

CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2011

CITY OF CORSICANA, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2011

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Yeldell, Wilson & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corsicana, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corsicana, Texas, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of the City of Corsicana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the City Council
City of Corsicana, Texas
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corsicana, Texas' financial statements as a whole. The combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Yeldell, Wilson & Co., P.C.
Certified Public Accountants

March 26, 2012

CITY OF CORSICANA, TEXAS

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$70,800,891 (net assets). Of this amount, \$8,724,551 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$4,905,059.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,143,641. Over 18% of this total amount, \$1,710,795 is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,423,887 or 23% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City'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 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'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 most recent 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 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, judicial, public safety, community support services, public works, and cultural and recreational. The business-type activities of the City include utility operations, sanitation and emergency medical services.

The government-wide financial statements can be found on pages 11-12 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories- governmental funds and proprietary 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 fund 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.

The City maintains forty-two individual governmental funds. 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 major fund. Data from the other forty-one 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.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-17 of 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 three enterprise funds to account for its utility operations, sanitation and emergency medical services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility operations, sanitation and emergency medical services, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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 21-49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining statements and schedules referred to earlier in connection with non-major governmental funds. Combining and individual statements and schedules can be found on pages 50-71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$70,800,891 as of September 30, 2011.

A large portion of the City’s net assets (76%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. 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		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 12,344,490	\$ 7,953,925	\$ 16,433,741	\$ 15,024,947	\$ 28,778,231	\$ 22,978,872
Capital assets	51,955,998	51,710,164	57,548,579	54,729,363	109,504,577	106,439,527
Total assets	<u>64,300,488</u>	<u>59,664,089</u>	<u>73,982,320</u>	<u>69,754,310</u>	<u>138,282,808</u>	<u>129,418,399</u>
Long term liabilities	18,868,526	15,513,837	45,696,500	44,340,258	64,565,026	59,854,095
Other liabilities	999,887	1,606,036	1,917,004	2,062,436	2,916,891	3,668,472
Total liabilities	<u>19,868,413</u>	<u>17,119,873</u>	<u>47,613,504</u>	<u>46,402,694</u>	<u>67,481,917</u>	<u>63,522,567</u>
Net assets:						
Invested in capital assets, net of related debt	35,062,030	37,993,856	19,227,378	14,338,640	54,289,408	52,332,496
Restricted	6,161,057	464,482	1,625,875	1,563,587	7,786,932	2,028,069
Unrestricted	3,208,988	4,085,878	5,515,563	7,449,389	8,724,551	11,535,267
Total net assets	<u>\$ 44,432,075</u>	<u>\$ 42,544,216</u>	<u>\$ 26,368,816</u>	<u>\$ 23,351,616</u>	<u>\$ 70,800,891</u>	<u>\$ 65,895,832</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

An additional portion of the City's net assets (11%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$8,724,551 may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate categories – governmental and business-type activities.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2011. Governmental activities increased the City's net assets by \$1,887,859. Business-type activities increased the City's net assets by \$3,017,200.

CITY OF CORSICANA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,345,368	\$ 1,420,741	\$ 20,207,330	\$ 19,971,603	\$ 21,552,698	\$ 21,392,344
Operating grants and contributions	1,085,095	1,136,614	521	-	1,085,616	1,136,614
Capital grants and contributions	1,049,889	754,742	312,250	22,578	1,362,139	777,320
General revenues:						
Property tax	7,660,066	7,514,547	-	-	7,660,066	7,514,547
Sales tax	5,195,660	4,996,997	-	-	5,195,660	4,996,997
Franchise tax	2,109,086	1,965,427	-	-	2,109,086	1,965,427
Hotel occupancy tax	361,052	348,217	-	-	361,052	348,217
Alcoholic beverage tax	30,631	32,355	-	-	30,631	32,355
Investment earnings	36,850	14,755	31,468	17,891	68,318	32,646
Gain (loss) on sale of capital assets	(52,154)	97,730	-	-	(52,154)	97,730
Miscellaneous	393,800	191,176	52,718	-	446,518	191,176
Total revenues	<u>19,215,343</u>	<u>18,473,301</u>	<u>20,604,287</u>	<u>20,012,072</u>	<u>39,819,630</u>	<u>38,485,373</u>
Expenses:						
General government	3,241,304	3,271,011	-	-	3,241,304	3,271,011
Judicial	386,193	383,638	-	-	386,193	383,638
Public safety	8,201,461	8,209,523	-	-	8,201,461	8,209,523
Community support services	968,287	453,387	-	-	968,287	453,387
Public works	3,352,434	3,204,745	-	-	3,352,434	3,204,745
Cultural and recreational	2,007,750	1,768,084	-	-	2,007,750	1,768,084
Building and vehicle maintenance	792,991	591,613	-	-	792,991	591,613
Interest on long-term debt	578,780	619,762	-	-	578,780	619,762
Utility operations	-	-	10,634,345	10,876,619	10,634,345	10,876,619
Sanitation	-	-	2,727,912	2,474,798	2,727,912	2,474,798
Emergency medical services	-	-	2,023,114	1,903,164	2,023,114	1,903,164
Total expenses	<u>19,529,200</u>	<u>18,501,763</u>	<u>15,385,371</u>	<u>15,254,581</u>	<u>34,914,571</u>	<u>33,756,344</u>
Increase in net assets before transfers	(313,857)	(28,462)	5,218,916	4,757,491	4,905,059	4,729,029
Transfers	<u>2,201,716</u>	<u>1,581,995</u>	<u>(2,201,716)</u>	<u>(1,581,995)</u>	<u>-</u>	<u>-</u>
Increase in net asset	1,887,859	1,553,533	3,017,200	3,175,496	4,905,059	4,729,029
Net assets - beginning	42,544,216	40,990,683	23,351,616	20,176,120	65,895,832	61,166,803
Net assets - ending	<u>\$ 44,432,075</u>	<u>\$ 42,544,216</u>	<u>\$ 26,368,816</u>	<u>\$ 23,351,616</u>	<u>\$ 70,800,891</u>	<u>\$ 65,895,832</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

- Property taxes increased by \$145,519 (1.94%) during the year. The majority of this increase is the product of a 2% increase in the net taxable assessed valuation.
- Sales taxes increased \$198,663 (3.98%) over the prior year, resulting from the beginning of an upswing in the economy.
- Increases in expenses primarily resulted from the lessening of budgetary constraints from the previous year, as local, state, and national economic conditions trended upwards.
- Charges for services for Utility operations business-type activities increased by 8% primarily due to increased consumption due to drought conditions in the area.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds. The focus of the City'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,143,641. Within this total \$81,620 is in nonspendable form and \$6,161,057 is restricted by specific legal requirements. \$1,190,169 has been assigned by the City for use on specific projects and activities. The remaining \$1,710,795 is unassigned fund balance and can be used for any lawful purpose.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,423,887, while total fund balance reached \$4,615,324. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.23% of total general fund expenditures, while total fund balance represents 31.32% of that same amount.

In the General fund, fund balance increased \$1,562,731 during the current fiscal year. Previously delayed purchases and projects began, as revenues came in both higher than the prior year and the conservatively prepared budget.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets (deficit) of the Utility Operations, Sanitation and Emergency Medical Services funds at the end of the year amounted to \$4,298,198, \$(33,511) and \$1,250,876, respectively. Net assets increased (decreased) in 2011 by \$3,666,242, \$40,289 and \$(698,331), respectively. The City sells water to most surrounding towns in Navarro County and these are the City's top users. The Sanitation fund's financial outlook continues to improve as a result of paying off a significant portion of its debt. The Emergency Medical Services fund's decrease is due to the City using a more aggressive approach in writing-off uncollectible accounts.

General Fund Budgetary Highlights. General fund actual revenues of \$15,053,579 exceeded budgeted revenues of \$14,354,738 by \$698,841. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- Higher than expected sales tax revenues exceeded budgeted revenues by \$315,660.
- Higher than expected franchise tax revenues exceeded budgeted revenues by \$189,086.
- Higher than expected other revenues, which included a settlement agreement, insurance proceeds, and refunds of employee time for grant projects, exceeded budgeted revenues by \$270,243.

Budgeted general fund budgeted expenditures of \$15,687,247 exceeded actual expenditures of \$14,736,905. This \$950,342 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$109,504,577 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Additions of approximately \$4,883,000 of various infrastructure improvement projects.
- Completion of various infrastructure improvement projects by the City of approximately \$1,178,000.
- Machinery and equipment additions of approximately \$975,000.

**CITY OF CORSICANA'S CAPITAL ASSETS
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 37,829,200	\$ 37,691,060	\$ 3,548,218	\$ 3,686,358	\$ 41,377,418	\$ 41,377,418
Construction in progress	1,308,489	685,571	4,369,138	901,653	5,677,627	1,587,224
Buildings	2,370,270	2,686,218	1,326,937	1,338,758	3,697,207	4,024,976
Improvements	-	-	35,864,891	35,943,069	35,864,891	35,943,069
Machinery and equipment	1,222,180	1,192,319	12,439,395	12,859,525	13,661,575	14,051,844
Infrastructure	9,225,859	9,454,996	-	-	9,225,859	9,454,996
Total	\$ 51,955,998	\$ 51,710,164	\$ 57,548,579	\$ 54,729,363	\$ 109,504,577	\$ 106,439,527

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

Additional information on the City of Corsicana's capital assets can be found in note 3 on pages 31-32 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Corsicana had a total bonded debt outstanding of \$58,525,000. Of this amount, \$46,025,000 comprises bonded debt backed by the full faith and credit of the government.

CITY OF CORSICANA'S OUTSTANDING DEBT
Certificates of Obligation, General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Certificates of obligation	\$ 4,542,209	\$ 4,633,903	\$ 21,552,791	\$ 19,101,097	\$ 26,095,000	\$ 23,735,000
General obligation	10,260,000	7,530,000	9,670,000	11,035,000	19,930,000	18,565,000
Revenue bonds	-	-	12,500,000	12,910,000	12,500,000	12,910,000
Total	\$ 14,802,209	\$ 12,163,903	\$ 43,722,791	\$ 43,046,097	\$ 58,525,000	\$ 55,210,000

The City's general obligation debt and revenue bond ratings are listed below.

	Moody's	Standard & Poor's
Tax Bonds	A1	A
Revenue bonds	A2	A-

Additional information on the City of Corsicana's long term-debt can be found in note 3 on pages 34-38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2012 Budget, General Fund revenues and transfers in are budgeted to increase by 2.7% from the 2011 budget year with general property taxes making up about 37% of general fund budgeted revenues. Certified assessed taxable valuations decreased slightly from the preceding year. The City's budgets for all funds have been affected this year by a positive turn in the economy. Knowing that, the City's revenue budget for 2012 is still conservative. During the past year, statewide sales tax receipts, including the City's, have shown an improvement over the prior year. The sales tax revenue source is the most volatile City revenue and is subject to decline if the local economy fails to maintain growth. After the 2012 Budget was adopted, the City was made aware of several companies closing. However, since that time, there have been several new companies that have opened, and there are proposed openings in the near future. Records have shown that recently 204 more jobs were created in Corsicana than have been lost. This trend is anticipated to continue.

Over the past several years, the City has delayed replacement of equipment and vehicles due to the downturn in the economy. The 2012 budget for the City includes capital lease/purchase financing for various equipment, vehicles, and/or maintenance and construction projects that were previously delayed.

Water and sewer revenue continue to improve, as expected, as a result of rate increase implemented in 2009. In addition, a very dry summer season increased water usage, which helped the Utility Fund end the year in better shape than it had in several years.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 N. 12th Street, Corsicana, Texas 75110.

CITY OF CORSICANA, TEXAS
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,201,253	\$ 3,113,658	\$ 11,314,911
Receivables (net of allowance for uncollectibles)	2,826,293	4,167,121	6,993,414
Due from other governments	910,505	8,660	919,165
Inventories	80,253	-	80,253
Prepaid items	1,367	168,985	170,352
Restricted assets:			
Cash and cash equivalents	-	6,800,335	6,800,335
Investments	-	1,121,222	1,121,222
Deferred charges	324,819	1,053,760	1,378,579
Capital assets:			
Non-depreciable	39,137,689	7,917,356	47,055,045
Depreciable (net of accumulated depreciation)	12,818,309	49,631,223	62,449,532
Total assets	64,300,488	73,982,320	138,282,808
LIABILITIES			
Accounts payable and other current liabilities	608,450	633,276	1,241,726
Accrued payroll payable	313,190	168,473	481,663
Accrued interest payable	78,247	215,594	293,841
Customer deposits payable	-	525,350	525,350
Unearned revenue	-	18,050	18,050
Liabilities payable from restricted assets	-	356,261	356,261
Noncurrent liabilities:			
Due within one year	1,249,547	3,218,480	4,468,027
Due in more than one year	17,618,979	42,478,020	60,096,999
Total liabilities	19,868,413	47,613,504	67,481,917
NET ASSETS			
Invested in capital assets, net of related debt	35,062,030	19,227,378	54,289,408
Restricted for:			
General Government	222,691	-	222,691
Public Safety	217,788	-	217,788
Community support services	54,026	-	54,026
Public works	369,463	-	369,463
Cultural and recreational	65,278	-	65,278
Debt service	195,646	1,625,875	1,821,521
Capital projects	5,036,165	-	5,036,165
Unrestricted	3,208,988	5,515,563	8,724,551
Total net assets	\$ 44,432,075	\$ 26,368,816	\$ 70,800,891

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,241,304	\$ 178,740	\$ 170,478	\$ -	\$ (2,892,086)	\$ -	\$ (2,892,086)
Judicial	386,193	-	-	-	(386,193)	-	(386,193)
Public safety	8,201,461	583,310	205,721	92,824	(7,319,606)	-	(7,319,606)
Community support services	968,287	194,534	558,902	-	(214,851)	-	(214,851)
Public works	3,352,434	355,585	-	957,065	(2,039,784)	-	(2,039,784)
Cultural and recreational	2,007,750	33,199	149,994	-	(1,824,557)	-	(1,824,557)
Building and vehicle maintenance	792,991	-	-	-	(792,991)	-	(792,991)
Interest on long-term debt	578,780	-	-	-	(578,780)	-	(578,780)
Total governmental activities	<u>19,529,200</u>	<u>1,345,368</u>	<u>1,085,095</u>	<u>1,049,889</u>	<u>(16,048,848)</u>	<u>-</u>	<u>(16,048,848)</u>
Business-type activities:							
Utility operations	10,634,345	15,294,834	-	312,250	-	4,972,739	4,972,739
Sanitation	2,727,912	3,209,777	521	-	-	482,386	482,386
Emergency medical services	2,023,114	1,702,719	-	-	-	(320,395)	(320,395)
Total business-type activities	<u>15,385,371</u>	<u>20,207,330</u>	<u>521</u>	<u>312,250</u>	<u>-</u>	<u>5,134,730</u>	<u>5,134,730</u>
Total primary government	<u>\$ 34,914,571</u>	<u>\$ 21,552,698</u>	<u>\$ 1,085,616</u>	<u>\$ 1,362,139</u>	<u>(16,048,848)</u>	<u>5,134,730</u>	<u>(10,914,118)</u>
General revenues:							
Property tax					7,660,066	-	7,660,066
Sales tax					5,195,660	-	5,195,660
Franchise tax					2,109,086	-	2,109,086
Hotel occupancy tax					361,052	-	361,052
Alcoholic beverage tax					30,631	-	30,631
Investment earnings					36,850	31,468	68,318
Gain/(loss) on sale of capital asset					(52,154)	52,718	564
Miscellaneous					393,800	-	393,800
Transfers					2,201,716	(2,201,716)	-
Total general revenues and transfers					<u>17,936,707</u>	<u>(2,117,530)</u>	<u>15,819,177</u>
Change in net assets					1,887,859	3,017,200	4,905,059
Net assets - beginning, as restated					42,544,216	23,351,616	65,895,832
Net assets - ending					<u>\$ 44,432,075</u>	<u>\$ 26,368,816</u>	<u>\$ 70,800,891</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,950,935	\$ 6,250,318	\$ 8,201,253
Receivables (net of allowance for uncollectibles)	2,498,935	327,358	2,826,293
Due from other governments	41,354	869,151	910,505
Due from other funds	1,602,237	-	1,602,237
Inventory	49,799	30,454	80,253
Prepaid items	1,367	-	1,367
Total assets	\$ 6,144,627	\$ 7,477,281	\$ 13,621,908
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 320,554	\$ 287,896	\$ 608,450
Accrued payroll payable	306,719	6,471	313,190
Due to other funds	-	1,602,237	1,602,237
Deferred revenue	902,030	1,052,360	1,954,390
Total liabilities	1,529,303	2,948,964	4,478,267
Fund balances:			
Nonspendable:			
Inventory	49,799	30,454	80,253
Prepaid items	1,367	-	1,367
Restricted:			
General Government	-	222,691	222,691
Public Safety	-	217,788	217,788
Community support services	-	54,026	54,026
Public works	-	369,463	369,463
Cultural and recreational	-	65,278	65,278
Debt service	-	195,646	195,646
Capital projects	-	5,036,165	5,036,165
Assigned:			
General Government	-	46,427	46,427
Public works	807,989	-	807,989
Cultural and recreational	233,520	3,471	236,991
Compensation	98,762	-	98,762
Unassigned	3,423,887	(1,713,092)	1,710,795
Total fund balances	4,615,324	4,528,317	9,143,641
Total liabilities and fund balances	\$ 6,144,627	\$ 7,477,281	
 Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			51,955,998
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,954,390
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.			(78,247)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
Due within one year		\$ (1,249,547)	
Due in more than one year		(17,618,979)	
Deferred charges		324,819	(18,543,707)
Net assets of governmental activities			\$ 44,432,075

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 6,375,663	\$ 1,307,199	\$ 7,682,862
Sales	5,195,660	-	5,195,660
Franchise	2,109,086	-	2,109,086
Hotel occupancy	-	319,459	319,459
Alcoholic beverage	30,631	-	30,631
Licenses and permits	175,066	-	175,066
Fines and forfeitures	459,037	141,061	600,098
Charges for current services	144,164	329,871	474,035
Revenues from use of money and property	13,629	24,428	38,057
Other revenue	382,143	146,453	528,596
Intergovernmental	168,390	841,169	1,009,559
Contributions and donations	110	241,240	241,350
Total revenues	<u>15,053,579</u>	<u>3,350,880</u>	<u>18,404,459</u>
EXPENDITURES			
Current:			
General government	1,455,685	1,522,601	2,978,286
Judicial	385,241	-	385,241
Public safety	7,657,816	254,578	7,912,394
Community support services	300,565	780,652	1,081,217
Public works	2,675,864	1,225,224	3,901,088
Cultural and recreational	1,718,259	179,793	1,898,052
Building and vehicle maintenance	492,878	266,057	758,935
Capital outlay:			
Public works	-	44,067	44,067
Debt service:			
Principal retirement	41,463	780,425	821,888
Interest and fiscal charges	9,134	535,209	544,343
Bond issuance costs	-	96,637	96,637
Total expenditures	<u>14,736,905</u>	<u>5,685,243</u>	<u>20,422,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>316,674</u>	<u>(2,334,363)</u>	<u>(2,017,689)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,189,484	1,339,786	3,529,270
Transfers out	(1,093,308)	(372,386)	(1,465,694)
General obligation bonds issued	-	3,205,000	3,205,000
Premium on bonds issued	-	6,712	6,712
Capital leases	126,115	667,168	793,283
Sale of capital assets	23,766	1,420	25,186
Total other financing sources and uses	<u>1,246,057</u>	<u>4,847,700</u>	<u>6,093,757</u>
Net change in fund balances	1,562,731	2,513,337	4,076,068
Fund balances - beginning, as restated	<u>3,052,593</u>	<u>2,014,980</u>	<u>5,067,573</u>
Fund balances - ending	<u>\$ 4,615,324</u>	<u>\$ 4,528,317</u>	<u>\$ 9,143,641</u>

See accompanying notes to 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
Year Ended September 30, 2011

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balance-total governmental funds (page 14) \$4,076,068

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. 1,527,949

The net effect of various transactions involving capital assets (i.e., asset retirements/disposals). (72,875)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (1,209,240)

Governmental funds report all payments to pensions as expenditures. However, in the government-wide statement of activities only the actuarial annually required contribution is considered as expense. Any excess payment is recorded a liability. Change in net pension liability. (65,123)

The issuance of long-term debt (e.g. bonds) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds issued	\$(3,205,000)	
Deferred charges	96,637	
Bond premiums/discounts	(6,712)	
Capital leases issued	(793,283)	
Bond principal retirement	566,694	
Amortization of deferred charges	(20,716)	
Amortization of bond premiums/discounts	8,564	
Amortization of bond refunding losses	(3,117)	
Note payable retirement	35,185	
Amortization of discount on note payable	(20,274)	
Line of credit retirement	109,064	
Capital leases retirement	<u>131,219</u>	(3,101,739)

Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets compensated absences are expensed as they are accrued. Change in the compensated absences liability. (111,906)

Some revenues will not be collected for several months after the city's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on Fund statements. 863,893

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest. (19,168)

Change in net assets of governmental activities (page 12) \$1,887,859

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

Year Ended September 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 6,423,005	\$ 6,423,005	\$ 6,375,663	\$ (47,342)
Sales	4,880,000	4,880,000	5,195,660	315,660
Franchise	1,920,000	1,920,000	2,109,086	189,086
Alcoholic beverage	30,000	30,000	30,631	631
Licenses and permits	180,650	180,650	175,066	(5,584)
Fines and forfeitures	484,500	484,500	459,037	(25,463)
Charges for current services	140,683	140,683	144,164	3,481
Revenues from use of money and property	2,000	2,000	13,629	11,629
Other revenue	111,900	111,900	382,143	270,243
Intergovernmental	182,000	182,000	168,390	(13,610)
Contributions and donations	-	-	110	110
Total revenues	<u>14,354,738</u>	<u>14,354,738</u>	<u>15,053,579</u>	<u>698,841</u>
EXPENDITURES				
Current:				
General government:				
Administration:				
Mayor and council	27,732	27,732	26,554	(1,178)
Administration	265,805	265,608	266,807	1,199
Human resources	73,167	73,630	88,134	14,504
Civil service	65,025	65,323	50,660	(14,663)
Tax	123,250	123,250	125,721	2,471
Finance	570,515	570,320	543,233	(27,087)
Health services	33,000	33,000	33,000	-
Total administration	<u>1,158,494</u>	<u>1,158,863</u>	<u>1,134,109</u>	<u>(24,754)</u>
Non departmental	<u>189,525</u>	<u>189,525</u>	<u>321,576</u>	<u>132,051</u>
Total general government	<u>1,348,019</u>	<u>1,348,388</u>	<u>1,455,685</u>	<u>107,297</u>
Judicial:				
Legal	109,695	110,026	106,488	(3,538)
Municipal court	310,856	310,620	278,753	(31,867)
Total judicial	<u>420,551</u>	<u>420,646</u>	<u>385,241</u>	<u>(35,405)</u>
Public safety:				
Police	4,338,918	4,333,087	4,265,876	(67,211)
Fire	3,263,585	3,279,869	3,115,048	(164,821)
Emergency management	16,475	16,475	12,159	(4,316)
Animal control	116,776	116,709	77,568	(39,141)
Animal shelter	198,649	198,566	187,165	(11,401)
Total public safety	<u>7,934,403</u>	<u>7,944,706</u>	<u>7,657,816</u>	<u>(286,890)</u>

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended September 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
Community support services:				
Inspections	\$ 162,627	\$ 165,190	\$ 122,911	\$ (42,279)
Planning and zoning	96,523	96,446	90,670	(5,776)
Code compliance	130,784	132,206	86,984	(45,222)
Total community support services	389,934	393,842	300,565	(93,277)
Public works:				
Information technology	90,168	90,126	96,649	6,523
Engineering	562,024	561,693	488,971	(72,722)
Streets	2,386,898	2,636,351	2,090,244	(546,107)
Total public works	3,039,090	3,288,170	2,675,864	(612,306)
Cultural and recreational:				
Parks and recreation	939,355	938,869	960,884	22,015
Lakes and grounds	129,904	129,871	117,486	(12,385)
Senior activity center	83,418	83,636	77,225	(6,411)
Swimming pool	68,914	68,914	80,907	11,993
Library	497,427	497,215	481,757	(15,458)
Total cultural and recreational	1,719,018	1,718,505	1,718,259	(246)
Building and vehicle maintenance:				
K. Wolens BIC	59,425	59,425	26,167	(33,258)
Maintenance service center	275,828	275,716	237,957	(37,759)
Municipal buildings	191,216	191,186	228,754	37,568
Total building and vehicle maintenance	526,469	526,327	492,878	(33,449)
Debt service:				
Principal retirement	43,886	43,886	41,463	(2,423)
Interest and fiscal charges	2,777	2,777	9,134	6,357
Total debt service	46,663	46,663	50,597	3,934
Total expenditures	15,424,147	15,687,247	14,736,905	(950,342)
Excess (deficiency) of revenues over (under) expenditures	(1,069,409)	(1,332,509)	316,674	1,649,183
OTHER FINANCING SOURCES (USES)				
Transfers in	2,150,936	2,150,936	2,189,484	38,548
Transfers out	(901,415)	(929,415)	(1,093,308)	(163,893)
Capital leases	-	-	126,115	126,115
Sale of capital assets	1,500	1,500	23,766	22,266
Total other financing sources and uses	1,251,021	1,223,021	1,246,057	23,036
Net change in fund balance	181,612	(109,488)	1,562,731	1,672,219
Fund balance - beginning, as restated	2,074,558	2,074,558	3,052,593	978,035
Fund balance - ending	\$ 2,256,170	\$ 1,965,070	\$ 4,615,324	\$ 2,650,254

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,974,872	\$ 835,328	\$ 303,458	\$ 3,113,658
Restricted assets:				
Cash and cash equivalents	356,261	-	-	356,261
Receivables (net of allowance for uncollectibles)	2,789,633	137,343	1,240,145	4,167,121
Due from other governments	8,660	-	-	8,660
Prepaid items	163,214	-	5,771	168,985
Total current assets	<u>5,292,640</u>	<u>972,671</u>	<u>1,549,374</u>	<u>7,814,685</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	6,279,480	164,594	-	6,444,074
Investments	1,121,222	-	-	1,121,222
Total restricted assets	<u>7,400,702</u>	<u>164,594</u>	<u>-</u>	<u>7,565,296</u>
Deferred charges	1,037,164	16,596	-	1,053,760
Capital assets (net, where applicable of accumulated depreciation)	53,957,518	3,219,990	371,071	57,548,579
Total noncurrent assets	<u>62,395,384</u>	<u>3,401,180</u>	<u>371,071</u>	<u>66,167,635</u>
Total assets	<u>67,688,024</u>	<u>4,373,851</u>	<u>1,920,445</u>	<u>73,982,320</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	317,475	209,871	105,930	633,276
Accrued payroll payable	109,161	25,643	33,669	168,473
Unearned revenue	-	-	18,050	18,050
Compensated absences	64,366	12,272	28,033	104,671
Customer deposits payable	525,350	-	-	525,350
Bonds payable	2,855,000	39,779	-	2,894,779
Capital lease payable	141,332	77,488	210	219,030
Accrued interest payable	213,465	2,129	-	215,594
Current liabilities payable from restricted assets:				
Accounts payable	118,831	-	-	118,831
Retainage payable	237,430	-	-	237,430
Total current liabilities	<u>4,582,410</u>	<u>367,182</u>	<u>185,892</u>	<u>5,135,484</u>
Noncurrent liabilities:				
Compensated absences	257,466	49,087	112,133	418,686
Bonds payable	40,134,151	358,012	-	40,492,163
Capital lease payable	334,680	319,140	830	654,650
Landfill closure liability	-	678,564	-	678,564
Net pension obligation	188,062	45,212	683	233,957
Total noncurrent liabilities	<u>40,914,359</u>	<u>1,450,015</u>	<u>113,646</u>	<u>42,478,020</u>
Total liabilities	<u>45,496,769</u>	<u>1,817,197</u>	<u>299,538</u>	<u>47,613,504</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,431,776	2,425,571	370,031	19,227,378
Restricted for debt service	1,461,281	164,594	-	1,625,875
Unrestricted	4,298,198	(33,511)	1,250,876	5,515,563
Total net assets	<u>\$ 22,191,255</u>	<u>\$ 2,556,654</u>	<u>\$ 1,620,907</u>	<u>\$ 26,368,816</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Total
	Utility Operations	Sanitation	Emergency Medical Services	
Operating revenues:				
Water revenue	\$10,551,942	\$ -	\$ -	\$10,551,942
Sewer revenue	4,277,746	-	-	4,277,746
Tap fees	47,082	-	-	47,082
Other charges	418,064	19,831	52,792	490,687
Garbage collection fees	-	1,063,881	-	1,063,881
Landfill	-	2,126,065	-	2,126,065
Emergency medical services	-	-	1,649,927	1,649,927
Total operating revenues	<u>15,294,834</u>	<u>3,209,777</u>	<u>1,702,719</u>	<u>20,207,330</u>
Operating expenses:				
Costs of sales and services	6,787,690	2,389,159	1,900,896	11,077,745
Administration	746,578	15,806	4,016	766,400
Depreciation and amortization	1,550,434	291,243	118,195	1,959,872
Total operating expenses	<u>9,084,702</u>	<u>2,696,208</u>	<u>2,023,107</u>	<u>13,804,017</u>
Operating income (loss)	<u>6,210,132</u>	<u>513,569</u>	<u>(320,388)</u>	<u>6,403,313</u>
Nonoperating revenue (expenses):				
Investment earnings	27,561	2,886	1,021	31,468
Gain on disposal of assets	441	52,277	-	52,718
Interest and fiscal charges	(1,471,053)	(30,553)	(7)	(1,501,613)
Bond issuance costs	(78,590)	(1,151)	-	(79,741)
Total nonoperating revenue (expenses)	<u>(1,521,641)</u>	<u>23,459</u>	<u>1,014</u>	<u>(1,497,168)</u>
Income (loss) before contributions and transfers	4,688,491	537,028	(319,374)	4,906,145
Capital contributions	174,110	521	-	174,631
Transfer in	355,116	-	-	355,116
Transfer out	<u>(1,551,475)</u>	<u>(497,260)</u>	<u>(369,957)</u>	<u>(2,418,692)</u>
Change in net assets	3,666,242	40,289	(689,331)	3,017,200
Total net assets - beginning, as restated	18,525,013	2,516,365	2,310,238	23,351,616
Total net assets - ending	<u>\$22,191,255</u>	<u>\$2,556,654</u>	<u>\$ 1,620,907</u>	<u>\$26,368,816</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
Cash flows from operating activities:				
Receipts from customers and users	\$14,916,042	\$3,245,244	\$2,127,821	\$20,289,107
Payments to suppliers	(5,411,016)	(1,782,870)	(834,420)	(8,028,306)
Payments to employees	(2,248,668)	(610,121)	(1,088,912)	(3,947,701)
Net cash provided (used) by operating activities	<u>7,256,358</u>	<u>852,253</u>	<u>204,489</u>	<u>8,313,100</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	308,151	-	-	308,151
Transfers to other funds	(1,551,475)	(497,260)	(369,957)	(2,418,692)
Net cash provided (used) by noncapital financing activities	<u>(1,243,324)</u>	<u>(497,260)</u>	<u>(369,957)</u>	<u>(2,110,541)</u>
Cash flows from capital and related financing activities:				
Capital contributions	303,590	521	-	304,111
Acquisition and construction of capital assets	(4,198,960)	(273,971)	(114,125)	(4,587,056)
Proceeds from bonds, including premiums	3,211,712	-	-	3,211,712
Bond issuance costs	(99,333)	-	-	(99,333)
Principal paid on bond maturities	(2,490,000)	(38,306)	-	(2,528,306)
Interest paid on bond maturities	(1,639,193)	(17,469)	-	(1,656,662)
Proceeds from capital leases	501,556	254,319	1,092	756,967
Principal paid on leased assets	(114,576)	(70,332)	(52)	(184,960)
Interest paid on leased assets	(10,383)	(13,277)	(7)	(23,667)
Proceeds from the sale of capital assets	441	1,777	-	2,218
Net cash provided (used) by capital and related financing activities	<u>(4,535,146)</u>	<u>(156,738)</u>	<u>(113,092)</u>	<u>(4,804,976)</u>
Cash flows from investing activities:				
Interest on investments	27,561	2,886	1,021	31,468
Net cash provided by investing activities	<u>27,561</u>	<u>2,886</u>	<u>1,021</u>	<u>31,468</u>
Net increase in cash and cash equivalents	1,505,449	201,141	(277,539)	1,429,051
Cash and cash equivalents at beginning of year	8,226,386	798,781	580,996	9,606,163
Cash and cash equivalents at end of year	<u>\$ 9,731,835</u>	<u>\$ 999,922</u>	<u>\$ 303,457</u>	<u>\$11,035,214</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 6,210,132	\$ 513,569	\$ (320,388)	\$ 6,403,313
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,550,434	291,243	118,195	1,959,872
(Increase) decrease in accounts receivable	(418,112)	35,467	425,102	42,457
(Increase) decrease in prepaid items	(1,153)	-	-	(1,153)
Increase (decrease) in accounts payable and accrued expenses	(149,700)	(22,632)	(7,222)	(179,554)
Increase (decrease) in unearned revenue	-	-	(11,198)	(11,198)
Net increase in customer deposits	39,320	-	-	39,320
Increase in landfill closure liability	-	27,380	-	27,380
Increase in net pension obligation	25,437	7,226	-	32,663
Total adjustments	<u>1,046,226</u>	<u>338,684</u>	<u>524,877</u>	<u>1,909,787</u>
Net cash provided by operating activities	<u>\$ 7,256,358</u>	<u>\$ 852,253</u>	<u>\$ 204,489</u>	<u>\$ 8,313,100</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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 applies the criteria set forth in GASB Statement No. 14, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official's accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenues 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 revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid sick pay, are recorded only when payment is due.

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, and interest associated with the current fiscal year are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. Available has been defined as received within sixty days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *utility operations fund* accounts for the activities of the water and wastewater operations that are intended to be self-supporting through user charges.

The *sanitation fund* accounts for the sanitation operations that are intended to be self-supporting through user charges.

The *emergency medical services* fund accounts for the emergency medical service operations that are intended to be self-supporting through user charges.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the government-wide governmental and business type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to apply private-sector guidance issued after November 30, 1989.

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 utility operations, sanitation and emergency medical services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 operations, sanitation and emergency medical services enterprise funds 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 revenues and expenses not meeting this definition are reported as nonoperating revenues 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

Deposits and Investments -

For purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition and money market accounts.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Investments for the City are reported at fair value.

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 non-current 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 receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rate percentages.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Navarro Central Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Navarro County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

Inventory and prepaid items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Restricted assets –

Certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond reserve” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

Capital assets -

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the utility operations fund during the current fiscal year was \$1,705,259. Of this amount, \$203,646 was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	10-40
Machinery and equipment	3-20
Infrastructure	20-50

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Compensated absences –

It is the government's policy to permit employees to accumulate earned but unused vacation and sick leave pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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.

Fund Equity -

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned, in order as needed.

New Standard -

With the implementation of GASB-54, a previously reported special revenue fund no longer met the definition and needed to be reclassified as part of the general fund. See Note 3 I for the disclosure of the restatement of governmental fund balances as of the beginning of the fiscal year.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except capital project funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and departments. The City Manager and Director of Finance are authorized to make intradepartmental and inter-departmental fund transfers within a fund during the fiscal year as becomes necessary in order to avoid the over-expenditure of a particular object code or department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The Council made several supplemental budgetary appropriations throughout the year.

B. Deficit fund equity

The City/County Economic Development special revenue fund had a deficit fund balance of \$43,394 as of September 30, 2011. The deficit fund balance will be covered by future revenue.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Deficit fund equity (continued)

The Tax Increment Financing District special revenue fund had a deficit fund balance of \$838,074 as of September 30, 2011. The deficit fund balance will be covered with the collection of the special assessment within the District.

The Safe Route to School Grant special revenue fund had a fund balance deficit of \$13,144 as of September 30, 2011. The deficit fund balance will be covered by future revenue.

The 2009 Texas Capital Fund special revenue fund had a fund balance deficit of \$87,221 as of September 30, 2011. The deficit fund balance will be covered by future revenue.

The TCDP Grant Cinergy Cinemas special revenue fund had a fund balance deficit of \$695,201 as of September 30, 2011. The deficit fund balance will be covered by future revenue.

The ARRA Energy Conservation and Efficiency grant special revenue fund had a fund balance deficit of \$36,058 as of September 30, 2011. The deficit fund balance will be covered by future revenue.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2011. At year end, the bank balance of the City's deposits was \$18,669,487. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance, \$18,169,487 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$20,260,000.

Investments – Public funds of the City of Corsicana, Texas may be invested in the following: (1) obligations of the United States of America, its agencies and instrumentalities, and government sponsoring enterprises, not to exceed two years to stated maturity, excluding collateralized mortgage obligations, (2) fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed two years to stated maturity, (3) no-load, SEC registered money market funds, each approved specifically before use by the City, and (4) constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the Public Funds Investment Act, and the actual rating as of year end.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Tex Star	\$ 33,026	N/A	AAAm
Prime Investment Money Market Fund	1,121,222	N/A	Aaa
Total	<u>\$1,154,248</u>		

TexStar is considered a cash equivalent on the Government-wide Statement of Net Assets and on the Balance Sheets of the Fund Financial Statements.

The local government investment pool, Tex Star, is managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. Although the pool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the City’s position in the pool is the same as the value of pool’s shares.

Tex Star is co-administered by First Southwest Asset Management, Inc. and JPMorgan Chase, who provide investment services, participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

Prime Investment Money Market Fund (“Fund”) is a no-load, SEC registered money market fund. The Fund seeks current income while preserving capital and liquidity. The Fund’s advisor is Wells Fargo Funds Management, LLC.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

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

	General	Utility Operations	Sanitation	Emergency Medical Services	Nonmajor Governmental	Total
Receivables:						
Taxes	\$ 1,844,910	\$ -	\$ -	\$ -	\$ 137,663	\$ 1,982,573
Court fines	489,212	-	-	-	-	489,212
Accounts	-	2,833,346	180,229	3,318,285	-	6,331,860
Other	226,947	114,378	6,880	57,610	204,504	610,319
Gross receivables	<u>2,561,069</u>	<u>2,947,724</u>	<u>187,109</u>	<u>3,375,895</u>	<u>342,167</u>	<u>9,413,964</u>
Less: allowance for uncollectibles	<u>(62,134)</u>	<u>(158,091)</u>	<u>(49,766)</u>	<u>(2,135,750)</u>	<u>(14,809)</u>	<u>(2,420,550)</u>
Net total receivables	<u>\$ 2,498,935</u>	<u>\$ 2,789,633</u>	<u>\$ 137,343</u>	<u>\$ 1,240,145</u>	<u>\$ 327,358</u>	<u>\$ 6,993,414</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognized 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:

Delinquent property taxes receivable (general fund)	<u>\$ 331,744</u>
Court fines (general fund)	489,212
Other (general fund)	81,074
Delinquent property taxes receivable (other governmental funds)	79,559
Grant revenues (other governmental funds)	972,801
Total deferred / unearned revenue for governmental funds	<u>\$1,954,390</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,691,060	\$ 138,140	\$ -	\$ 37,829,200
Construction in progress	685,571	966,194	(343,276)	1,308,489
Total capital assets not being depreciated	<u>38,376,631</u>	<u>1,104,334</u>	<u>(343,276)</u>	<u>39,137,689</u>
Capital assets being depreciated:				
Buildings	16,828,079	22,880	(339,535)	16,511,424
Machinery and equipment	6,165,967	411,700	(111,651)	6,466,016
Infrastructure	22,667,543	332,311	-	22,999,854
Totals capital assets being depreciated	<u>45,661,589</u>	<u>766,891</u>	<u>(451,186)</u>	<u>45,977,294</u>
Less accumulated depreciation for:				
Buildings	(14,141,861)	(273,892)	274,599	(14,141,154)
Machinery and equipment	(4,973,648)	(373,900)	103,712	(5,243,836)
Infrastructure	(13,212,547)	(561,448)	-	(13,773,995)
Total accumulated depreciation	<u>(32,328,056)</u>	<u>(1,209,240)</u>	<u>378,311</u>	<u>(33,158,985)</u>
Total capital assets, being depreciated, net	<u>13,333,533</u>	<u>(442,349)</u>	<u>(72,875)</u>	<u>12,818,309</u>
Governmental activities capital assets, net	<u>\$ 51,710,164</u>	<u>\$ 661,985</u>	<u>\$ (416,151)</u>	<u>\$ 51,955,998</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,686,358	\$ -	\$ (138,140)	\$ 3,548,218
Construction in progress	901,653	3,917,105	(449,620)	4,369,138
Total capital assets not being depreciated	<u>4,588,011</u>	<u>3,917,105</u>	<u>(587,760)</u>	<u>7,917,356</u>
Capital assets being depreciated:				
Buildings	4,279,227	50,426	-	4,329,653
Improvements	48,460,707	845,225	-	49,305,932
Machinery and equipment	24,400,626	563,071	(251,627)	24,712,070
Total capital assets being depreciated	<u>77,140,560</u>	<u>1,458,722</u>	<u>(251,627)</u>	<u>78,347,655</u>
Less accumulated depreciation for:				
Buildings	(2,940,469)	(62,247)	-	(3,002,716)
Improvements	(12,517,638)	(923,403)	-	(13,441,041)
Machinery and equipment	(11,541,101)	(983,201)	251,627	(12,272,675)
Total accumulated depreciation	<u>(26,999,208)</u>	<u>(1,968,851)</u>	<u>251,627</u>	<u>(28,716,432)</u>
Total capital assets being depreciated, net	<u>50,141,352</u>	<u>(510,129)</u>	<u>-</u>	<u>49,631,223</u>
Business-type capital assets, net	<u>\$ 54,729,363</u>	<u>\$ 3,406,976</u>	<u>\$ (587,760)</u>	<u>\$ 57,548,579</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

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

Governmental activities:	
General government	\$ 261,231
Public safety	219,424
Community support services	8,848
Public works	548,694
Cultural and recreational	134,941
Building and vehicle maintenance	36,102
Total depreciation expense - governmental activities	<u>\$ 1,209,240</u>
Business-type activities:	
Utility operations	\$ 1,550,434
Sanitation	291,243
Emergency medical services	118,195
Total depreciation expense - business-type activities	<u>\$ 1,959,872</u>

The construction in progress consists of infrastructure and utility system improvements.

Construction Commitments –

The City has construction projects outstanding as of September 30, 2011. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Spent-to-date</u>	<u>Commitment Remaining</u>
Infrastructure improvements	\$ 278,967	\$ 100,605
Utility system improvements	3,785,021	1,400,444
	<u>\$ 4,063,988</u>	<u>\$ 1,501,049</u>

The infrastructure improvements projects are commitments of the City's special revenue and capital project funds. These projects are being funded by certificates of obligation, special revenues, and a grant. The utility system improvements projects are commitments of the City's utility operations enterprise fund. These projects are being funded by certificates of obligation.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund receivables, payables and transfers

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 1,602,237</u>

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

	Transfer In:			Total
	General	Utility Operations	Nonmajor Governmental	
Transfer out:				
General	\$ -	\$ -	\$ 1,093,308	\$ 1,093,308
Utility Operations	1,322,968	-	228,507	1,551,475
Sanitation	496,527	-	733	497,260
Emergency Medical Services	369,957	-	-	369,957
Nonmajor Governmental	32	355,116	17,238	372,386
	<u>\$ 2,189,484</u>	<u>\$ 355,116</u>	<u>\$ 1,339,786</u>	<u>\$ 3,884,386</u>

Transfers consisted of:

- General Fund and Utility Operations to Nonmajor Governmental Funds for subsidy for other programs in the City.
- Utility Operations to General Fund for subsidy for administrative expenditures (\$864,303) and payment in lieu of franchise taxes (\$458,665).
- Sanitation to General Fund for subsidy for administrative expenditures (\$400,551) and payment in lieu of franchise taxes (\$95,976).
- Emergency Medical Services to General Fund for subsidy for administrative expenditures (\$369,957).

E. Leases

Capital –

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 2.10-6.12%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 413,608	\$ 687,664
Less: accumulated depreciation	(83,967)	(109,156)
Total	<u>\$ 329,641</u>	<u>\$ 578,508</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

E. Lease (continued)

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Capital Lease Obligations			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 158,313	\$ 25,085	\$ 219,030	\$ 20,918
2013	146,615	20,002	162,349	15,254
2014	133,304	15,805	156,819	11,141
2015	134,563	11,921	159,638	7,057
2016	91,027	8,389	61,236	3,738
2017-2021	260,079	15,962	114,608	7,047
	<u>\$ 923,901</u>	<u>\$ 97,164</u>	<u>\$ 873,680</u>	<u>\$ 65,155</u>

F. Long-term debt

Certificates of Obligation -

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's utility operations.

Certificates of obligation currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.25-4.5%	\$ 4,542,209
Business-type activities	0.148-4.25%	21,552,791
Total		<u>\$ 26,095,000</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Annual debt service requirements to maturity for certificates of obligation bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 95,221	\$ 186,461	\$ 924,779	\$ 844,544
2013	102,274	182,511	982,726	781,781
2014	149,374	177,478	1,005,626	743,685
2015	242,901	169,632	1,052,100	698,418
2016	252,901	159,716	1,092,100	656,345
2017-2021	1,379,503	637,646	5,850,498	2,698,964
2022-2026	1,700,035	320,065	7,309,962	1,426,581
2027-2031	620,000	13,175	3,335,000	215,450
	<u>\$ 4,542,209</u>	<u>\$ 1,846,684</u>	<u>\$ 21,552,791</u>	<u>\$ 8,065,768</u>

General Obligation Bonds -

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities - refunding	2.00-4.00%	\$ 10,260,000
Business-type activities - refunding	2.25-4.00%	9,670,000
Total		<u>\$ 19,930,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 580,000	\$ 397,630	\$ 1,550,000	\$ 304,900
2013	635,000	345,515	1,615,000	242,900
2014	660,000	326,214	985,000	210,600
2015	565,000	306,354	1,030,000	181,050
2016	585,000	287,599	1,055,000	150,150
2017-2021	2,825,000	1,134,108	3,435,000	287,900
2021-2026	2,900,000	602,964	-	-
2027-2031	1,510,000	130,425	-	-
	<u>\$ 10,260,000</u>	<u>\$ 3,530,809</u>	<u>\$ 9,670,000</u>	<u>\$ 1,377,500</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Revenue Bonds -

The City also issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Revenue bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business-type activities - refunding	3.25-4.50%	\$ 12,500,000
Total		\$ 12,500,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2012	\$ 420,000	\$ 514,583
2013	440,000	497,783
2014	1,110,000	480,183
2015	1,150,000	436,198
2016	1,190,000	390,628
2017-2021	5,675,000	1,253,222
2022-2025	2,515,000	226,278
	\$12,500,000	\$ 3,798,875

Note Payable -

Note payable currently outstanding and reported as a liability of the City's governmental activities is:

In fiscal year 2008, the City executed a contract and agreement relating to an economic development program with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of the contract and agreement the City agreed to repay to the Texas Department of Agriculture an amount up to \$703,700 for the purchase of land and an existing building to help create jobs in an economic development area. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in two hundred forty equal monthly installments up to a maximum of \$2,932 each beginning June 2008 and ending May 2028.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Future note payments are as follows:

Year Ending September 30	
2012	\$ 35,185
2013	35,185
2014	35,185
2015	35,185
2016	35,185
2017-2021	175,925
2022-2026	175,925
2027-2028	58,642
Total note payments	<u>586,417</u>
Unamortized discount	(189,073)
Present value of note payments	<u><u>\$ 397,344</u></u>

Line of Credit -

The City has a line of credit from a local bank with a total authorized balance of \$1,158,000, of which \$724,335 was outstanding as of September 30, 2011. The line of credit matures May 19, 2018 with an interest rate of 5.00%.

Annual principal and interest requirements are as follows:

Year Ending September 30	Principal	Interest
2012	\$ 100,000	\$ 36,670
2013	100,000	31,670
2014	100,000	26,670
2015	100,000	21,670
2016	100,000	16,670
2017-2018	224,335	18,340
	<u>\$ 724,335</u>	<u>\$ 151,690</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 4,633,903	\$ -	\$ (91,694)	\$ 4,542,209	\$ 95,221
General obligation bonds	7,530,000	3,205,000	(475,000)	10,260,000	580,000
Less deferred amounts:					
For issuance premium	75,954	6,712	(8,564)	74,102	-
On refunding	(31,040)	-	3,117	(27,923)	-
Total bonds payable	12,208,817	3,211,712	(572,141)	14,848,388	675,221
Note payable	621,602	-	(35,185)	586,417	35,185
Less discount on note payable	(209,347)	-	20,274	(189,073)	(20,941)
Line of credit	833,399	-	(109,064)	724,335	100,000
Capital leases	261,837	793,283	(131,219)	923,901	158,313
Compensated absences	1,396,939	612,481	(500,575)	1,508,845	301,769
Net pension obligation	400,590	65,123	-	465,713	-
Governmental activity Long-term liabilities	<u>\$ 15,513,837</u>	<u>\$ 4,682,599</u>	<u>\$ (1,327,910)</u>	<u>\$ 18,868,526</u>	<u>\$ 1,249,547</u>
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 19,101,097	\$ 3,205,000	\$ (753,306)	\$ 21,552,791	\$ 924,779
General obligation bonds	11,035,000	-	(1,365,000)	9,670,000	1,550,000
Revenue bonds	12,910,000	-	(410,000)	12,500,000	420,000
Less deferred amounts:					
For issuance discount	(95,274)	-	7,113	(88,161)	-
For issuance premium	624,897	6,712	(62,933)	568,676	-
On refunding	(888,502)	-	72,138	(816,364)	-
Total bonds payable	42,687,218	3,211,712	(2,511,988)	43,386,942	2,894,779
Landfill closure	651,184	27,380	-	678,564	-
Capital lease	301,673	756,967	(184,960)	873,680	219,030
Compensated absences	498,889	248,195	(223,727)	523,357	104,671
Net pension obligation	201,294	32,663	-	233,957	-
Business-type activity Long-term liabilities	<u>\$ 44,340,258</u>	<u>\$ 4,276,917</u>	<u>\$ (2,920,675)</u>	<u>\$ 45,696,500</u>	<u>\$ 3,218,480</u>

Certificates of obligation, general obligation bonds, note payable, line of credit and capital leases issued for governmental activity purposes are liquidated by the debt service fund. Certificates of obligations, general obligation bonds, revenue bonds, landfill closure, capital leases, compensated absences and net pension obligation issued for business-type activities are repaid from those activities.

Governmental compensated absences will be liquidated by the General Fund.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

G. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue bond construction account	\$ 6,295,682
Revenue bond debt service account	138,811
Revenue bond reserve account	1,487,064
	<u>\$ 7,921,557</u>

NOTE 4 – OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Commitments

Tax Increment Financing (“TIF”) Reinvestment Zone Number 1 - As set forth in Ordinance No. 2289, dated August 21, 2001, the City created Tax Increment Financing (“TIF”) Reinvestment Zone Number 1 (the “Zone”) to fund a series of infrastructure improvements, which are needed to incentivize and accelerate the rate of development in the Zone. Pursuant to Resolution No. 1028, approved on December 18, 2001, the City authorized the execution of a development agreement with Corsicana-Navarro County Developers, L.L.C. (“Company”). Under the agreement the Company was to design and construct public improvements including the extension of water and fire protection services, the extension of sanitary sewer services, earthwork and street construction in the Zone. Following completion of the public improvements with funding provided by the Company, the City shall acquire the public improvements and reimburse the acquisition funding by the use of TIF increment funds.

Subject to the terms of the agreement, the City agrees to reimburse the Company in the amount of \$250,000 in any fiscal year, not to exceed 75% of the total funds deposited into the TIF fund in any one fiscal year unless authorized by the TIF District Board of Directors. As of September 30, 2011 the unreimbursed costs due the Company totaled \$2,844,645.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

B. Commitments (continued)

Retail Center Development Agreement – On February 3, 2004, the City, along with Navarro County, executed a retail center development agreement with The Corsicana Industrial Foundation, Inc. (“Foundation”). Under the agreement the City and County agrees to grant to the Foundation 50% to 100% of the sales tax generated by businesses located in a retail center. The Foundation agrees to use all of the moneys from the grant solely for the purpose of repayment of debt associated with the funding incentives offered to a business located in the center. This agreement shall terminate upon repayment of the debt associated with the incentive package. Grants paid to the Foundation under the agreement for the year ended September 30, 2011 totaled \$477,259 by the City and \$159,086 by the County. As of September 30, 2011 the unpaid debt of the City and County associated with the incentive package totaled \$5,902,334.

Water Contract - On June 30, 1959, as amended July 16, 1965, the City contracted with the Trinity River Authority for 90% of the yield from the water conservation space in Navarro Mills Reservoir, on an entitlement of 17.460 acre feet of the 19,400 acre feet of water available to the authority. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

The City's annual payments for maintenance and operation to the Authority, constituting an operating expense on the City's utility operating fund, are estimated to be \$572,128 annually, subject to adjustment as required by the Authority to cover actual cost incurred. Actual payments for the year ended September 30, 2011 were \$424,898.

C. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

D. Related Party

During the year, businesses owned by City employees provided services for the City in the amount of \$145,929.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

E. Texas Municipal Retirement System

Plan Description -

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	50% of CPI Repeating

Contributions -

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 27-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate, which for 2011 and 2010 was 15.92% and 16.84%, respectively. 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. The annual pension cost and net pension obligation/(asset) are as follows:

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

E. Texas Municipal Retirement System (continued)

Annual Required Contribution (ARC)	\$ 1,515,790
Interest on Net Pension Obligation	45,141
Adjustment to the ARC	<u>(37,349)</u>
Annual Pension Cost (APC)	1,523,582
Contributions Made	<u>(1,425,796)</u>
Increase (decrease) in net pension obligation	97,786
Net Pension Obligation/(Asset), beginning of year	<u>601,884</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 699,670</u></u>

Six-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2006	\$ 764,546	\$ 764,546	100%	\$ -
2007	738,424	738,424	100%	-
2008	1,039,203	1,039,203	100%	-
2009	1,675,508	1,410,182	84%	265,326
2010	1,770,061	1,433,503	81%	601,884
2011	1,523,582	1,425,796	94%	699,670

The required contribution rates for the year ended September 30, 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - prior to restructuring	12/31/2010 - restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29 years; closed period	28 years; closed period	27 years; closed period	27 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return	7.5%	7.5%	7.5%	7.0%
Projected Salary Increase	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 1.5%	3.0% 1.5%

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

E. Texas Municipal Retirement System (continued)

Funded Status and Funding Progress – In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The schedule of funding progress, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2005	\$ 15,151,700	\$ 19,447,257	77.9%	\$ 4,295,557	\$ 7,202,820	59.6%
12/31/2006	15,594,113	22,669,242	68.8%	7,075,129	7,759,579	91.2%
12/31/2007	16,260,406	28,146,270	57.8%	11,885,864	8,462,104	140.5%
12/31/2008	16,946,545	29,893,778	56.7%	12,947,233	8,847,450	146.3%
12/31/2009	17,274,408	31,022,164	55.7%	13,747,756	9,354,262	147.0%
12/31/2010 ¹	18,630,093	28,208,754	66.0%	9,578,661	8,560,354	111.9%
12/31/2010 ²	30,180,484	37,527,268	80.4%	7,346,784	8,560,354	85.8%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

F. Corsicana Firefighter's Relief and Retirement Fund

Plan Description -

The Board of Trustees of the Corsicana Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. Firefighters in the Corsicana Fire Department are covered by the Corsicana Fireman's Relief and Retirement Plan. The current plan was adopted as amended on August 1, 2007. The Plan is a local governmental plan and therefore is not subject to the Employee Retirement Income Security Act of 1974. The Corsicana Firefighter's Relief and Retirement Fund is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The Board is made up of three members elected from and by the Plan members, two representatives of the City of Corsicana, Texas, and two citizen members.

The Corsicana Firefighter's Relief and Retirement Fund issues an annual financial report. This report may be obtained from the Director of Finance, 200 N. 12th Street, Corsicana, Texas 75110.

The Corsicana Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service with partial vesting after 15 years of service. Firefighters may retire at age 50 with 20 years of service. A reduced deferred service retirement benefit is provided for employees who terminate employment with 15 to 19 years of service. A RETRO DROP option is available for retiring firefighters which will provide them with a lump sum benefit and a reduced monthly benefit upon termination of employment. The Plan Effective August 1, 2007 provides a monthly service retirement benefit, payable in a Joint and 75% to surviving spouse form of annuity. The monthly benefit equals 53.0% of Highest 60-Month Average Salary plus \$90.00 per month for each year of service in excess of 20 years.

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Membership of the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	29
Active plan members	<u>52</u>
Total	<u><u>81</u></u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

F. Corsicana Firefighter's Relief and Retirement Fund (continued)

Contributions -

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the city provides an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL), and the number of years needed to amortize the plan's UAAL is determined using a level percentage of payroll method.

The costs of administering the plan are financed from the fund.

The current funding policy of the Corsicana Firemen's Relief and Retirement Fund requires contributions of 12% of pay by the firefighters and contributions by the city of 14% of payroll. The 29-year amortization period in the December 31, 2010 actuarial valuation was based on the assumption that the current funding policy will continue in the future. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 444,252
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	444,252
Contributions Made	(444,252)
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

Six-year trend information is as follows:

Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
9/30/2006	\$ 277,037	\$ 277,037	100.00%	\$ -
9/30/2007	380,335	380,335	100.00%	-
9/30/2008	415,805	415,805	100.00%	-
9/30/2009	417,769	417,769	100.00%	-
9/30/2010	432,092	432,092	100.00%	-
9/30/2011	444,252	444,252	100.00%	-

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

F. Corsicana Firefighter's Relief and Retirement Fund (continued)

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2011 are the same as the actual city contributions, based on the results of the actuarial valuations as of December 31, 2008 and as of December 31, 2010 which were determined in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for the two most recent valuations are shown below:

Valuation date	12/31/2008	12/31/2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	28 years	29 years
Asset valuation method	Market value	5-year adjusted market value
Actuarial assumptions:		
Investment return	7.75%	7.50%
Inflation	4.00%	4.00%
Projected salary increases		
- general salary increases	5.00%	4.00%
- promotion and longevity increase	0.00%	0-4.00%
- total increase	5.00%	4.00-8.16%
Cost-of-living increases	0.00%	0.00%
Payroll increases	5.00%	4.00%
ARC	Actual contributions	Actual contributions
Fiscal years	2009, 2010 and 2011	2011, 2012 and 2013

The funded progress, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll ³ (e)	UAAL as a Percentage of Covered Payroll ³ {(b-a)/c} (f)
12/31/2002	\$ 2,691,724	\$ 6,547,250	\$ 3,855,526	41.11%	\$ 2,312,206	166.75%
12/31/2004	3,850,850	7,304,064	3,453,214	52.72%	2,501,930	138.02%
12/31/2006	4,634,967	8,987,094	4,352,127	51.57%	2,859,354	152.21%
12/31/2008 ¹	4,234,643	11,726,771	7,492,128	36.11%	2,892,502	259.02%
12/31/2010 ^{1,2}	6,349,644	12,222,782	5,873,138	51.95%	2,880,314	203.91%

(1) Reflects plan benefit provisions effective August 1, 2007.

(2) Economic and demographic assumptions were revised.

(3) The covered payroll is based on estimated salaries for the year following the valuation date.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

F. Corsicana Firefighter's Relief and Retirement Fund (continued)

For the fiscal year ending September 30, 2011, the City of Corsicana's Annual Pension Cost (APC) for the Corsicana Firemen's Relief and Retirement Fund is \$444,252, an amount equal to the annual required contributions (ARC). Based on the results of the December 31, 2010 actuarial valuation of the Plan Effective August 1, 2007, the most recent actuarial valuation, the board's actuary found that the fund has an adequate contribution arrangement based on the current level of the firefighter and the assumed City of Corsicana contribution rates. The current funding policy of the fund requires the firefighters to contribute 12% of pay, and the city contributes 14% of payroll.

G. Postemployment Benefits

Program Description:

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF and schedule of contribution rates are as follows:

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

G. Postemployment Benefits (continued)

Plan / Calendar Year	City's Contribution		Schedule of Contribution Rates As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
	2006	\$ 24,285	\$ 24,285	0.11%	0.11%
2007	24,510	24,510	0.10%	0.10%	100.0%
2008	24,735	24,735	0.09%	0.09%	100.0%
2009	25,648	25,648	0.28%	0.28%	100.0%
2010	22,783	22,783	0.25%	0.25%	100.0%
2011	23,113	23,113	0.27%	0.27%	100.0%

H. 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 \$678,564 reported to date is based on the use of 22.93 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,959,582 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. 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, 2011, investments of \$142,792 fair value are held for these purposes. 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.

I. Subsequent event

Subsequent to year end the City entered into various construction contracts relating to the construction of a City sewer line totaling \$605,173, street construction totaling \$1,951,712, and a contract for architectural services relating to the remodel of the government center totaling \$45,000.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

I. Subsequent event (continued)

The City also entered into various capital lease agreements for the purchase of various equipment. These leases total \$1,347,408 and have terms of 3 and 5 years.

J. Prior Period Adjustment

Corrections have been made to the business-type activities beginning net assets in the government-wide financial statements and to the fund balance/net assets in the fund financial statements due to errors in classification and recording of financial transactions in the prior period, resulting in an overstatement of assets, understatement of liabilities, understatement/overstatement of fund balance/net assets, overstatement of revenues, and an understatement of expenses of the prior year. Capital assets were overstated in the previous year as a result of the use of an incorrect method of capitalizing interest incurred on bonds issued to finance construction. The allowance for uncollectible accounts in the Emergency Medical Services fund was understated in the previous year. The change to the beginning fund balance/net assets as of October 1, 2010 is summarized as follows:

	Fund Financial Statements	
	General	Other Governmental
As previously reported, October 1, 2010	\$ 3,113,183	\$ 2,078,043
Correct understatement of deferred revenue	(76,522)	(47,131)
Increase (decrease) due to reclassification of special revenue fund	15,932	(15,932)
Restated, October 1, 2010	<u>\$ 3,052,593</u>	<u>\$ 2,014,980</u>
Effect of restatement on operations for the year ending September 30, 2010	<u>\$ 5,028</u>	<u>\$ (52,159)</u>

	Fund Financial Statements		Government-wide Financial Statements
	Utility Operations	Emergency Medical Services	Business-type Activities
As previously reported, October 1, 2010	\$ 19,207,358	\$ 2,761,631	\$ 24,485,354
Correct understatement of allowance for uncollectibles	-	(451,393)	(451,393)
Correct overstatement of capital assets	(686,320)	-	(686,320)
Correct understatement of accumulated depreciation	3,975	-	3,975
Restated, October 1, 2010	<u>\$ 18,525,013</u>	<u>\$ 2,310,238</u>	<u>\$ 23,351,616</u>
Effect of restatement on operations for the year ending September 30, 2010	<u>\$ (331,074)</u>	<u>\$ (451,393)</u>	<u>\$ (782,467)</u>

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The *Hotel/Motel Occupancy Fees* fund was established to account for financial resources to be used to promote tourism. A tax is levied upon the occupancy of any room or space furnished by any hotel. Revenue from this tax is used by the City to promote tourism. A large portion is allocated to the Chamber of Commerce/Corsicana Development Commission (CDC) for promoting and advertising tourism within the City.

The *Airport Operating* fund was established to account for the construction and operation of the airport. Revenue consists of hangar rentals, gas sales, and grants. There is no debt associated with this fund.

The *Cemetery* fund accounts for the maintenance and operation of City-owned cemeteries. This is funded by the sale of cemetery lots and transfers from the general fund.

The *Forfeitures* fund accounts for police funds that were seized and subsequently awarded to the City through court action.

The *Parks/Recreation* fund was created to account for projects sponsored by the City. It is funded by donations and other contributions.

The *Parks/Recreation Special Events* fund was created to account for special events sponsored by the City. It is funded through donations and transfers from the Hotel/Motel fund.

The *Library* fund was created to account for special projects sponsored by the City. It is funded through donations and small grants.

The *Corsicana/Navarro County Economic Development* fund supports an employee for economic development through interactions with the business community within the City of Corsicana and Navarro County. The county reimburses the city for half of the director's salary. All other funding is by transfer from the general fund.

The *Police* fund accounts for various projects supported by the police department. It is funded through donations.

The *Community Support Services* fund was created to account for Community Support Services projects sponsored by the City. Included are benevolent services and cemetery projects. It is funded by donations.

The *Fire* fund was created to account for special projects and LEOSE funds from the state. Special projects are funded through donations, and LEOSE expenditures are funded by the state for training.

The *Palace Theatre* fund accounts for and tracks the payment of electric service for the downtown Palace Theatre. The City makes a budget approved donation to the account and the balance is reimbursed to the City by the theatre.

The *Police LEOSE* fund accounts for expenditures that are funded by the state for law enforcement officer education.

Nonmajor Governmental Funds (continued)

SPECIAL REVENUE FUNDS (continued)

The *Senior Activity Center* fund accounts for the maintenance and capital purchases for the Sr. Activity Center. It was originally funded by a grant.

The *Tax Increment Financing District* fund is funded by tax dollars from the City of Corsicana, Navarro County and Navarro College. The TIF is being utilized to fund a series of infrastructure improvements, including frontage road improvements along IH-45, water and sewer line installation, and the purchase of one parcel of property in the business park.

The *Court Technology* fund accounts for the collection of a municipal court technology fee. The funds may be used only to finance the purchase of technological enhancements for the municipal court including: computer systems; computer networks; computer hardware; computer software; imaging systems; electronic kiosks; electronic ticket writers; and docket management systems.

The *Court Security* fund accounts for the collection of a municipal court building security fee. The funds may be used only to provide security services for buildings housing the municipal court, including: purchase or repair of X-ray machines and conveying systems; handheld metal detectors; walkthrough metal detectors; identification cards and systems; electronic locking and surveillance equipment; bailiffs, deputy sheriffs, deputy constables, or contract security personnel during times when they are providing appropriate security services; signage; confiscated weapon inventory and tracking systems; locks, chains, alarms, or similar security devices; purchase or repair of bullet-proof glass; and continuing education on security issues for court personnel and security personnel.

The *Corsicana Crossing* fund was created to account for funds received for Corsicana Crossing retail center projects.

The *Court Fines - Street Improvement* funds accounts for the collection of a municipal court rules of the road fee. The funds may be used only to finance the: construction and maintenance of roads, bridges, and culverts; enforcement of laws regulating the use of highways by motor vehicles; and defray the expense of traffic officers. Texas Municipal Courts Education Center (TMCEC) states enforcement of laws would include radar, police vehicles, and personnel enforcing traffic laws.

The *Court Fines - Judicial* fund accounts for the collection of a municipal court judicial efficiency fee. The funds are used to promote the efficient operation of the municipal court and the investigation, prosecution, and enforcement of offenses that are within the jurisdiction of the municipal court.

The *Court Fines - Child Safety* fund accounts for the collection of a municipal court child safety fee. The funds may be used to finance: a school crossing guard program; programs designed to enhance child safety, health, or nutrition, including child abuse prevention and intervention and drug and alcohol abuse prevention.

The *GIS Project* fund is used to account for an agreement between NCTCOG and Navarro County, City of Corsicana and Corsicana Independent School District. The purpose is for the conversion by NCTCOG of all Navarro County parcel data from AutoCAD to Geographic Information System format (GIS). Expenses to be shared by all three entities.

The *Safe Route to School Grant* fund accounts for grant money from Texas Department of Rural Affairs (ORCA). The funds will be used to construct concrete sidewalks with curb ramps and the installation of crosswalks and school zone signs with flashers for all schools.

Nonmajor Governmental Funds (continued)

SPECIAL REVENUE FUNDS (continued)

The *2009 Texas Capital* fund accounts for grant money from Texas Department of Rural Affairs (ORCA). The funds were used for the addition of infrastructure to bring new retail business into the City.

The *TDHCA Home Grant* fund accounts for grant money from the Texas Department of Housing and Community Affairs Home Program. The funds are primarily used to provide affordable housing to low income families.

The *Police Department JAG Grant* fund was established to account for grant funds received in connection with the Edward Byrne Memorial Justice Assistance Grant. The funds were primarily used to acquire a new Records/CAD Management software system.

The *TCDP Grant - Cinergy Cinemas* fund accounts for grant funds received from the Texas Capital Fund Grant program. The grant funds will be used to construct concrete curb and gutter pavement relating to the Cinergy Cinemas Corsicana, LP development project.

The *ARRA Energy Efficiency and Conservation Grant* fund was created to account for grant monies received to replace the lighting at the Corsicana Public Library and for the replacement of traffic lighting with energy efficient LED lighting.

The *Animal Shelter Building Donation fund* was created to account for donated funds to construct a new Animal Shelter.

The *Police Department Radio Replacement JAG Grant* fund was created to account for grant monies received to replace Police Department radios.

The *Police Seizures* fund accounts for police funds that were seized and pending court action.

DEBT SERVICE FUND

The *Debt Service* fund accounts for the accumulation of resources for the payment of general debt principal, interest and related costs. The revenue source is principally ad valorem taxes levied by the City.

CAPITAL PROJECTS FUNDS

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

The *2005 Certificates of Obligation Construction* fund is used to account for resources designated for the following general related projects: finance equipment, street projects, facility renovations, and the interurban project; and to assemble costs related to these improvements. Sources for funds are proceeds from the sale of Certificates of Obligation.

The *2006 Certificates of Obligation Construction* fund is used to account for resources designated for the following general related projects: construction and improvement of City streets, City parks and renovation of City Hall. Sources for funds are proceeds from the sale of Certificates of Obligation.

Nonmajor Governmental Funds (continued)

CAPITAL PROJECTS FUNDS (continued)

The *2007/2008 (A) Capital Purchases* fund is used to account for capital lease proceeds used for the purchase of equipment, including: computer software, three police cars, computers, engineering pickup, bush hog and various maintenance equipment.

The *2008 General Obligation* fund is used to account for resources designated for the following general related projects: street and drainage improvements, public safety equipment and park improvements. Sources for funds are proceeds from the sale of General Obligation bonds.

The *2011 5-Year Capital Lease/Purchase* fund was created to separately account for debt proceeds to be used for the purchase of new equipment and to fund various projects to be financed over a five year period.

The *2011 3-Year Capital Lease/Purchase* fund was created to separately account for debt proceeds to be used for the purchase of new computer and other equipment to be financed over a three year period.

The *2011 10-Year Capital Lease/Purchase* fund was created to separately account for debt proceeds to be used for the purchase of new equipment and to fund various projects to be financed over a ten year period.

The *2011 General Obligation* fund is used to account for resources designated for the following general related projects: street and drainage improvements and public safety equipment. Sources for funds are proceeds from the sale of General Obligation bonds.

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 978,784	\$ 191,288	\$ 5,080,246	\$ 6,250,318
Receivables (net of allowance for uncollectibles)	243,441	83,917	-	327,358
Due from other governments	869,151	-	-	869,151
Inventory	30,454	-	-	30,454
Total assets	<u>\$ 2,121,830</u>	<u>\$ 275,205</u>	<u>\$ 5,080,246</u>	<u>\$ 7,477,281</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 243,815	\$ -	\$ 44,081	\$ 287,896
Accrued payroll payable	6,471	-	-	6,471
Due to other funds	1,602,237	-	-	1,602,237
Deferred revenue	972,801	79,559	-	1,052,360
Total liabilities	<u>2,825,324</u>	<u>79,559</u>	<u>44,081</u>	<u>2,948,964</u>
Fund balances:				
Nonspendable:				
Inventory	30,454	-	-	30,454
Restricted:				
General Government	222,691	-	-	222,691
Public Safety	217,788	-	-	217,788
Community support services	54,026	-	-	54,026
Public works	369,463	-	-	369,463
Cultural and recreational	65,278	-	-	65,278
Debt service	-	195,646	-	195,646
Capital projects	-	-	5,036,165	5,036,165
Assigned:				
General Government	46,427	-	-	46,427
Cultural and recreational	3,471	-	-	3,471
Unassigned	(1,713,092)	-	-	(1,713,092)
Total fund balances	<u>(703,494)</u>	<u>195,646</u>	<u>5,036,165</u>	<u>4,528,317</u>
Total liabilities and fund balances	<u>\$ 2,121,830</u>	<u>\$ 275,205</u>	<u>\$ 5,080,246</u>	<u>\$ 7,477,281</u>

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2011

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property	\$ -	\$ 1,307,199	\$ -	\$ 1,307,199
Hotel occupancy	319,459	-	-	319,459
Fines and forfeitures	141,061	-	-	141,061
Charges for current services	329,871	-	-	329,871
Revenues from use of money and property	3,013	1,172	20,243	24,428
Other revenue	146,453	-	-	146,453
Intergovernmental	841,169	-	-	841,169
Contributions and donations	241,240	-	-	241,240
Total revenues	<u>2,022,266</u>	<u>1,308,371</u>	<u>20,243</u>	<u>3,350,880</u>
EXPENDITURES				
Current:				
General government	1,504,373	-	18,228	1,522,601
Public safety	249,645	-	4,933	254,578
Community support services	778,984	-	1,668	780,652
Public works	900,971	-	324,253	1,225,224
Cultural and recreational	174,860	-	4,933	179,793
Building and vehicle maintenance	-	-	266,057	266,057
Capital outlay:				
Public works	-	-	44,067	44,067
Debt service:				
Principal retirement	109,367	671,058	-	780,425
Interest and fiscal charges	56,345	478,864	-	535,209
Bond issuance costs	-	-	96,637	96,637
Total expenditures	<u>3,774,545</u>	<u>1,149,922</u>	<u>760,776</u>	<u>5,685,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,752,279)</u>	<u>158,449</u>	<u>(740,533)</u>	<u>(2,334,363)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,095,808	6,712	237,266	1,339,786
Transfers out	(45,000)	-	(327,386)	(372,386)
General obligation bonds issued	-	-	3,205,000	3,205,000
Premium on bonds issued	-	-	6,712	6,712
Capital leases	2,965	-	664,203	667,168
Sale of capital assets	1,420	-	-	1,420
Total other financing sources (uses)	<u>1,055,193</u>	<u>6,712</u>	<u>3,785,795</u>	<u>4,847,700</u>
Net change in fund balances	(697,086)	165,161	3,045,262	2,513,337
Fund balances - beginning, as restated	<u>(6,408)</u>	<u>30,485</u>	<u>1,990,903</u>	<u>2,014,980</u>
Fund balances - ending	<u>\$ (703,494)</u>	<u>\$ 195,646</u>	<u>\$ 5,036,165</u>	<u>\$ 4,528,317</u>

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2011

	Hotel/Motel Occupancy Fees	Airport Operating	Cemetery	Forfeitures	Parks/ Recreation	Parks/ Recreation Special Events	Library
ASSETS							
Cash and cash equivalents	\$ 56,660	\$ 37,018	\$ 84,804	\$ 4,061	\$ 63,630	\$ 7,150	\$ 12,753
Receivables (net of allowance for uncollectibles)	94,395	29,493	-	-	-	-	-
Due from other governments	-	30,224	-	-	-	-	-
Inventory	-	30,454	-	-	-	-	-
Total assets	<u>\$ 151,055</u>	<u>\$ 127,189</u>	<u>\$ 84,804</u>	<u>\$ 4,061</u>	<u>\$ 63,630</u>	<u>\$ 7,150</u>	<u>\$ 12,753</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 33,512	\$ 20,084	\$ 2,384	\$ -	\$ 18,246	\$ 9	\$ -
Accrued payroll payable	3,368	-	121	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	41,594	-	-	-	-	-	-
Total liabilities	<u>78,474</u>	<u>20,084</u>	<u>2,505</u>	<u>-</u>	<u>18,246</u>	<u>9</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	30,454	-	-	-	-	-
Restricted:							
General Government	72,581	30,224	82,299	-	-	-	-
Public Safety	-	-	-	4,061	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	45,384	7,141	12,753
Assigned:							
General Government	-	46,427	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>72,581</u>	<u>107,105</u>	<u>82,299</u>	<u>4,061</u>	<u>45,384</u>	<u>7,141</u>	<u>12,753</u>
Total liabilities and fund balances	<u>\$ 151,055</u>	<u>\$ 127,189</u>	<u>\$ 84,804</u>	<u>\$ 4,061</u>	<u>\$ 63,630</u>	<u>\$ 7,150</u>	<u>\$ 12,753</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2011

	Corsicana/ Navarro County Economic Development	Police	Community Support Services	Fire	Palace Theatre	Police LEOSE	Senior Activity Center
ASSETS							
Cash and cash equivalents	\$ 29,349	\$ 16,429	\$ 11,243	\$ 4,476	\$ 3,201	\$ -	\$ 54,026
Receivables (net of allowance for uncollectibles)	-	-	-	-	1,842	655	-
Due from other governments	-	-	-	3,000	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 29,349</u>	<u>\$ 16,429</u>	<u>\$ 11,243</u>	<u>\$ 7,476</u>	<u>\$ 5,043</u>	<u>\$ 655</u>	<u>\$ 54,026</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 69,767	\$ 13	\$ -	\$ -	\$ 1,572	\$ 52	\$ -
Accrued payroll payable	2,976	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	349	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>72,743</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>1,572</u>	<u>401</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	-	-	-	-	-	-	-
Public Safety	-	16,416	-	7,476	-	254	-
Community support services	-	-	-	-	-	-	54,026
Public works	-	-	11,243	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	3,471	-	-
Unassigned	(43,394)	-	-	-	-	-	-
Total fund balances	<u>(43,394)</u>	<u>16,416</u>	<u>11,243</u>	<u>7,476</u>	<u>3,471</u>	<u>254</u>	<u>54,026</u>
Total liabilities and fund balances	<u>\$ 29,349</u>	<u>\$ 16,429</u>	<u>\$ 11,243</u>	<u>\$ 7,476</u>	<u>\$ 5,043</u>	<u>\$ 655</u>	<u>\$ 54,026</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2011

	Tax Increment Financing District	Court Technology	Court Security	Corsicana Crossing	Court Fines - Street Improvement	Court Fines - Judicial	Court Fines - Child Safety
ASSETS							
Cash and cash equivalents	\$ 7,302	\$ 58,290	\$ 101,196	\$ 72,638	\$ 285,582	\$ 29,913	\$ 585
Receivables (net of allowance for uncollectibles)	117,056	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 124,358</u>	<u>\$ 58,290</u>	<u>\$ 101,196</u>	<u>\$ 72,638</u>	<u>\$ 285,582</u>	<u>\$ 29,913</u>	<u>\$ 585</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 11,276	\$ -	\$ 835	\$ -	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	6	-	-	-	-
Due to other funds	849,135	-	-	-	-	-	-
Deferred revenue	102,021	-	-	-	-	-	-
Total liabilities	<u>962,432</u>	<u>-</u>	<u>841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	-	-	-	-	-	-	-
Public Safety	-	58,290	100,355	-	-	29,913	585
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	72,638	285,582	-	-
Cultural and recreational	-	-	-	-	-	-	-
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	(838,074)	-	-	-	-	-	-
Total fund balances	<u>(838,074)</u>	<u>58,290</u>	<u>100,355</u>	<u>72,638</u>	<u>285,582</u>	<u>29,913</u>	<u>585</u>
Total liabilities and fund balances	<u>\$ 124,358</u>	<u>\$ 58,290</u>	<u>\$ 101,196</u>	<u>\$ 72,638</u>	<u>\$ 285,582</u>	<u>\$ 29,913</u>	<u>\$ 585</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2011

	GIS Project	Safe Route to School Grant	2009 Texas Capital Fund	TDHCA Home Grant	Police Department JAG Grants	TCDP Grant Cinergy Cinemas	ARRA Energy Efficiency and Conservation Block Grant
ASSETS							
Cash and cash equivalents	\$ 37,587	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	19,819	86,212	-	-	693,838	36,058
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 37,587</u>	<u>\$ 19,819</u>	<u>\$ 86,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,838</u>	<u>\$ 36,058</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ -	\$ -	\$ 31,315	\$ -	\$ -	\$ 18,797	\$ 35,500
Accrued payroll payable	-	-	-	-	-	-	-
Due to other funds	-	19,885	55,906	-	-	676,404	558
Deferred revenue	-	13,078	86,212	-	-	693,838	36,058
Total liabilities	<u>-</u>	<u>32,963</u>	<u>173,433</u>	<u>-</u>	<u>-</u>	<u>1,389,039</u>	<u>72,116</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	37,587	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	-	(13,144)	(87,221)	-	-	(695,201)	(36,058)
Total fund balances	<u>37,587</u>	<u>(13,144)</u>	<u>(87,221)</u>	<u>-</u>	<u>-</u>	<u>(695,201)</u>	<u>(36,058)</u>
Total liabilities and fund balances	<u>\$ 37,587</u>	<u>\$ 19,819</u>	<u>\$ 86,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,838</u>	<u>\$ 36,058</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2011

	Animal Shelter Building Donations	Police Radio Replacement JAG Grant	Police Seizures	Totals
ASSETS				
Cash and cash equivalents	\$ 436	\$ -	\$ 455	\$ 978,784
Receivables (net of allowance for uncollectibles)	-	-	-	243,441
Due from other governments	-	-	-	869,151
Inventory	-	-	-	30,454
Total assets	\$ 436	\$ -	\$ 455	\$ 2,121,830
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 453	\$ 243,815
Accrued payroll payable	-	-	-	6,471
Due to other funds	-	-	-	1,602,237
Deferred revenue	-	-	-	972,801
Total liabilities	-	-	453	2,825,324
Fund balances:				
Nonspendable:				
Inventory	-	-	-	30,454
Restricted:				
General Government	-	-	-	222,691
Public Safety	436	-	2	217,788
Community support services	-	-	-	54,026
Public works	-	-	-	369,463
Cultural and recreational	-	-	-	65,278
Assigned:				
General Government	-	-	-	46,427
Cultural and recreational	-	-	-	3,471
Unassigned	-	-	-	(1,713,092)
Total fund balances	436	-	2	(703,494)
Total liabilities and fund balances	\$ 436	\$ -	\$ 455	\$ 2,121,830

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended September 30, 2011

	Hotel/Motel Occupancy Fees	Airport Operating	Cemetery	Forfeitures	Parks/ Recreation	Parks/ Recreation Special Events	Library
REVENUES							
Taxes:							
Hotel occupancy	\$ 319,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	742	-	-	-
Charges for current services	-	326,744	3,127	-	-	-	-
Revenues from use of money and property	104	115	265	14	-	29	53
Other revenue	3,161	-	64,675	-	464	-	-
Intergovernmental	800	83,373	-	-	-	-	8,679
Contributions and donations	-	-	1,700	-	102,928	5,705	5,683
Total revenues	<u>323,524</u>	<u>410,232</u>	<u>69,767</u>	<u>756</u>	<u>103,392</u>	<u>5,734</u>	<u>14,415</u>
EXPENDITURES							
Current:							
General government	291,304	399,756	188,505	-	-	-	-
Public safety	-	-	-	7,218	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	138,098	8,943	12,145
Debt service:							
Principal retirement	499	26	279	-	-	-	-
Interest and fiscal charges	49	3	1	-	-	-	-
Total expenditures	<u>291,852</u>	<u>399,785</u>	<u>188,785</u>	<u>7,218</u>	<u>138,098</u>	<u>8,943</u>	<u>12,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,672</u>	<u>10,447</u>	<u>(119,018)</u>	<u>(6,462)</u>	<u>(34,706)</u>	<u>(3,209)</u>	<u>2,270</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	123,000	-	18,921	2,500	-
Transfers out	(2,500)	-	-	-	-	-	-
Capital leases	2,406	559	-	-	-	-	-
Sale of capital assets	-	370	-	1,050	-	-	-
Total other financing sources (uses)	<u>(94)</u>	<u>929</u>	<u>123,000</u>	<u>1,050</u>	<u>18,921</u>	<u>2,500</u>	<u>-</u>
Net change in fund balances	31,578	11,376	3,982	(5,412)	(15,785)	(709)	2,270
Fund balances - beginning, as restated	<u>41,003</u>	<u>95,729</u>	<u>78,317</u>	<u>9,473</u>	<u>61,169</u>	<u>7,850</u>	<u>10,483</u>
Fund balances - ending	<u>\$ 72,581</u>	<u>\$ 107,105</u>	<u>\$ 82,299</u>	<u>\$ 4,061</u>	<u>\$ 45,384</u>	<u>\$ 7,141</u>	<u>\$ 12,753</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2011

	Corsicana/ Navarro County Economic Development	Police	Community Support Services	Fire	Palace Theatre	Police LEOSE	Senior Activity Center
REVENUES							
Taxes:							
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-	-
Revenues from use of money and property	174	60	42	22	13	9	170
Other revenue	60,054	2,965	-	-	15,100	-	-
Intergovernmental	-	-	-	3,727	-	3,492	-
Contributions and donations	70,266	5,593	4,200	230	2,000	-	-
Total revenues	<u>130,494</u>	<u>8,618</u>	<u>4,242</u>	<u>3,979</u>	<u>17,113</u>	<u>3,501</u>	<u>170</u>
EXPENDITURES							
Current:							
General government	624,808	-	-	-	-	-	-
Public safety	-	12,121	-	4,905	-	5,797	-
Community support services	-	-	4,452	-	-	-	1,646
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	15,674	-	-
Debt service:							
Principal retirement	108,563	-	-	-	-	-	-
Interest and fiscal charges	56,292	-	-	-	-	-	-
Total expenditures	<u>789,663</u>	<u>12,121</u>	<u>4,452</u>	<u>4,905</u>	<u>15,674</u>	<u>5,797</u>	<u>1,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(659,169)</u>	<u>(3,503)</u>	<u>(210)</u>	<u>(926)</u>	<u>1,439</u>	<u>(2,296)</u>	<u>(1,476)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	662,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>662,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,831	(3,503)	(210)	(926)	1,439	(2,296)	(1,476)
Fund balances - beginning, as restated	<u>(46,225)</u>	<u>19,919</u>	<u>11,453</u>	<u>8,402</u>	<u>2,032</u>	<u>2,550</u>	<u>55,502</u>
Fund balances - ending	<u>\$ (43,394)</u>	<u>\$ 16,416</u>	<u>\$ 11,243</u>	<u>\$ 7,476</u>	<u>\$ 3,471</u>	<u>\$ 254</u>	<u>\$ 54,026</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2011

	Tax Increment Financing District	Court Technology	Court Security	Corsicana Crossing	Court Fines - Street Improvement	Court Fines - Judicial	Court Fines - Child Safety
REVENUES							
Taxes:							
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	14,343	10,853	-	108,606	5,473	1,044
Charges for current services	-	-	-	-	-	-	-
Revenues from use of money and property	-	179	303	226	748	87	6
Other revenue	-	-	-	-	-	-	-
Intergovernmental	247,571	-	-	-	-	-	-
Contributions and donations	42,500	-	-	-	-	-	-
Total revenues	<u>290,071</u>	<u>14,522</u>	<u>11,156</u>	<u>226</u>	<u>109,354</u>	<u>5,560</u>	<u>1,050</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	8,452	3,141	-	-	400	2,500
Community support services	448,500	-	-	-	-	-	-
Public works	-	-	-	-	89,679	-	-
Cultural and recreational	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>448,500</u>	<u>8,452</u>	<u>3,141</u>	<u>-</u>	<u>89,679</u>	<u>400</u>	<u>2,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158,429)</u>	<u>6,070</u>	<u>8,015</u>	<u>226</u>	<u>19,675</u>	<u>5,160</u>	<u>(1,450)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	210,756	-	-	-	15,104	-	-
Transfers out	(42,500)	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>168,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,104</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,827	6,070	8,015	226	34,779	5,160	(1,450)
Fund balances - beginning, as restated	<u>(847,901)</u>	<u>52,220</u>	<u>92,340</u>	<u>72,412</u>	<u>250,803</u>	<u>24,753</u>	<u>2,035</u>
Fund balances - ending	<u>\$ (838,074)</u>	<u>\$ 58,290</u>	<u>\$ 100,355</u>	<u>\$ 72,638</u>	<u>\$ 285,582</u>	<u>\$ 29,913</u>	<u>\$ 585</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2011

	GIS Project	Safe Route to School Grant	2009 Texas Capital Fund	TDHCA Home Grant	Police Department JAG Grants	TCDP Grant Cinergy Cinemas	ARRA Energy Efficiency and Conservation Block Grant
REVENUES							
Taxes:							
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-	-
Revenues from use of money and property	117	138	-	-	121	-	-
Other revenue	-	-	-	34	-	-	-
Intergovernmental	-	-	-	307,131	63,518	3,027	40,540
Contributions and donations	-	-	-	-	-	-	-
Total revenues	<u>117</u>	<u>138</u>	<u>-</u>	<u>307,165</u>	<u>63,639</u>	<u>3,027</u>	<u>40,540</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	13,078	39,214	-	73,493	-	-
Community support services	-	-	-	324,386	-	-	-
Public works	-	-	-	-	-	734,694	76,598
Cultural and recreational	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>13,078</u>	<u>39,214</u>	<u>324,386</u>	<u>73,493</u>	<u>734,694</u>	<u>76,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>117</u>	<u>(12,940)</u>	<u>(39,214)</u>	<u>(17,221)</u>	<u>(9,854)</u>	<u>(731,667)</u>	<u>(36,058)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	17,230	9,827	36,470	-
Transfers out	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,230</u>	<u>9,827</u>	<u>36,470</u>	<u>-</u>
Net change in fund balances	117	(12,940)	(39,214)	9	(27)	(695,197)	(36,058)
Fund balances - beginning, as restated	<u>37,470</u>	<u>(204)</u>	<u>(48,007)</u>	<u>(9)</u>	<u>27</u>	<u>(4)</u>	<u>-</u>
Fund balances - ending	<u>\$ 37,587</u>	<u>\$ (13,144)</u>	<u>\$ (87,221)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (695,201)</u>	<u>\$ (36,058)</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2011

	Animal Shelter Building Donations	Police Radio Replacement JAG Grant	Police Seizures	Totals
REVENUES				
Taxes:				
Hotel occupancy	\$ -	\$ -	\$ -	\$ 319,459
Fines and forfeitures	-	-	-	141,061
Charges for current services	-	-	-	329,871
Revenues from use of money and property	1	15	2	3,013
Other revenue	-	-	-	146,453
Intergovernmental	-	79,311	-	841,169
Contributions and donations	435	-	-	241,240
Total revenues	<u>436</u>	<u>79,326</u>	<u>2</u>	<u>2,022,266</u>
EXPENDITURES				
Current:				
General government	-	-	-	1,504,373
Public safety	-	79,326	-	249,645
Community support services	-	-	-	778,984
Public works	-	-	-	900,971
Cultural and recreational	-	-	-	174,860
Debt service:				
Principal retirement	-	-	-	109,367
Interest and fiscal charges	-	-	-	56,345
Total expenditures	<u>-</u>	<u>79,326</u>	<u>-</u>	<u>3,774,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>436</u>	<u>-</u>	<u>2</u>	<u>(1,752,279)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,095,808
Transfers out	-	-	-	(45,000)
Capital leases	-	-	-	2,965
Sale of capital assets	-	-	-	1,420
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055,193</u>
Net change in fund balances	436	-	2	(697,086)
Fund balances - beginning, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,408)</u>
Fund balances - ending	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ (703,494)</u>

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
September 30, 2011

	2005 Certificate of Obligation Construction	2006 Certificate of Obligation Construction	2007/2008 (A) Capital Purchases	2008 General Obligation	2011 5-Year Capital Lease/ Purchase	2011 3-Year Capital Lease/ Purchase	2011 10-Year Capital Lease/ Purchase	2011 General Obligation	Total
ASSETS									
Cash and cash equivalents	\$ 542,375	\$ 239,675	\$ -	\$ 869,669	\$ 305,366	\$ 12,446	\$ -	\$ 3,110,715	\$ 5,080,246
Total assets	<u>\$ 542,375</u>	<u>\$ 239,675</u>	<u>\$ -</u>	<u>\$ 869,669</u>	<u>\$ 305,366</u>	<u>\$ 12,446</u>	<u>\$ -</u>	<u>\$ 3,110,715</u>	<u>\$ 5,080,246</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -	\$ 43,488	\$ 593	\$ -	\$ -	\$ 44,081
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,488</u>	<u>593</u>	<u>-</u>	<u>-</u>	<u>44,081</u>
Fund balances:									
Restricted:									
Capital projects	542,375	239,675	-	869,669	261,878	11,853	-	3,110,715	5,036,165
Total fund balances	<u>542,375</u>	<u>239,675</u>	<u>-</u>	<u>869,669</u>	<u>261,878</u>	<u>11,853</u>	<u>-</u>	<u>3,110,715</u>	<u>5,036,165</u>
Total liabilities and fund balances	<u>\$ 542,375</u>	<u>\$ 239,675</u>	<u>\$ -</u>	<u>\$ 869,669</u>	<u>\$ 305,366</u>	<u>\$ 12,446</u>	<u>\$ -</u>	<u>\$ 3,110,715</u>	<u>\$ 5,080,246</u>

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
Year Ended September 30, 2011

	2005 Certificate of Obligation Construction	2006 Certificate of Obligation Construction	2007/2008 (A) Capital Purchases	2008 General Obligation	2011 5-Year Capital Lease/ Purchase	2011 3-Year Capital Lease/ Purchase	2011 10-Year Capital Lease/ Purchase	2011 General Obligation	Total
REVENUES									
Revenues from use of money and property	\$ 2,056	\$ 6,879	\$ -	\$ 8,596	\$ 174	\$ 10	\$ 176	\$ 2,352	\$ 20,243
Total revenues	<u>2,056</u>	<u>6,879</u>	<u>-</u>	<u>8,596</u>	<u>174</u>	<u>10</u>	<u>176</u>	<u>2,352</u>	<u>20,243</u>
EXPENDITURES									
Current:									
General government	-	-	-	-	15,762	2,466	-	-	18,228
Public safety	-	-	-	-	-	4,933	-	-	4,933
Community support services	-	-	-	-	-	1,668	-	-	1,668
Public works	-	-	-	-	-	2,693	321,560	-	324,253
Cultural and recreational	-	-	-	-	-	4,933	-	-	4,933
Building and vehicle maintenance	-	-	-	-	16,600	4,541	244,916	-	266,057
Capital outlay:									
Public works	21,168	22,399	-	500	-	-	-	-	44,067
Debt service:									
Bond issuance costs	-	-	-	-	-	-	-	96,637	96,637
Total expenditures	<u>21,168</u>	<u>22,399</u>	<u>-</u>	<u>500</u>	<u>32,362</u>	<u>21,234</u>	<u>566,476</u>	<u>96,637</u>	<u>760,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,112)</u>	<u>(15,520)</u>	<u>-</u>	<u>8,096</u>	<u>(32,188)</u>	<u>(21,224)</u>	<u>(566,300)</u>	<u>(94,285)</u>	<u>(740,533)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	226,066	11,200	-	-	237,266
Transfers out	-	-	(32)	(312,616)	-	(8,026)	-	(6,712)	(327,386)
General obligation bonds issued	-	-	-	-	-	-	-	3,205,000	3,205,000
Premium on bonds issued	-	-	-	-	-	-	-	6,712	6,712
Capital leases	-	-	-	-	68,000	29,903	566,300	-	664,203
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(32)</u>	<u>(312,616)</u>	<u>294,066</u>	<u>33,077</u>	<u>566,300</u>	<u>3,205,000</u>	<u>3,785,795</u>
Net change in fund balances	(19,112)	(15,520)	(32)	(304,520)	261,878	11,853	-	3,110,715	3,045,262
Fund balances - beginning	<u>561,487</u>	<u>255,195</u>	<u>32</u>	<u>1,174,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,990,903</u>
Fund balances - ending	<u>\$ 542,375</u>	<u>\$ 239,675</u>	<u>\$ -</u>	<u>\$ 869,669</u>	<u>\$ 261,878</u>	<u>\$ 11,853</u>	<u>\$ -</u>	<u>\$ 3,110,715</u>	<u>\$ 5,036,165</u>

Proprietary Fund

ENTERPRISE FUNDS

The *Utility Operations* fund was established to account for operations of the water and sewer system. It is operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including debt) of providing goods or services to the general public on a continuing bases are financed or recovered primarily through user charges.

The *Sanitation* fund was established to account for operations of the landfill system. It is operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including debt) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The *Emergency Medical Services* fund was established to account for operations of the EMS (emergency medical services) system. It is operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including debt) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - UTILITY OPERATIONS
Year Ended September 30, 2011

	Final Amended Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
Operating revenues:					
Service charges and rents	\$ 13,797,700	\$ 15,057,886	\$ -	\$ 15,057,886	\$ 1,260,186
Penalty	185,000	184,144	-	184,144	(856)
Other	15,800	52,804	-	52,804	37,004
Total operating revenues	<u>13,998,500</u>	<u>15,294,834</u>	<u>-</u>	<u>15,294,834</u>	<u>1,296,334</u>
Operating expenses:					
Sampling and analysis	385,664	368,145	(2,277)	365,868	(19,796)
Overland WWTP	281,127	287,487	(1,851)	285,636	4,509
Wastewater reclamation center	1,461,929	1,464,250	(4,738)	1,459,512	(2,417)
Navarro Mills plant	2,423,181	2,070,121	(4,404)	2,065,717	(357,464)
Lake Halbert plant	737,116	737,069	(2,962)	734,107	(3,009)
Utility system maintenance	1,996,940	1,840,462	(6,524)	1,833,938	(163,002)
Utility line replacement	140,825	15,476	-	15,476	(125,349)
Utility billing	486,251	451,933	(2,679)	449,254	(36,997)
Non-departmental	5,365,522	295,325	3,338,911	3,634,236	(1,731,286)
Depreciation	-	1,550,434	(1,550,434)	-	-
Total operating expenses	<u>13,278,555</u>	<u>9,080,702</u>	<u>1,763,042</u>	<u>10,843,744</u>	<u>(2,434,811)</u>
Operating income	719,945	6,214,132	(1,763,042)	4,451,090	3,731,145
Nonoperating revenue (expenses):					
Investment earnings	35,250	27,561	-	27,561	(7,689)
Gain on disposal of assets	500	441	-	441	(59)
Interest and fiscal charges	(4,292,730)	(1,475,053)	(2,794,237)	(4,269,290)	23,440
Bond issuance costs	-	(78,590)	(12,050)	(90,640)	(90,640)
Total nonoperating revenue (expenses)	<u>(4,256,980)</u>	<u>(1,525,641)</u>	<u>(2,806,287)</u>	<u>(4,331,928)</u>	<u>(74,948)</u>
Income (loss) before contributions and transfers	(3,537,035)	4,688,491	(4,569,329)	119,162	3,656,197
Capital contributions	-	174,110	-	174,110	174,110
Transfer in	-	355,116	60,724	415,840	415,840
Transfer out	(1,326,918)	(1,551,475)	(60,724)	(1,612,199)	(285,281)
Change in net assets	(4,863,953)	3,666,242	(4,569,329)	(903,087)	3,960,866
Total net assets - beginning, as restated	6,753,696	18,525,013	-	18,525,013	11,771,317
Total net assets - ending	<u>\$ 1,889,743</u>	<u>\$ 22,191,255</u>	<u>\$ (4,569,329)</u>	<u>\$ 17,621,926</u>	<u>\$ 15,732,183</u>

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SANITATION
Year Ended September 30, 2011

	Final Amended Budget	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
Operating revenues:					
Service charges and rents	\$3,180,500	\$3,189,946	\$ -	\$3,189,946	\$ 9,446
Other	2,000	19,831	-	19,831	17,831
Total operating revenues	<u>3,182,500</u>	<u>3,209,777</u>	<u>-</u>	<u>3,209,777</u>	<u>27,277</u>
Operating expenses:					
Landfill operations	1,348,065	1,246,115	(4,818)	1,241,297	(106,768)
Contract collections	720,000	736,386	-	736,386	16,386
Bulk solid waste pickup	417,452	406,658	(2,408)	404,250	(13,202)
Non-departmental	17,400	15,806	-	15,806	(1,594)
Depreciation	-	291,243	(291,243)	-	-
Total operating expenses	<u>2,502,917</u>	<u>2,696,208</u>	<u>(298,469)</u>	<u>2,397,739</u>	<u>(105,178)</u>
Operating income	679,583	513,569	298,469	812,038	132,455
Nonoperating revenue (expenses):					
Investment earnings	-	2,886	-	2,886	2,886
Gain on disposal of assets	-	52,277	-	52,277	52,277
Interest and fiscal charges	(172,320)	(30,553)	(70,332)	(100,885)	71,435
Bond issuance costs	-	(1,151)	-	(1,151)	(1,151)
Total nonoperating revenue (expenses)	<u>(172,320)</u>	<u>23,459</u>	<u>(70,332)</u>	<u>(46,873)</u>	<u>125,447</u>
Income before contributions and transfers	507,263	537,028	228,137	765,165	257,902
Capital contributions	-	521	-	521	521
Transfer out	(496,026)	(497,260)	-	(497,260)	(1,234)
Change in net assets	11,237	40,289	228,137	268,426	257,189
Total net assets - beginning	152,002	2,516,365	-	2,516,365	2,364,363
Total net assets - ending	<u>\$ 163,239</u>	<u>\$2,556,654</u>	<u>\$ 228,137</u>	<u>\$2,784,791</u>	<u>\$ 2,621,552</u>

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES
Year Ended September 30, 2011

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
Operating revenues:						
Service charges and rents	\$ 1,950,000	\$ 1,950,000	\$ 1,649,927	\$ (155,576)	\$ 1,494,351	\$ (455,649)
Service charges and rents - intergovernmental	250,000	250,000	-	250,000	250,000	-
Other	38,000	38,000	52,792	-	52,792	14,792
Total operating revenues	<u>2,238,000</u>	<u>2,238,000</u>	<u>1,702,719</u>	<u>94,424</u>	<u>1,797,143</u>	<u>(440,857)</u>
Operating expenses:						
EMS service	2,001,828	2,010,828	1,888,399	-	1,888,399	(122,429)
Non-departmental	13,000	13,000	16,513	-	16,513	3,513
Depreciation	140,000	140,000	118,195	-	118,195	(21,805)
Total operating expenses	<u>2,154,828</u>	<u>2,163,828</u>	<u>2,023,107</u>	<u>-</u>	<u>2,023,107</u>	<u>(140,721)</u>
Operating income (loss)	83,172	74,172	(320,388)	94,424	(225,964)	(300,136)
Nonoperating revenue (expenses):						
Investment earnings	-	-	1,021	-	1,021	1,021
Interest and fiscal charges	-	-	(7)	(52)	(59)	(59)
Total nonoperating revenue (expenses)	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>(52)</u>	<u>962</u>	<u>962</u>
Income (loss) before transfers	83,172	74,172	(319,374)	94,372	(225,002)	(299,174)
Transfer out	<u>(369,957)</u>	<u>(369,957)</u>	<u>(369,957)</u>	<u>-</u>	<u>(369,957)</u>	<u>-</u>
Change in net assets	(286,785)	(295,785)	(689,331)	94,372	(594,959)	(299,174)
Total net assets - beginning, as restated	694,427	694,427	2,310,238	-	2,310,238	1,615,811
Total net assets - ending	<u>\$ 407,642</u>	<u>\$ 398,642</u>	<u>\$ 1,620,907</u>	<u>\$ 94,372</u>	<u>\$ 1,715,279</u>	<u>\$ 1,316,637</u>

Statistical Section (unaudited)

CITY OF CORSICANA, TEXAS
TOP TEN TAXPAYERS
September 30, 2011
(UNAUDITED)

Name of Taxpayer	Nature of Property	2010/11 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Russell Stover Candies	Manufacturing	\$ 46,518,141	3.81%
Guardian Industries	Manufacturing	43,610,037	3.57%
Home Depot	Retail	38,035,611	3.11%
True Value Co.	Retail	32,697,650	2.68%
Corsicana Technologies, Inc.	Manufacturing	25,664,420	2.10%
Pactiv-Foam	Manufacturing	11,608,394	0.95%
Snyder' of Hanover/Lance Mfg	Manufacturing	11,314,239	0.93%
Oil City Iron Works	Manufacturing	11,071,690	0.91%
Oncor Electric Delivery Co.	Electric Utility	10,956,000	0.90%
Navarro Regional Hospital, Inc.	Hospital	10,926,110	0.89%
		<u>\$ 242,402,292</u>	<u>19.83%</u>

CITY OF CORSICANA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
For the Year Ended September 30, 2011
(UNAUDITED)

Date of Incorporation	1848
Date of Last Amendment of City Charter	May 23, 2007
Form of Government	Mayor/Council
Area	23.28 sq. miles
Building Permits	
Permits Issued	338
Estimated Cost	\$ 6,550,843
Fire Protection and EMS:	
Number of Fire Stations	4
Number of Employees	58
Police Personnel	47
Recreation:	
Parks	13 with 374.43 acres
Playgrounds	11
Number of Swimming Pools	2
Municipal Water Plant:	
Number of Meters in Service	8,891
Average Daily Consumption	7 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meter	2,957,019,000 gal.
Number of Gallons Sold	2,527,432,800 gal.
Number of Fire Hydrants	925
Municipal Employees	
Full-time	264
Part-time	53
Tax Rate	0.6272

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
2010	23,770

CITY OF CORSICANA, TEXAS
PRINCIPAL EMPLOYERS
September 30, 2011
(UNAUDITED)

Taxpayer's Name	Nature of Business	Number of Employees
Corsicana I.S.D.	Government/Education	811
Russell Stover Candies	Manufacturing - Candy	680
Navarro Regional Hospital	Hospital/Medical Care	354
Wal-Mart Supercenter	Retail	325
Navarro College	Higher Education	321
Guardian Industries	Manufacturing - Glass	318
City of Corsicana (includes part time)	Government/Local	317
Texas Youth Commission	Government/State Home	299
Navarro County	Government/County	284
Corsicana Bedding	Manufacturing - Furniture Components	257

Single Audit Section

CITY OF CORSICANA, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Texas Office of Rural Community Affairs:			
Community Development Block Grant/State's Program	14.228	710032	\$ 696,866
Community Development Block Grant/State's Program	14.228	729002	39,080
Community Development Block Grant/State's Program	14.228	729179	312,250
Passed through Texas Department of Housing and Community Affairs:			
Home Investments Partnership Program	14.239	1001066	307,131
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	None	3,115
Passed through Community Oriented Policing Services:			
ARRA-Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0832	84,326
Passed through Texas Alcoholic Beverage Commission:			
Enforcing Underage Drinking Laws Program	16.727	80019	793
Passed through Texas Office of the Governor Criminal Justice Division:			
Edward Byrne Memorial Justice Formula Grant Program	16.738	DJ09A102349601	79,311
ARRA-Edward Byrne Memorial Competitive Grant Program	16.808	SU09A102237601	63,518
U.S. Department of Transportation:			
Passed through Texas Department of Transportation:			
Airport Improvement Program	20.106	11MPCORSI	53,149
Airport Improvement Program	20.106	M1118CORSI	30,224
ARRA-Highway Planning and Construction Program	20.205	188XXH7008	13,078
U.S. Department of Energy:			
Passed through Texas Comptroller of Public Accounts			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	76,598
Total expenditures of federal awards			<u>\$ 1,759,439</u>

CITY OF CORSICANA, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Corsicana, Texas under programs of the federal government for the year ended September 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Corsicana, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Corsicana, Texas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF CORSICANA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2011

There are no prior audit findings.

Yeldell, Wilson & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)

Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

Greer Yeldell, CPA / Glen D. Wilson, CPA

Mary E. Coile, CPA / Brooke Farmer, CPA / Glenda Valek, CPA / Joyce Reeve, CPA / Sandra M. Michalka, CPA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corsicana, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Corsicana, Texas' basic financial statements and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Corsicana, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Corsicana, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Corsicana, Texas' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and Members of the City Council
City of Corsicana, Texas
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Corsicana, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Yeldell, Wilson & Co., P.C.
Certified Public Accountant

March 26, 2012

Yeldell, Wilson & Co., P.C.

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

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

Compliance

We have audited City of Corsicana, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Corsicana, Texas' major federal programs for the year ended September 30, 2011. City of Corsicana, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Corsicana, Texas' management. Our responsibility is to express an opinion on City of Corsicana, Texas' compliance based on our audit.

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

In our opinion, City of Corsicana, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Honorable Mayor and Members of the City Council
City of Corsicana, Texas
Page Two

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Yeldell, Wilson & Co., P.C.
Certified Public Accountant

March 26, 2012

CITY OF CORSICANA TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Corsicana, Texas.
2. No significant deficiencies related to the audit of the financial statements were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of City of Corsicana, Texas were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for City of Corsicana, Texas expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings which the auditor is required to report under section 510 (a) of OMB A-133.
7. The programs tested as major programs were the Community Development Block Grant/State's Program, federal CFDA number 14.228, and the Home Investments Partnership Program, federal CFDA number 14.239.
8. The threshold used to distinguish between Type A and Type B programs was \$500,000.
9. City of Corsicana, Texas did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AUDIT

None