	<u>2,462,990</u>	<u>4,064,683</u>	<u>15,957,227</u>
OPERATING INCOME	<u>1,856,801</u>	<u>625,384</u>	<u>103,341</u>	<u>2,585,526</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenues	713,939	15,688	6,182	735,809
Interest expense	(1,798,143)	(78,512)	-	(1,876,655)
Total non-operating revenues (expenses)	<u>(1,084,204)</u>	<u>(62,824)</u>	<u>6,182</u>	<u>(1,140,846)</u>
INCOME BEFORE TRANSFERS	772,597	562,560	109,523	1,444,680
TRANSFERS IN	-	-	111,762	111,762
TRANSFERS OUT	(1,172,485)	(310,948)	-	(1,483,433)
CHANGE IN NET ASSETS	(399,888)	251,612	221,285	73,009
TOTAL NET ASSETS, BEGINNING	<u>15,175,203</u>	<u>1,950,442</u>	<u>325,190</u>	<u>17,450,835</u>
TOTAL NET ASSETS, ENDING	<u>\$ 14,775,315</u>	<u>\$ 2,202,054</u>	<u>\$ 546,475</u>	<u>\$ 17,523,844</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CORSICANA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 11,523,226	\$ 3,181,562	\$ 4,170,636	\$ 18,875,424
Cash paid to suppliers for goods and services	(4,763,729)	(1,328,146)	(3,282,388)	(9,374,263)
Cash paid to employees for services	(3,143,383)	(660,956)	(1,174,174)	(4,978,513)
Net cash provided (used) by operating activities	<u>3,616,114</u>	<u>1,192,460</u>	<u>(285,926)</u>	<u>4,522,648</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid from other funds	405,643	-	-	405,643
Transfers in	-	-	111,762	111,762
Transfers out	(1,172,485)	(310,948)	-	(1,483,433)
Net cash provided (used) for noncapital financing activities	<u>(766,842)</u>	<u>(310,948)</u>	<u>111,762</u>	<u>(966,028)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(950,908)	(19,206)	-	(970,114)
Proceeds from issuance of debt	17,215,500	14,000	29,795	17,259,295
Principal paid on debt	(2,057,511)	(505,795)	(70,931)	(2,634,237)
Interest paid on debt	(2,089,787)	(78,512)	-	(2,168,299)
Net cash provided (used) for capital and related financing activities	<u>12,080,452</u>	<u>(617,555)</u>	<u>(4,254)</u>	<u>11,458,643</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	713,939	15,688	6,182	735,809
Net cash provided by investing activities	<u>713,939</u>	<u>15,688</u>	<u>6,182</u>	<u>735,809</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,643,663	279,645	(172,236)	15,751,072
CASH AND CASH EQUIVALENTS, BEGINNING	<u>4,121,844</u>	<u>327,814</u>	<u>179,059</u>	<u>4,628,717</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 19,765,507</u>	<u>\$ 607,459</u>	<u>\$ 6,823</u>	<u>\$ 20,379,789</u>

(continued)

CITY OF CORSICANA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 1,856,801	\$ 625,384	\$ 103,341	\$ 2,585,526
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,481,619	300,366	70,759	1,852,744
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	195,791	93,188	2,612	291,591
Due from other funds	59,907	-	-	59,907
Deferred charges	(107,443)	12,301	-	(95,142)
Increase (decrease) in liabilities:				
Accounts payable	(136,732)	146,873	-	10,141
Accrued liabilities	6,579	3,680	2,022	12,281
Deferred revenue	-	-	1,302	1,302
Due to other funds	-	-	(465,550)	(465,550)
Due to other governments	-	(5,332)	-	(5,332)
Compensated absences payable	40,357	3,610	(412)	43,555
Customer deposits	41,080	-	-	41,080
Other liabilities	178,155	12,390	-	190,545
Net cash provided (used) by operations	<u>\$ 3,616,114</u>	<u>\$ 1,192,460</u>	<u>\$(285,926)</u>	<u>\$ 4,522,648</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, 2007

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 1917 and last updated by election in 2007. 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-type 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, 2006, levy was \$.6272 (\$.5227 for general government and \$.1045 for debt service) per \$100 of assessed valuation.

During the year ended September 30, 2007, 97.92% of the current tax levy (October 1, 2006) was collected. At September 30, 2007, the delinquent property taxes receivable totaled \$340,243 in the General Fund and \$84,026 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
Infrastructure	20 - 50

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, 2007, 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 \$11,691,570 difference are as follows:

General and certifications of obligation	\$ 10,586,947
Note payable	140,551
Accrued interest payable	51,628
Compensated absences	539,184
Capital lease obligations	640,927
Bond issuance costs	(286,012)
Premium from issuance of long-term debt	<u>18,345</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>11,691,570</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 \$834,845 difference are as follows:

Capital outlay	\$ 1,938,136
Depreciation expense	(<u>1,103,291</u>)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>834,845</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 \$427,532 difference are as follows:

Capital lease obligations incurred	\$(339,506)
Principal repayments	<u>767,038</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 427,532</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 \$9,663 difference are as follows:

Compensated absences	\$ 27,501
Amortization of bond costs	(46,556)
Accrued interest	<u>28,718</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 9,663</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, 2007. Several supplemental budget appropriations were made for the year ended September 30, 2007.

B. Deficit Fund Balance

The CHDO Home Buyer Program, Tax Increment Financing District, and 2006/2007 Capital Purchases Special Revenue Funds had a deficit fund balance of \$42,165, \$876,401, and \$32,294, respectively, as of September 30, 2007. The City plans to transfer funds from the General Fund to cover the deficit fund balance in the CHDO Home Buyer Program and 2006/2007 Capital Purchases 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, 2007, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexStar	\$ <u>26,680,052</u>	20

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, 2007, \$569,261 of the City’s \$669,261 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, 2007, the City held restricted cash and investment of \$19,762,943 for the following purposes:

Enterprise Funds:	
Construction	\$ 16,994,961
Debt service	772,944
Bond reserves	1,950,571
Held by Trinity River Authority	<u>44,467</u>
 Total Enterprise Fund	 <u>19,762,943</u>
 Total Restricted Cash and Investment	 <u>\$ 19,762,943</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	\$ 340,243	\$ -	\$ -	\$ -	\$ 84,026	\$ 424,269
Franchise fees, sales and use tax	1,326,080	-	-	-	112,793	1,438,873
Accounts	98,138	1,933,299	167,632	1,567,041	2,179	3,768,289
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,616</u>	<u>404,616</u>
Gross receivables	1,764,461	1,933,299	167,632	1,567,041	603,614	6,036,047
Less: allowance for uncollectibles	<u>51,037</u>	<u>192,621</u>	<u>33,581</u>	<u>907,264</u>	<u>12,604</u>	<u>1,197,107</u>
Net total receivables	<u>\$ 1,713,424</u>	<u>\$ 1,740,678</u>	<u>\$ 134,051</u>	<u>\$ 659,777</u>	<u>\$ 591,010</u>	<u>\$ 4,838,940</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	\$ 256,725	\$ -
Miscellaneous	-	2,827
Court fines	454,683	-
Total General Fund	<u>711,408</u>	<u>2,827</u>
Other Governmental Funds		
Delinquent property taxes receivable	64,936	-
Miscellaneous	-	3,584
Total Other Governmental Funds	<u>64,936</u>	<u>3,584</u>
Total Governmental Funds	<u>\$ 776,344</u>	<u>\$ 6,411</u>

Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,016,660	\$ -	\$ -	\$ 15,016,660
Construction in progress	-	323,346	-	323,346
Total assets not being depreciated	<u>15,016,660</u>	<u>323,346</u>	<u>-</u>	<u>15,340,006</u>
Capital assets, being depreciated:				
Buildings and improvements	16,339,528	11,872	-	16,351,400
Machinery and equipment	5,251,554	803,076	158,777	5,895,853
Infrastructure	40,222,217	799,842	-	41,022,059
Total capital assets being depreciated	<u>61,813,299</u>	<u>1,614,790</u>	<u>158,777</u>	<u>63,269,312</u>
Less accumulated depreciation:				
Buildings and improvements	12,584,715	401,856	-	12,986,571
Machinery and equipment	3,686,675	359,180	158,777	3,887,078
Infrastructure	11,623,720	342,255	-	11,965,975
Total accumulated depreciation	<u>27,895,110</u>	<u>1,103,291</u>	<u>158,777</u>	<u>28,839,624</u>
Total capital assets being depreciated, net	<u>33,918,189</u>	<u>511,499</u>	<u>-</u>	<u>34,429,688</u>
Governmental activities capital assets, net	<u>\$ 48,934,849</u>	<u>\$ 834,845</u>	<u>\$ -</u>	<u>\$ 49,769,694</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,686,358	\$ -	\$ -	\$ -	\$ 3,686,358
Construction in progress	<u>-</u>	<u>709,686</u>	<u>-</u>	<u>-</u>	<u>709,686</u>
Total assets not being depreciated	<u>3,686,358</u>	<u>709,686</u>	<u>-</u>	<u>-</u>	<u>4,396,044</u>
Capital assets, being depreciated:					
Buildings	3,689,281	-	-	589,947	4,279,228
Waterworks and wastewater system	31,080,563	85,524	-	2,516,807	33,682,894
Machinery and equipment	<u>23,592,910</u>	<u>259,324</u>	<u>173,253</u>	<u>38,092</u>	<u>23,717,073</u>
Total capital assets being depreciated	<u>58,362,754</u>	<u>344,848</u>	<u>173,253</u>	<u>3,144,846</u>	<u>61,679,195</u>
Less accumulated depreciation:					
Buildings	2,039,758	63,537	-	589,946	2,693,241
Waterworks and wastewater system	6,918,685	551,576	-	2,516,413	9,986,674
Machinery and equipment	<u>7,311,788</u>	<u>1,237,631</u>	<u>116,835</u>	<u>38,487</u>	<u>8,471,071</u>
Total accumulated depreciation	<u>16,270,231</u>	<u>1,852,744</u>	<u>116,835</u>	<u>3,144,846</u>	<u>21,150,986</u>
Total capital assets being depreciated, net	<u>42,092,523</u>	<u>(1,507,896)</u>	<u>56,418</u>	<u>-</u>	<u>40,528,209</u>
Business-type activities capital assets, net	<u>\$ 45,778,881</u>	<u>\$ (798,210)</u>	<u>\$ 56,418</u>	<u>\$ -</u>	<u>\$ 44,924,253</u>

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

Governmental activities:	
General government	\$ 540,333
Public safety	231,635
Public works	204,551
Community and cultural	<u>126,772</u>
Total depreciation expense - governmental activities	<u>\$ 1,103,291</u>
Business-type activities:	
Water and wastewater	\$ 1,481,619
Sanitation	300,366
Emergency medical services	<u>70,759</u>
Total depreciation expense - business-type activities	<u>\$ 1,852,744</u>

(continued)

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

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2007, is as follows:

Due to/from other funds:

	<u>Due from Nonmajor Governmental</u>
Due to: Governmental: General	\$ <u>964,713</u>
Total due to/from	\$ <u>964,713</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.

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	\$ 1,172,485	Subsidy for administrative expenditures (\$830,022) Payment in lieu of franchise taxes (\$342,463)
General	Sanitation	310,948	Subsidy for administrative expenditures (\$218,000) Payment in lieu of franchise taxes (\$92,948)
Nonmajor governmental	General	1,504,586	Subsidy for other programs in the City
Nonmajor governmental	Nonmajor governmental	3,000	Subsidy for economic development
Emergency Medical Services	General	111,762	Supplement for EMS Costs

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Balance October 1, 2006	Additions	Retirements	Balance September 30, 2007	Amounts Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 4,191,404	\$ -	\$ 222,482	\$ 3,968,922	\$ 296,051
Certificates of obligation	6,784,018	-	165,993	6,618,025	205,440
Premium on issuance of bonds	28,992	-	10,647	18,345	3,696
Capital leases payable	579,984	339,506	278,563	640,927	234,493
Notes payable	240,551	-	100,000	140,551	100,000
Compensated absences	566,685	696,721	724,222	539,184	107,836
Total governmental activities	<u>\$ 12,391,634</u>	<u>\$ 1,036,227</u>	<u>\$ 1,501,907</u>	<u>\$ 11,925,954</u>	<u>\$ 947,516</u>
<u>Business-type activities</u>					
Revenue bonds	26,945,000	7,000,000	8,575,000	25,370,000	1,345,000
Certificates of obligation	6,879,578	17,000,000	771,525	23,108,053	793,509
Discount on issuance of bonds	(231,901)	(53,911)	(118,764)	(167,048)	-
Deferred loss on refunding bonds	-	(126,018)	-	(126,018)	-
Capital leases payable	662,665	259,295	286,290	635,670	231,443
Compensated absences	281,964	283,496	239,941	325,519	65,104
Total business-type activities	<u>\$ 34,537,306</u>	<u>\$ 24,362,862</u>	<u>\$ 9,753,992</u>	<u>\$ 49,146,176</u>	<u>\$ 2,435,056</u>

Capital Leases

The government has acquired certain capital assets for governmental and business-type 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>\$ 919,490</u>	<u>\$ 921,960</u>

(continued)

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

Long-term Liabilities (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities
2008	\$ 254,122	\$ 250,460
2009	177,325	200,171
2010	59,695	60,587
2011	39,684	33,918
2012	39,684	33,918
2013-2016	<u>128,973</u>	<u>110,233</u>
Total minimum lease payments	699,483	689,287
Less: amount representing interest	<u>58,556</u>	<u>53,617</u>
Present value of minimum lease payments	<u>\$ 640,927</u>	<u>\$ 635,670</u>

Bonds Payable

Governmental activities long-term liabilities at September 30, 2007, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
General Obligation Bonds:			
Series 2001 General Obligation Refunding Bonds	\$ 1,560,000	3.5% to 4.0%	\$ 150,000
Series 2002 General Obligation Refunding Bonds	481,377	3.0% to 3.75%	173,922
Series 2004 General Obligation Refunding Bonds	1,890,000	2.0% to 3.3%	1,020,000
Series 2006 General Obligation Refunding Bonds	2,625,000	3.5% to 4.0%	<u>2,625,000</u>
Total General Obligation Bonds			<u>3,968,922</u>
Certificates of Obligation:			
Series 2001 Combination Tax and Revenue Certificates of Obligation	2,000,000	3.5% to 4.0%	80,000
Series 2002 Combination Tax and Revenue Certificates of Obligation	2,105,000	4.25% to 5.125%	1,305,000
Series 2005 Combination Tax and Revenue Certificates of Obligation	1,319,017	3.25% to 4.5%	1,193,025
Series 2006 Combination Tax and Revenue Certificates of Obligation	4,110,000	3.5% to 4.25%	<u>4,040,000</u>
Total Certificates of Obligation			<u>6,618,025</u>
			<u>\$ 10,586,947</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

(continued)

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

Long-term Liabilities (Continued)

Bonds Payable (Continued)

Business-type activities long-term liabilities at September 30, 2007, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
Series 1997-C Waterworks and Sewer System Revenue Refunding Bonds	\$ 10,075,000	3.0% to 4.75%	\$ 3,350,000
Series 1999 Waterworks and Sewer System Revenue Refunding Bonds	10,865,000	3.0% to 4.6%	7,960,000
Series 1999-A Waterworks and Sewer System Revenue Refunding Bonds	6,700,000	5.1% to 7.0%	400,000
Series 2005 Waterworks and Sewer System Revenue Refunding Bonds	6,760,000	3.25% to 4.5%	6,660,000
Series 2002 Refunding General Obligation Bonds	2,438,623	3.0% to 3.75%	881,078
Series 2002-A Certificates of Obligation	5,855,000	3.0% to 3.75%	4,730,000
Series 2005 Certificates of Obligation	535,982	3.25% to 4.5%	496,975
Series 2007 Waterworks and Sewer System Revenue Refunding Bonds	7,000,000	3.25% to 4.5%	7,000,000
Series 2007 Certificates of Obligation	17,000,000	4.00 to 5.75%	<u>17,000,000</u>
			<u>\$ 48,478,053</u>

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2007, are as follows:

September 30,	General Obligation Bonds and Certificates of Obligation			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 501,491	\$ 413,571	\$ 915,062	\$ 100,000	\$ 11,146	\$ 111,146
2009	536,696	396,273	932,969	40,551	2,433	42,984
2010	571,391	379,251	950,642	-	-	-
2011	422,438	365,466	787,904	-	-	-
2012	435,993	347,543	783,536	-	-	-
2013-2017	2,589,312	1,445,526	4,034,838	-	-	-
2018-2022	2,692,314	897,462	3,589,776	-	-	-
2023-2027	<u>2,837,312</u>	<u>312,973</u>	<u>3,150,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,586,947</u>	<u>\$ 4,558,065</u>	<u>\$ 15,145,012</u>	<u>\$ 140,551</u>	<u>\$ 13,579</u>	<u>\$ 154,130</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities (Continued)

Bonds Payable (Continued)

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2007, are as follows:

<u>September 30,</u>	<u>Revenue Bonds and Certificates of Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,138,509	\$ 2,441,911	\$ 4,580,420
2009	2,663,306	1,920,394	4,583,700
2010	2,778,609	1,810,661	4,589,270
2011	2,592,562	1,707,459	4,300,021
2012	2,689,007	1,603,563	4,292,570
2013-2017	14,985,688	6,190,750	21,176,438
2018-2022	13,322,686	3,068,661	16,391,347
2023-2027	<u>7,307,686</u>	<u>794,547</u>	<u>8,102,233</u>
	<u>\$ 48,478,053</u>	<u>\$ 19,537,946</u>	<u>\$ 68,015,999</u>

Advance Refunding

The government issued \$7,000,000 of general obligation refunding bonds to provide resources to purchase U. S. Government State and Local Government Series Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$6,855,000 of unlimited bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$126,018. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to restructure debt service payments over the next 20 years and resulted in an economic gain of \$192,101.

Employee Retirement Systems

Texas Municipal Retirement System (TMRS)

Plan Description

The City provides pension benefits for all of its fulltime employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 8210 currently administered by TMRS, an agent multiple-employer public employee retirement system.

(continued)

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

Employee Retirement Systems (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

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 service rendered before the plan began of a theoretical amount at least 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 this 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows, as of April 4, 2007).

Deposit Rate: **5%**

Matching Ratio (City to Employee): **2 to 1**

A member is vested after **5 years**

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: **5 yrs/age 60, 20 yrs/any age**

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement Systems (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contributions

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 cost 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 the 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 serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006, valuation is effective for rates beginning January 2008).

Schedule of Actuarial Liabilities and Funding Progress

Actual valuation date	12/31/06	12/31/05	12/31/04
Actuarial value of assets	\$ 15,594,113	\$ 15,151,700	\$ 14,317,449
Actuarial accrued liability	22,669,242	19,447,257	18,483,560
Percentage funded	68.8%	77.9%	77.5%
Unfunded (over-funded)			
actuarial accrued liability (UAAL)	7,075,129	4,295,557	4,166,111
Annual covered payroll	7,759,579	7,202,820	7,488,062
UAAL as a percentage of covered payroll	91.2%	59.6%	55.6%
Net pension obligation (NPO) at the beginning of period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	738,424	764,546	765,008
Contributions made	738,424	764,546	765,008
Increase in NPO	-	-	-
NPO at the end of period	-	-	-

(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	-	7%
Projected Salary Increases	-	None
Includes Inflation At	-	3.5%
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 \$584,971 reported to date based on the use of 21.04 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,195,429 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. 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, 2007, investments of \$260,770 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, 2007, 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.

Subsequent Events

On October 16, 2007, the City entered into a new three-year capital lease for the purchase of vehicles and equipment with Chase Leasing Corporation in an amount not to exceed \$611,255, at a rate of 3.81 percent.

On October 16, 2007, the City also entered into a new five-year capital lease for the purchase of vehicles and equipment with Chase Leasing Corporation in an amount not to exceed \$358,500, at a rate of 3.96 percent.

Buy-back Agreement

The City entered into an agreement with Fraser Mining & Industrial Supply on September 28, 2006, in which the Company guaranteed buy-back of all reusable pipe purchased for the City's temporary water line at 35% of the original purchase price, shown below:

16" IPS SDR 11 PE3408 Pipe	\$30.50/LF
16" IPS SDR 17 PE3408 Pipe	\$20.62/LF

Thus the buy-back prices will be as follows:

16" IPS SDR 11 PE3408 Pipe	\$10.68/LF
16" IPS SDR 17 PE3408 Pipe	\$ 7.22/LF

The City expects to remove the temporary water line and sell back all reusable pipe during fiscal year 2008.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

CITY OF CORSICANA, TEXAS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	Special Revenue				Parks/ Recreation Special Revenue
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures	
ASSETS					
Cash and cash equivalents	\$ 40,804	\$ 53,832	\$ 203,640	\$ 23,332	\$ 53,845
Receivables, net of allowances					
Taxes	89,253	-	-	-	-
Accounts	562	276	1,341	-	-
Due from other governments	-	-	-	-	-
Inventories	-	24,485	-	-	-
Total assets	<u>\$ 130,619</u>	<u>\$ 78,593</u>	<u>\$ 204,981</u>	<u>\$ 23,332</u>	<u>\$ 53,845</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 52,567	\$ 15,966	\$ 42,232	\$ -	\$ 1,701
Accrued liabilities	6,772	-	6,245	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	2,484	-	-	-
Total liabilities	<u>59,339</u>	<u>18,450</u>	<u>48,477</u>	<u>-</u>	<u>1,701</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue	71,280	60,143	156,504	23,332	52,144
Capital projects	-	-	-	-	-
Total fund balances	<u>71,280</u>	<u>60,143</u>	<u>156,504</u>	<u>23,332</u>	<u>52,144</u>
Total liabilities and fund balances	<u>\$ 130,619</u>	<u>\$ 78,593</u>	<u>\$ 204,981</u>	<u>\$ 23,332</u>	<u>\$ 53,845</u>

Special Revenue

Parks/ Recreation Events	Library Grants and Contributions	Economic Development Reserve	City/County Economic Development	Police Special Revenue	Summer Recreation Programs	Community Support Special Revenue
\$ 3,094	\$ 2,755	\$ -	\$ 554,839	\$ 49,712	\$ -	\$ 2,519
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,094</u>	<u>\$ 2,755</u>	<u>\$ -</u>	<u>\$ 554,839</u>	<u>\$ 49,712</u>	<u>\$ -</u>	<u>\$ 2,519</u>
\$ -	\$ 14	\$ -	\$ 71,975	\$ 2,218	\$ -	\$ -
-	-	-	5,019	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>14</u>	<u>-</u>	<u>76,994</u>	<u>2,218</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
3,094	2,741	-	477,845	47,494	-	2,519
-	-	-	-	-	-	-
<u>3,094</u>	<u>2,741</u>	<u>-</u>	<u>477,845</u>	<u>47,494</u>	<u>-</u>	<u>2,519</u>
<u>\$ 3,094</u>	<u>\$ 2,755</u>	<u>\$ -</u>	<u>\$ 554,839</u>	<u>\$ 49,712</u>	<u>\$ -</u>	<u>\$ 2,519</u>

(continued)

CITY OF CORSICANA, TEXAS

BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2007

	Special Revenue				
	Fire Special Revenue	Palace Theater	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
ASSETS					
Cash and cash equivalents	\$ 7,406	\$ 4,678	\$ 1,331	\$ -	\$ -
Receivables, net of allowances					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Due from other governments	-	-	-	11,579	60,210
Inventories	-	-	-	-	-
Total assets	<u>\$ 7,406</u>	<u>\$ 4,678</u>	<u>\$ 1,331</u>	<u>\$ 11,579</u>	<u>\$ 60,210</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 42,165
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	11,579	60,210
Due to other governments	-	-	-	-	-
Deferred revenue	-	1,099	-	-	-
Total liabilities	<u>-</u>	<u>1,099</u>	<u>-</u>	<u>11,579</u>	<u>102,375</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue	7,406	3,579	1,331	-	(42,165)
Capital projects	-	-	-	-	-
Total fund balances	<u>7,406</u>	<u>3,579</u>	<u>1,331</u>	<u>-</u>	<u>(42,165)</u>
Total liabilities and fund balances	<u>\$ 7,406</u>	<u>\$ 4,678</u>	<u>\$ 1,331</u>	<u>\$ 11,579</u>	<u>\$ 60,210</u>

Special Revenue

Activity Tourism Center	Tax Increment Financing District	Court Technology	Court Building Security	Master Plan	Corsicana Crossing	Court Fine - Street Improvements
\$ 70,014	\$ -	\$ 29,157	\$ 67,348	\$ -	\$ 100,835	\$ 189,504
-	23,540	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 70,014</u>	<u>\$ 23,540</u>	<u>\$ 29,157</u>	<u>\$ 67,348</u>	<u>\$ -</u>	<u>\$ 100,835</u>	<u>\$ 189,504</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	520,398	-	-	-	-	-
-	379,542	-	-	-	-	-
-	1	-	-	-	-	-
<u>-</u>	<u>899,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
70,014	(876,401)	29,157	67,348	-	100,835	189,504
-	-	-	-	-	-	-
<u>70,014</u>	<u>(876,401)</u>	<u>29,157</u>	<u>67,348</u>	<u>-</u>	<u>100,835</u>	<u>189,504</u>
<u>\$ 70,014</u>	<u>\$ 23,540</u>	<u>\$ 29,157</u>	<u>\$ 67,348</u>	<u>\$ -</u>	<u>\$ 100,835</u>	<u>\$ 189,504</u>

(continued)

CITY OF CORSICANA, TEXAS

BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2007

	Special Revenue				Debt Service
	2006	Texas	Court Fine -	Court Fine -	Interest and
	TCDP	Capital	Judicial	Child Safety	Redemption
	Program	Grant			Tax Supported
					Bonds G. O.
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 8,550	\$ 8,435	\$ 58,592
Receivables, net of allowances					
Taxes	-	-	-	-	71,422
Accounts	-	-	-	-	-
Due from other governments	186,018	146,809	-	-	-
Inventories	-	-	-	-	-
Total assets	<u>\$ 186,018</u>	<u>\$ 146,809</u>	<u>\$ 8,550</u>	<u>\$ 8,435</u>	<u>\$ 130,014</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	186,018	146,809	-	-	12,405
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	64,936
Total liabilities	<u>186,018</u>	<u>146,809</u>	<u>-</u>	<u>-</u>	<u>77,341</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	-	52,673
Unreserved, reported in:					
Special revenue	-	-	8,550	8,435	-
Capital projects	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>8,550</u>	<u>8,435</u>	<u>52,673</u>
Total liabilities and fund balances	<u>\$ 186,018</u>	<u>\$ 146,809</u>	<u>\$ 8,550</u>	<u>\$ 8,435</u>	<u>\$ 130,014</u>

Capital Projects

2002-B Certificate of Obligation Construction	2005 Certificate of Obligation Construction	2006 Capital Purchases	2006 Certificate of Obligation Construction	2006/2007 Capital Purchases	Total Governmental Funds
\$ -	\$ 1,012,027	\$ 4,143	\$ 3,916,313	\$ -	\$ 6,466,705
-	-	-	-	-	184,215
-	-	-	-	-	2,179
-	-	-	-	-	404,616
-	-	-	-	-	24,485
<u>\$ -</u>	<u>\$ 1,012,027</u>	<u>\$ 4,143</u>	<u>\$ 3,916,313</u>	<u>\$ -</u>	<u>\$ 7,082,200</u>
\$ -	\$ -	\$ -	\$ 33,352	\$ 5,000	\$ 267,190
-	-	-	-	-	18,036
-	-	-	-	27,294	964,713
-	-	-	-	-	379,542
-	-	-	-	-	68,520
<u>-</u>	<u>-</u>	<u>-</u>	<u>33,352</u>	<u>32,294</u>	<u>1,698,001</u>
-	-	-	-	-	52,673
-	-	-	-	-	464,689
<u>-</u>	<u>1,012,027</u>	<u>4,143</u>	<u>3,882,961</u>	<u>(32,294)</u>	<u>4,866,837</u>
<u>-</u>	<u>1,012,027</u>	<u>4,143</u>	<u>3,882,961</u>	<u>(32,294)</u>	<u>5,384,199</u>
<u>\$ -</u>	<u>\$ 1,012,027</u>	<u>\$ 4,143</u>	<u>\$ 3,916,313</u>	<u>\$ -</u>	<u>\$ 7,082,200</u>

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue				Parks/ Recreation Special Revenue
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	386,523	-	-	-	-
Fines and forfeitures	-	1,000	-	14,480	-
Intergovernmental	-	31,615	-	-	-
Charges for services	-	39,117	1,694	-	-
Investment earnings	13	2,021	39	229	1,775
Miscellaneous	-	1,229	59,466	60	-
Contributions/donations	-	-	-	-	104,118
Total revenues	<u>386,536</u>	<u>74,982</u>	<u>61,199</u>	<u>14,769</u>	<u>105,893</u>
EXPENDITURES					
Current:					
General government	-	71,444	-	-	-
Public safety	-	-	-	9,146	-
Public works	-	-	231,114	-	-
Community services	380,768	-	-	-	84,391
Debt service:					
Principal	1,089	-	1,949	-	-
Interest and other charges	32	-	57	-	-
Capital outlay	-	20,166	-	-	45,328
Total expenditures	<u>381,889</u>	<u>91,610</u>	<u>233,120</u>	<u>9,146</u>	<u>129,719</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,647</u>	<u>(16,628)</u>	<u>(171,921)</u>	<u>5,623</u>	<u>(23,826)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Transfers in	60,000	-	328,000	-	-
Transfers out	(3,000)	-	-	-	-
Total other financing sources and uses	<u>57,000</u>	<u>-</u>	<u>328,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	61,647	(16,628)	156,079	5,623	(23,826)
FUND BALANCES, BEGINNING	<u>9,633</u>	<u>76,771</u>	<u>425</u>	<u>17,709</u>	<u>75,970</u>
FUND BALANCES, ENDING	<u>\$ 71,280</u>	<u>\$ 60,143</u>	<u>\$ 156,504</u>	<u>\$ 23,332</u>	<u>\$ 52,144</u>

Special Revenue

Parks/ Recreation Events	Library Grants and Contributions	Economic Development Reserve	City/County Economic Development	Police Special Revenue	Summer Recreation Programs	Community Support Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,262	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	6,229	1,576	-	-
-	-	-	-	-	-	-
<u>6,100</u>	<u>878</u>	<u>-</u>	<u>62,912</u>	<u>25,393</u>	<u>-</u>	<u>6,300</u>
<u>6,100</u>	<u>4,140</u>	<u>-</u>	<u>69,141</u>	<u>26,969</u>	<u>-</u>	<u>6,300</u>
-	-	-	606,256	-	-	-
-	-	-	-	32,461	-	-
-	-	-	-	-	-	-
12,481	10,113	-	-	-	29,275	9,240
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	248,032	-	-	-
<u>12,481</u>	<u>10,113</u>	<u>-</u>	<u>854,288</u>	<u>32,461</u>	<u>29,275</u>	<u>9,240</u>
(6,381)	(5,973)	-	(785,147)	(5,492)	(29,275)	(2,940)
-	-	-	-	-	-	-
3,000	-	-	1,075,706	-	25,000	-
-	-	-	-	-	-	-
<u>3,000</u>	<u>-</u>	<u>-</u>	<u>1,075,706</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
(3,381)	(5,973)	-	290,559	(5,492)	(4,275)	(2,940)
<u>6,475</u>	<u>8,714</u>	<u>-</u>	<u>187,286</u>	<u>52,986</u>	<u>4,275</u>	<u>5,459</u>
<u>\$ 3,094</u>	<u>\$ 2,741</u>	<u>\$ -</u>	<u>\$ 477,845</u>	<u>\$ 47,494</u>	<u>\$ -</u>	<u>\$ 2,519</u>

(continued)

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue				
	Fire Special Revenue	Palace Theater	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental	736	-	3,431	244,696	130,950
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	18,135	-	-	-
Contributions/donations	1,887	-	-	-	-
Total revenues	<u>2,623</u>	<u>18,135</u>	<u>3,431</u>	<u>244,696</u>	<u>130,950</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	985	-	2,100	1,992	-
Public works	-	-	-	-	-
Community services	-	13,510	-	-	173,115
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	-	242,704	-
Total expenditures	<u>985</u>	<u>13,510</u>	<u>2,100</u>	<u>244,696</u>	<u>173,115</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,638</u>	<u>4,625</u>	<u>1,331</u>	<u>-</u>	<u>(42,165)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,638	4,625	1,331	-	(42,165)
FUND BALANCES, BEGINNING	<u>5,768</u>	<u>(1,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 7,406</u>	<u>\$ 3,579</u>	<u>\$ 1,331</u>	<u>\$ -</u>	<u>\$ (42,165)</u>

Special Revenue

Activity Tourism Center	Tax Increment Financing District	Court Technology	Court Building Security	Master Plan	Corsicana Crossing	Court Fine - Street Improvements
\$ -	\$ 237,072	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	14,225	10,931	-	-	79,237
-	-	-	-	30,000	-	-
-	-	-	-	-	-	-
1,256	-	316	809	141	822	340
-	-	-	-	-	-	-
-	-	-	-	-	50,000	-
<u>1,256</u>	<u>237,072</u>	<u>14,541</u>	<u>11,740</u>	<u>30,141</u>	<u>50,822</u>	<u>79,577</u>
-	-	-	-	88,741	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
492	210,314	564	-	-	-	-
-	100,000	-	-	-	-	-
-	14,408	-	-	-	-	-
-	-	-	-	-	-	-
<u>492</u>	<u>324,722</u>	<u>564</u>	<u>-</u>	<u>88,741</u>	<u>-</u>	<u>-</u>
<u>764</u>	<u>(87,650)</u>	<u>13,977</u>	<u>11,740</u>	<u>(58,600)</u>	<u>50,822</u>	<u>79,577</u>
-	-	-	-	-	-	-
-	-	-	-	15,880	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,880</u>	<u>-</u>	<u>-</u>
764	(87,650)	13,977	11,740	(42,720)	50,822	79,577
<u>69,250</u>	<u>(788,751)</u>	<u>15,180</u>	<u>55,608</u>	<u>42,720</u>	<u>50,013</u>	<u>109,927</u>
<u>\$ 70,014</u>	<u>\$(876,401)</u>	<u>\$ 29,157</u>	<u>\$ 67,348</u>	<u>\$ -</u>	<u>\$ 100,835</u>	<u>\$ 189,504</u>

(continued)

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue				Debt Service
	2006 TCDP Program	Texas Capital Grant	Court Fine - Judicial	Court Fine - Child Safety	Interest and Redemption Tax Supported Bonds G. O.
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,056,814
Occupancy tax	-	-	-	-	-
Fines and forfeitures	-	-	8,550	8,435	-
Intergovernmental	186,018	475,399	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	13,559
Miscellaneous	-	-	-	-	-
Contributions/donations	-	-	-	-	-
Total revenues	<u>186,018</u>	<u>475,399</u>	<u>8,550</u>	<u>8,435</u>	<u>1,070,373</u>
EXPENDITURES					
Current:					
General government	-	17,352	-	-	-
Public safety	-	-	-	-	-
Public works	186,018	-	-	-	-
Community services	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	573,654
Interest and other charges	-	-	-	-	544,075
Capital outlay	-	458,047	-	-	-
Total expenditures	<u>186,018</u>	<u>475,399</u>	<u>-</u>	<u>-</u>	<u>1,117,729</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>8,550</u>	<u>8,435</u>	<u>(47,356)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	8,550	8,435	(47,356)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,029</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,550</u>	<u>\$ 8,435</u>	<u>\$ 52,673</u>

Capital Projects

2002-B Certificate of Obligation Construction	2005 Certificate of Obligation Construction	2006 Capital Purchases	2006 Certificate of Obligation Construction	2006/2007 Capital Purchases	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,293,886
-	-	-	-	-	386,523
-	-	-	-	-	136,858
-	-	-	-	-	1,106,107
-	-	-	-	-	40,811
-	46,911	6,733	211,634	-	294,403
-	-	-	-	-	78,890
-	-	-	-	-	257,588
<u>-</u>	<u>46,911</u>	<u>6,733</u>	<u>211,634</u>	<u>-</u>	<u>3,595,066</u>
38,759	-	(1,640)	-	3,357	824,269
-	-	4,099	-	14,735	65,518
-	-	-	323,347	49,499	789,978
-	-	-	-	8,830	933,093
-	-	-	-	-	676,692
-	-	-	-	-	558,572
<u>18,619</u>	<u>158,514</u>	<u>331,621</u>	<u>115,509</u>	<u>295,379</u>	<u>1,933,919</u>
<u>57,378</u>	<u>158,514</u>	<u>334,080</u>	<u>438,856</u>	<u>371,800</u>	<u>5,782,041</u>
(57,378)	(111,603)	(327,347)	(227,222)	(371,800)	(2,186,975)
-	-	-	-	339,506	339,506
-	-	-	-	-	1,507,586
-	-	-	-	-	(3,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,506</u>	<u>1,844,092</u>
(57,378)	(111,603)	(327,347)	(227,222)	(32,294)	(342,883)
<u>57,378</u>	<u>1,123,630</u>	<u>331,490</u>	<u>4,110,183</u>	<u>-</u>	<u>5,727,082</u>
<u>\$ -</u>	<u>\$ 1,012,027</u>	<u>\$ 4,143</u>	<u>\$ 3,882,961</u>	<u>\$ (32,294)</u>	<u>\$ 5,384,199</u>

STATISTICAL SECTION

CITY OF CORSICANA, TEXAS

TOP TEN TAXPAYERS

**SEPTEMBER 30, 2007
(UNAUDITED)**

<u>Agency</u>	<u>Market</u>	<u>Taxable</u>
1. Guardian Industries Corporation	\$ 35,800,720	\$ 35,800,720
2. Home Depot	32,855,120	32,855,120
3. Russell Stover Candies - Abated	54,335,060	54,335,060
4. Equity Industrial Corsicana , L.P.	26,981,150	26,981,150
5. True Value Company - Non-abated	23,886,840	23,886,840
6. PACTIV Foam	14,264,540	14,264,540
7. Corsicana Technologies, Inc.	12,893,870	12,893,870
8. Russell Stover Candies	12,750,730	12,750,730
9. TXU Electric Delivery Company	12,244,910	12,244,910
10. Guardian Industries - Abated	20,153,050	20,153,050

CITY OF CORSICANA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)

Date of Incorporation	1848
Date of Last Amendment of City Charter	2007
Form of Government	Mayor/Council
Area	23.28 sq. miles
Building Permits	
Permits Issued	238
Estimated Cost	\$18,614,241
Fire Protection and EMS:	
Number of Fire Stations	4
Number of Employees	57
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	8,846
Average Daily Consumption	675 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meters	2,592,203,000 gal.
Number of Gallons Sold	2,637,278,440 gal.
Number of Fire Hydrants	752
Municipal Employees:	
Full-time	276
Part-time	54.5
Tax Rate	.6272

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
2007	24,485 (est.)

* Data provided from Federal Census

CITY OF CORSICANA, TEXAS

TOP EMPLOYERS

**SEPTEMBER 30, 2007
(UNAUDITED)**

<u>Taxpayer's Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
1. Russell Stover Candies	Manufacturing	825
2. Corsicana I.S.D.	Government/Education/Public Schools	802
3. Collin Street Bakery (seasonal)	Manufacturing-Baked Goods	766
4. Guardian Industries	Manufacturing - Glass	390
5. Navarro Regional Hospital	Health Care/Hospital	350
6. Texas Youth Commission	Governmental - State Home	338
7. City of Corsicana (includes part-time)	Governmental - Local	333
8. Navarro County	Governmental - County	284
9. Navarro College	Education	264
10. Kohl's Call Center	Warehousing/Retail	250
11. Home Depot Distribution Center	Building Materials	250
12. Kohl's Distribution Center	Warehousing/Retail	200
13. Oil City Iron Works	Castings	200
14. Corsicana Bedding	Bedding	190
15. Lance Manufacturing, L.L.C.	Manufacturing-Snack Food	170
16. Trinity Mother Francis	Health Care	156
17. Tru-Serve/True Value Distribution Ctr.	Distribution - Hardware	152
18. Jeld-Wen, Inc.	Windows and Doors	135
19. Northrop Grumman	Information Technology	60

