

CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

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Year Ended September 30, 2012

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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
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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, 2012, 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 the 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 27, 2013, 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 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 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 statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules 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 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 27, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$70,748,498 (net assets). Of this amount, \$4,682,616 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$341,467.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,532,422. Over 41% of this total amount, \$3,121,426 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 \$3,873,916 or 24% 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-one 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 and 2011 General Obligation Fund which are considered to be major funds. Data from the other thirty-nine 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 \$70,748,498 as of September 30, 2012.

A large portion of the City’s net assets (86%) 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 10,410,369	\$ 12,346,828	\$ 11,459,712	\$ 16,509,290	\$ 21,870,081	\$ 28,856,118
Capital assets	54,902,102	51,955,998	59,826,832	58,374,056	114,728,934	110,330,054
Total assets	65,312,471	64,302,826	71,286,544	74,883,346	136,599,015	139,186,172
Long term liabilities	18,240,908	18,868,526	44,132,249	46,310,790	62,373,157	65,179,316
Other liabilities	1,522,245	999,887	1,955,115	1,917,004	3,477,360	2,916,891
Total liabilities	19,763,153	19,868,413	46,087,364	48,227,794	65,850,517	68,096,207
Net assets:						
Invested in capital assets, net of related debt	41,315,063	35,062,030	19,585,921	20,052,855	60,900,984	55,114,885
Restricted	3,538,602	6,161,057	1,626,296	1,625,875	5,164,898	7,786,932
Unrestricted	695,653	3,211,326	3,986,963	4,976,822	4,682,616	8,188,148
Total net assets	\$ 45,549,318	\$ 44,434,413	\$ 25,199,180	\$ 26,655,552	\$ 70,748,498	\$ 71,089,965

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 (7.30%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$4,682,616 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, 2012. Governmental activities increased the City's net assets by \$1,114,905. Business-type activities decreased the City's net assets by \$1,456,372.

CITY OF CORSICANA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,384,041	\$ 1,345,368	\$ 19,642,913	\$ 20,282,879	\$ 21,026,954	\$ 21,628,247
Operating grants and contributions	820,299	1,085,095	8,983	521	829,282	1,085,616
Capital grants and contributions	528,122	1,049,889	58,560	312,250	586,682	1,362,139
General revenues:						
Property tax	7,828,414	7,660,066	-	-	7,828,414	7,660,066
Sales tax	5,522,784	5,195,660	-	-	5,522,784	5,195,660
Franchise tax	2,085,066	2,109,086	-	-	2,085,066	2,109,086
Hotel occupancy tax	396,481	361,052	-	-	396,481	361,052
Alcoholic beverage tax	31,811	30,631	-	-	31,811	30,631
Investment earnings	21,873	36,850	19,339	31,468	41,212	68,318
Gain (loss) on sale of capital assets	17,632	(52,154)	-	-	17,632	(52,154)
Miscellaneous	310,857	396,138	40,784	52,718	351,641	448,856
Total revenues	<u>18,947,380</u>	<u>19,217,681</u>	<u>19,770,579</u>	<u>20,679,836</u>	<u>38,717,959</u>	<u>39,897,517</u>
Expenses:						
General government	3,492,349	3,241,304	-	-	3,492,349	3,241,304
Judicial	430,353	386,193	-	-	430,353	386,193
Public safety	8,123,848	8,201,461	-	-	8,123,848	8,201,461
Community support services	663,869	968,287	-	-	663,869	968,287
Public works	4,084,541	3,352,434	-	-	4,084,541	3,352,434
Cultural and recreational	2,067,844	2,007,750	-	-	2,067,844	2,007,750
Building and vehicle maintenance	638,517	792,991	-	-	638,517	792,991
Interest on long-term debt	682,394	578,780	-	-	682,394	578,780
Utility operations	-	-	13,585,948	10,634,345	13,585,948	10,634,345
Sanitation	-	-	3,101,112	2,650,249	3,101,112	2,650,249
Emergency medical services	-	-	2,188,651	2,023,114	2,188,651	2,023,114
Total expenses	<u>20,183,715</u>	<u>19,529,200</u>	<u>18,875,711</u>	<u>15,307,708</u>	<u>39,059,426</u>	<u>34,836,908</u>
Increase in net assets before transfers	(1,236,335)	(311,519)	894,868	5,372,128	(341,467)	5,060,609
Transfers	<u>2,351,240</u>	<u>2,201,716</u>	<u>(2,351,240)</u>	<u>(2,201,716)</u>	-	-
Increase in net asset	1,114,905	1,890,197	(1,456,372)	3,170,412	(341,467)	5,060,609
Net assets - beginning, as restated	44,434,413	42,544,216	26,655,552	23,485,140	71,089,965	66,029,356
Net assets - ending	<u>\$ 45,549,318</u>	<u>\$ 44,434,413</u>	<u>\$ 25,199,180</u>	<u>\$ 26,655,552</u>	<u>\$ 70,748,498</u>	<u>\$ 71,089,965</u>

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

- Property taxes increased by \$168,348 (2.20%) during the year. The majority of this increase is the product of a tax abatement recovery.
- Sales taxes increased \$327,124 (6.30%) over the prior year, resulting from the continuance 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 decreased by 6.59% primarily due to decreased consumption from the prior year 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 \$7,532,422. Within this total \$99,691 is in nonspendable form and \$3,538,602 is restricted by specific legal requirements. \$772,703 has been assigned by the City for use on specific projects and activities. The remaining \$3,121,426 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 \$3,873,916, while total fund balance reached \$4,675,298. 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 23.63% of total general fund expenditures, while total fund balance represents 28.52% of that same amount.

In the General fund, fund balance increased \$57,636 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.

The 2011 General Obligation fund has a total fund balance of \$689,571. The net decrease in fund balance during the current year was \$2,421,144.

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 \$4,860,204, \$(1,503,580) and \$630,339, respectively. Net assets increased (decreased) in 2012 by \$(654,016), \$(196,032) and \$(606,324), respectively. The City sells water to most surrounding towns in Navarro County and these are the City's top users. The Sanitation fund's decrease was primarily due to the revised calculation of closure and postclosure costs. The Emergency Medical Services fund's decrease is due to the decrease in revenues, recovery of cost of services by the General Fund, and the addition of three personnel.

General Fund Budgetary Highlights. General fund actual revenues of \$15,447,548 exceeded budgeted revenues of \$14,735,367 by \$712,181. 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 \$392,784.
- Higher than expected franchise tax revenues exceeded budgeted revenues by \$50,066.
- Higher than expected other revenues, which included insurance proceeds and various cost reimbursements, exceeded budgeted revenues by \$221,783.

Budgeted general fund budgeted expenditures of \$17,163,862 exceeded actual expenditures of \$16,392,458. This \$771,404 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, 2012 amounts to \$114,728,934 (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:

- Infrastructure additions of approximately \$2,773,000.
- Improvements additions of approximately \$2,639,000.
- Machinery and equipment additions of approximately \$2,067,000.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 37,948,472	\$ 37,829,200	\$ 3,628,703	\$ 3,548,218	\$ 41,577,175	\$ 41,377,418
Construction in progress	2,861,678	1,308,489	2,696,573	4,369,138	5,558,251	5,677,627
Buildings	2,129,487	2,370,270	1,266,570	1,326,937	3,396,057	3,697,207
Improvements	-	-	40,042,275	36,690,368	40,042,275	36,690,368
Machinery and equipment	2,114,531	1,222,180	12,192,711	12,439,395	14,307,242	13,661,575
Infrastructure	9,847,934	9,225,859	-	-	9,847,934	9,225,859
Total	\$ 54,902,102	\$ 51,955,998	\$ 59,826,832	\$ 58,374,056	\$ 114,728,934	\$ 110,330,054

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 \$54,955,000. Of this amount, \$42,875,000 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	
	2012	2011	2012	2011	2012	2011
Certificates of obligation	\$ 4,446,988	\$ 4,542,209	\$ 20,628,012	\$ 21,552,791	\$ 25,075,000	\$ 26,095,000
General obligation	9,680,000	10,260,000	8,120,000	9,670,000	17,800,000	19,930,000
Revenue bonds	-	-	12,080,000	12,500,000	12,080,000	12,500,000
Total	\$ 14,126,988	\$ 14,802,209	\$ 40,828,012	\$ 43,722,791	\$ 54,955,000	\$ 58,525,000

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 2013 Budget, General Fund revenues and transfers in are budgeted to increase by 3.3% from the 2012 budget year with general property taxes making up about 35.5% of general fund budgeted revenues. While certified assessed taxable valuations increased over the preceding year, property tax revenues were budgeted to be less than the prior year's budget because of a shift in the ad valorem tax rate for GO Bonded debt incurred by the City. The City's budgets for all funds continue to be impacted positively by growth in the economy. Knowing that, the City's revenue budget for 2013 is still conservative, but is less conservative than those from the past couple of years. Statewide sales tax receipts, including the City's, continue to show improvement over prior years. The sales tax revenue source is the most volatile City revenue and is subject to decline if the local economy fails to maintain growth. Though the City has lost several businesses due to closures previously discussed, announcements have been made recently about the expansion of a local manufacturing facility and the construction of a new water park that will boost the local economy.

As the economy began to improve during the 2011 and 2012 fiscal years, the City again became able to replace aging equipment and vehicles, using capital lease/purchase financing. The 2013 budget continues with this strategy for equipment and vehicle replacement, but also includes purchase for some of these items with cash.

Water and sewer revenues continue to improve, as expected, as a result of rate increase implemented in 2009. A shift in the rate structure will be implemented in Fiscal Year 2013, to ensure that wastewater revenues cover wastewater expenses. The Fund continues to improve, and several improvement projects that would have been delayed or financed were able to be funded with cash.

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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,453,918	\$ 3,467,508	\$ 9,921,426
Receivables (net of allowance for uncollectibles)	2,788,436	4,250,463	7,038,899
Due from other governments	243,650	-	243,650
Internal balances	525,478	(525,478)	-
Inventories	80,867	1,843	82,710
Prepaid items	18,824	138,889	157,713
Restricted assets:			
Cash and cash equivalents	-	2,562,889	2,562,889
Investments	-	591,865	591,865
Deferred charges	299,196	971,733	1,270,929
Capital assets:			
Non-depreciable	40,810,150	6,325,276	47,135,426
Depreciable (net of accumulated depreciation)	14,091,952	53,501,556	67,593,508
Total assets	<u>65,312,471</u>	<u>71,286,544</u>	<u>136,599,015</u>
LIABILITIES			
Accounts payable and other current liabilities	1,137,824	967,705	2,105,529
Accrued payroll payable	317,097	178,120	495,217
Accrued interest payable	67,324	193,901	261,225
Customer deposits payable	-	540,805	540,805
Unearned revenue	-	43,606	43,606
Liabilities payable from restricted assets	-	30,978	30,978
Noncurrent liabilities:			
Due within one year	1,403,695	3,455,986	4,859,681
Due in more than one year	16,837,213	40,676,263	57,513,476
Total liabilities	<u>19,763,153</u>	<u>46,087,364</u>	<u>65,850,517</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,315,063	19,585,921	60,900,984
Restricted for:			
General Government	266,793	-	266,793
Public Safety	247,033	-	247,033
Community support services	64,103	-	64,103
Public works	381,036	-	381,036
Cultural and recreational	273,573	-	273,573
Debt service	79,219	1,626,296	1,705,515
Capital projects	2,226,845	-	2,226,845
Unrestricted	695,653	3,986,963	4,682,616
Total net assets	<u>\$ 45,549,318</u>	<u>\$ 25,199,180</u>	<u>\$ 70,748,498</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

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	\$ 3,492,349	\$ 204,762	\$ 324,306	\$ -	\$ (2,963,281)	\$ -	\$ (2,963,281)
Judicial	430,353	-	-	-	(430,353)	-	(430,353)
Public safety	8,123,848	602,704	167,411	453	(7,353,280)	-	(7,353,280)
Community support services	663,869	201,412	240,964	110,000	(111,493)	-	(111,493)
Public works	4,084,541	342,709	8,292	417,669	(3,315,871)	-	(3,315,871)
Cultural and recreational	2,067,844	32,454	79,326	-	(1,956,064)	-	(1,956,064)
Building and vehicle maintenance	638,517	-	-	-	(638,517)	-	(638,517)
Interest on long-term debt	682,394	-	-	-	(682,394)	-	(682,394)
Total governmental activities	<u>20,183,715</u>	<u>1,384,041</u>	<u>820,299</u>	<u>528,122</u>	<u>(17,451,253)</u>	<u>-</u>	<u>(17,451,253)</u>
Business-type activities:							
Utility operations	13,585,948	14,286,280	-	58,560	-	758,892	758,892
Sanitation	3,101,112	3,411,064	-	-	-	309,952	309,952
Emergency medical services	2,188,651	1,945,569	8,983	-	-	(234,099)	(234,099)
Total business-type activities	<u>18,875,711</u>	<u>19,642,913</u>	<u>8,983</u>	<u>58,560</u>	<u>-</u>	<u>834,745</u>	<u>834,745</u>
Total primary government	<u>\$ 39,059,426</u>	<u>\$ 21,026,954</u>	<u>\$ 829,282</u>	<u>\$ 586,682</u>	<u>(17,451,253)</u>	<u>834,745</u>	<u>(16,616,508)</u>
General revenues:							
Property tax					7,828,414	-	7,828,414
Sales tax					5,522,784	-	5,522,784
Franchise tax					2,085,066	-	2,085,066
Hotel occupancy tax					396,481	-	396,481
Alcoholic beverage tax					31,811	-	31,811
Investment earnings					21,873	19,339	41,212
Gain on sale of capital asset					17,632	40,784	58,416
Miscellaneous					310,857	-	310,857
Transfers					2,351,240	(2,351,240)	-
Total general revenues and transfers					<u>18,566,158</u>	<u>(2,291,117)</u>	<u>16,275,041</u>
Change in net assets					1,114,905	(1,456,372)	(341,467)
Net assets - beginning, as restated					44,434,413	26,655,552	71,089,965
Net assets - ending					<u>\$ 45,549,318</u>	<u>\$ 25,199,180</u>	<u>\$ 70,748,498</u>

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	General	2011 General Obligation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,355,309	\$ 806,316	\$ 3,292,293	\$ 6,453,918
Receivables (net of allowance for uncollectibles)	2,542,553	-	245,883	2,788,436
Due from other governments	33,958	-	209,692	243,650
Due from other funds	1,331,318	-	-	1,331,318
Inventory	38,670	-	42,197	80,867
Prepaid items	18,824	-	-	18,824
Total assets	\$ 6,320,632	\$ 806,316	\$ 3,790,065	\$ 10,917,013
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 422,404	\$ 116,745	\$ 598,675	\$ 1,137,824
Accrued payroll payable	310,608	-	6,489	317,097
Due to other funds	-	-	805,840	805,840
Deferred revenue	912,322	-	211,508	1,123,830
Total liabilities	1,645,334	116,745	1,622,512	3,384,591
Fund balances:				
Nonspendable:				
Inventory	38,670	-	42,197	80,867
Prepaid items	18,824	-	-	18,824
Restricted:				
General Government	-	-	266,793	266,793
Public Safety	-	-	247,033	247,033
Community support services	-	-	64,103	64,103
Public works	-	-	381,036	381,036
Cultural and recreational	-	-	273,573	273,573
Debt service	-	-	79,219	79,219
Capital projects	-	689,571	1,537,274	2,226,845
Assigned:				
General Government	100,802	-	24,974	125,776
Public works	632,209	-	-	632,209
Cultural and recreational	10,877	-	3,841	14,718
Unassigned	3,873,916	-	(752,490)	3,121,426
Total fund balances	4,675,298	689,571	2,167,553	7,532,422
Total liabilities and fund balances	\$ 6,320,632	\$ 806,316	\$ 3,790,065	

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.	54,902,102
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,123,830
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.	(67,324)
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	\$ (1,403,695)
Due in more than one year	(16,837,213)
Deferred charges	299,196
Net assets of governmental activities	\$ 45,549,318

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2012

	General	2011 General Obligation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 6,506,308	\$ -	\$ 1,325,778	\$ 7,832,086
Sales	5,522,784	-	-	5,522,784
Franchise	2,085,066	-	-	2,085,066
Hotel occupancy	-	-	379,678	379,678
Alcoholic beverage	31,811	-	-	31,811
Licenses and permits	185,953	-	-	185,953
Fines and forfeitures	373,797	-	182,099	555,896
Charges for current services	149,083	-	341,791	490,874
Revenues from use of money and property	9,837	4,744	7,754	22,335
Other revenue	358,832	-	92,635	451,467
Intergovernmental	224,077	-	1,189,820	1,413,897
Contributions and donations	-	-	788,921	788,921
Total revenues	<u>15,447,548</u>	<u>4,744</u>	<u>4,308,476</u>	<u>19,760,768</u>
EXPENDITURES				
Current:				
General government	1,446,562	-	1,784,233	3,230,795
Judicial	431,614	-	-	431,614
Public safety	7,843,314	-	155,124	7,998,438
Community support services	314,117	-	635,019	949,136
Public works	3,854,895	-	285,780	4,140,675
Cultural and recreational	1,911,205	-	96,740	2,007,945
Building and vehicle maintenance	489,371	-	163,356	652,727
Capital outlay:				
Public safety	-	998,056	-	998,056
Public works	-	1,427,832	651,032	2,078,864
Debt service:				
Principal retirement	94,919	-	958,593	1,053,512
Interest and fiscal charges	6,461	-	643,435	649,896
Total expenditures	<u>16,392,458</u>	<u>2,425,888</u>	<u>5,373,312</u>	<u>24,191,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(944,910)</u>	<u>(2,421,144)</u>	<u>(1,064,836)</u>	<u>(4,430,890)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,217,769	-	1,617,342	3,835,111
Transfers out	(1,250,406)	-	(241,096)	(1,491,502)
Capital leases	-	-	437,805	437,805
Sale of capital assets	35,183	-	736	35,919
Total other financing sources and uses	<u>1,002,546</u>	<u>-</u>	<u>1,814,787</u>	<u>2,817,333</u>
Net change in fund balances	57,636	(2,421,144)	749,951	(1,613,557)
Fund balances - beginning, as restated	<u>4,617,662</u>	<u>3,110,715</u>	<u>1,417,602</u>	<u>9,145,979</u>
Fund balances - ending	<u>\$ 4,675,298</u>	<u>\$ 689,571</u>	<u>\$ 2,167,553</u>	<u>\$ 7,532,422</u>

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, 2012

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) \$ (1,613,557)

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. 4,215,091

The net effect of various transactions involving capital assets (i.e., asset retirements/disposals). (10,656)

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. (1,258,331)

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. (4,587)

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.

Capital leases issued	\$ (437,805)	
Bond principal retirement	675,221	
Amortization of deferred charges	(25,623)	
Amortization of bond premiums/discounts	8,717	
Amortization of bond refunding losses	(3,117)	
Note payable retirement	35,185	
Amortization of discount on note payable	(19,511)	
Line of credit retirement	104,448	
Capital leases retirement	234,772	572,287

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. 34,295

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. (830,560)

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. 10,923

Change in net assets of governmental activities (page 12) \$ 1,114,905

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

Year Ended September 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 6,432,474	\$ 6,432,474	\$ 6,506,308	\$ 73,834
Sales	5,130,000	5,130,000	5,522,784	392,784
Franchise	2,035,000	2,035,000	2,085,066	50,066
Alcoholic beverage	32,000	32,000	31,811	(189)
Licenses and permits	155,050	155,050	185,953	30,903
Fines and forfeitures	455,500	455,500	373,797	(81,703)
Charges for current services	131,293	131,293	149,083	17,790
Revenues from use of money and property	10,000	10,000	9,837	(163)
Other revenue	137,050	137,050	358,832	221,782
Intergovernmental	217,000	217,000	224,077	7,077
Total revenues	<u>14,735,367</u>	<u>14,735,367</u>	<u>15,447,548</u>	<u>712,181</u>
EXPENDITURES				
Current:				
General government:				
Administration:				
Mayor and council	29,944	29,944	26,338	(3,606)
Administration	251,831	253,069	231,846	(21,223)
Human resources	77,707	79,214	79,810	596
Civil service	80,817	80,817	54,667	(26,150)
Tax	127,500	127,500	122,164	(5,336)
Finance	581,778	586,112	549,683	(36,429)
Health services	34,650	34,650	34,650	-
Total administration	<u>1,184,227</u>	<u>1,191,306</u>	<u>1,099,158</u>	<u>(92,148)</u>
Non departmental	<u>227,600</u>	<u>227,600</u>	<u>347,404</u>	<u>119,804</u>
Total general government	<u>1,411,827</u>	<u>1,418,906</u>	<u>1,446,562</u>	<u>27,656</u>
Judicial:				
Legal	109,695	109,964	132,665	22,701
Municipal court	303,310	306,056	298,949	(7,107)
Total judicial	<u>413,005</u>	<u>416,020</u>	<u>431,614</u>	<u>15,594</u>
Public safety:				
Police	4,388,779	4,423,373	4,356,401	(66,972)
Fire	3,330,833	3,351,525	3,197,019	(154,506)
Emergency management	17,275	17,275	3,421	(13,854)
Animal control	116,132	116,751	67,114	(49,637)
Animal shelter	203,938	205,445	219,359	13,914
Total public safety	<u>8,056,957</u>	<u>8,114,369</u>	<u>7,843,314</u>	<u>(271,055)</u>

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
GENERAL FUND
Year Ended September 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
Community support services:				
Inspections	\$ 175,141	\$ 176,380	\$ 143,141	\$ (33,239)
Planning and zoning	92,139	93,378	64,423	(28,955)
Code compliance	126,334	126,953	106,553	(20,400)
Total community support services	393,614	396,711	314,117	(82,594)
Public works:				
Information technology	106,162	106,781	93,962	(12,819)
Engineering	588,523	591,619	575,798	(15,821)
Streets	2,670,434	3,467,386	3,185,135	(282,251)
Total public works	3,365,119	4,165,786	3,854,895	(310,891)
Cultural and recreational:				
Parks and recreation	1,031,031	1,036,604	1,020,473	(16,131)
Lakes and grounds	133,470	134,089	144,713	10,624
Senior activity center	89,222	90,649	84,974	(5,675)
Swimming pool	79,169	79,169	84,015	4,846
Library	537,569	662,010	577,030	(84,980)
Total cultural and recreational	1,870,461	2,002,521	1,911,205	(91,316)
Building and vehicle maintenance:				
K. Wolens BIC	36,425	36,425	33,238	(3,187)
Maintenance service center	238,048	239,906	193,248	(46,658)
Municipal buildings	265,193	265,812	262,885	(2,927)
Total building and vehicle maintenance	539,666	542,143	489,371	(52,772)
Debt service:				
Principal retirement	99,329	99,329	94,919	(4,410)
Interest and fiscal charges	8,077	8,077	6,461	(1,616)
Total debt service	107,406	107,406	101,380	(6,026)
Total expenditures	16,158,055	17,163,862	16,392,458	(771,404)
Excess (deficiency) of revenues over (under) expenditures	(1,422,688)	(2,428,495)	(944,910)	1,483,585
OTHER FINANCING SOURCES (USES)				
Transfers in	2,204,487	2,204,487	2,217,769	13,282
Transfers out	(1,049,812)	(1,239,812)	(1,250,406)	(10,594)
Sale of capital assets	10,000	10,000	35,183	25,183
Total other financing sources and uses	1,164,675	974,675	1,002,546	27,871
Net change in fund balance	(258,013)	(1,453,820)	57,636	1,511,456
Fund balance - beginning, as restated	4,351,428	4,615,323	4,617,662	2,339
Fund balance - ending	\$ 4,093,415	\$ 3,161,503	\$ 4,675,298	\$ 1,513,795

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,085,511	\$ 172,515	\$ 209,482	\$ 3,467,508
Restricted assets:				
Cash and cash equivalents	30,978	-	-	30,978
Receivables (net of allowance for uncollectibles)	2,519,953	444,983	1,285,527	4,250,463
Inventory	-	1,843	-	1,843
Prepaid items	138,889	-	-	138,889
Total current assets	<u>5,775,331</u>	<u>619,341</u>	<u>1,495,009</u>	<u>7,889,681</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	2,367,495	164,416	-	2,531,911
Investments	591,865	-	-	591,865
Total restricted assets	<u>2,959,360</u>	<u>164,416</u>	<u>-</u>	<u>3,123,776</u>
Deferred charges	956,288	15,445	-	971,733
Capital assets (net, where applicable of accumulated depreciation)	<u>54,772,929</u>	<u>4,668,829</u>	<u>385,074</u>	<u>59,826,832</u>
Total noncurrent assets	<u>58,688,577</u>	<u>4,848,690</u>	<u>385,074</u>	<u>63,922,341</u>
Total assets	<u>64,463,908</u>	<u>5,468,031</u>	<u>1,880,083</u>	<u>71,812,022</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	457,373	381,770	128,562	967,705
Accrued payroll payable	112,897	27,874	37,349	178,120
Due to other funds	-	-	525,478	525,478
Unearned revenue	18,000	-	25,606	43,606
Compensated absences	65,908	10,918	29,398	106,224
Customer deposits payable	540,805	-	-	540,805
Bonds payable	2,995,000	42,726	-	3,037,726
Capital lease payable	252,654	59,167	215	312,036
Accrued interest payable	191,972	1,929	-	193,901
Current liabilities payable from restricted assets:				
Accounts payable	25,978	-	-	25,978
Retainage payable	5,000	-	-	5,000
Total current liabilities	<u>4,665,587</u>	<u>524,384</u>	<u>746,608</u>	<u>5,936,579</u>
Noncurrent liabilities:				
Compensated absences	263,631	43,670	117,594	424,895
Bonds payable	37,155,314	315,286	-	37,470,600
Capital lease payable	652,286	265,128	615	918,029
Landfill closure liability	-	1,626,521	-	1,626,521
Net pension obligation	189,851	45,684	683	236,218
Total noncurrent liabilities	<u>38,261,082</u>	<u>2,296,289</u>	<u>118,892</u>	<u>40,676,263</u>
Total liabilities	<u>42,926,669</u>	<u>2,820,673</u>	<u>865,500</u>	<u>46,612,842</u>
NET ASSETS				
Invested in capital assets, net of related debt	15,215,155	3,986,522	384,244	19,585,921
Restricted for debt service	1,461,880	164,416	-	1,626,296
Unrestricted	4,860,204	(1,503,580)	630,339	3,986,963
Total net assets	<u>\$ 21,537,239</u>	<u>\$ 2,647,358</u>	<u>\$ 1,014,583</u>	<u>\$ 25,199,180</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, 2012

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
Operating revenues:				
Water revenue	\$ 9,621,146	\$ -	\$ -	\$ 9,621,146
Sewer revenue	4,194,489	-	-	4,194,489
Tap fees	32,750	-	-	32,750
Other charges	437,895	115,036	54,448	607,379
Garbage collection fees	-	1,075,120	-	1,075,120
Landfill	-	2,220,908	-	2,220,908
Emergency medical services	-	-	1,891,121	1,891,121
Total operating revenues	<u>14,286,280</u>	<u>3,411,064</u>	<u>1,945,569</u>	<u>19,642,913</u>
Operating expenses:				
Costs of sales and services	9,731,737	2,860,484	2,043,037	14,635,258
Administration	532,834	17,847	13,435	564,116
Depreciation and amortization	1,679,203	201,306	132,158	2,012,667
Total operating expenses	<u>11,943,774</u>	<u>3,079,637</u>	<u>2,188,630</u>	<u>17,212,041</u>
Operating income (loss)	<u>2,342,506</u>	<u>331,427</u>	<u>(243,061)</u>	<u>2,430,872</u>
Nonoperating revenue (expenses):				
Investment earnings	17,815	1,412	112	19,339
Gain on disposal of assets	27,454	9,330	4,000	40,784
Interest and fiscal charges	(1,561,298)	(27,955)	(21)	(1,589,274)
Bond issuance costs	(80,876)	(1,151)	-	(82,027)
Total nonoperating revenue (expenses)	<u>(1,596,905)</u>	<u>(18,364)</u>	<u>4,091</u>	<u>(1,611,178)</u>
Income (loss) before contributions and transfers	745,601	313,063	(238,970)	819,694
Capital contributions	58,560	-	8,983	67,543
Transfer in	234,198	733	-	234,931
Transfer out	<u>(1,692,375)</u>	<u>(509,828)</u>	<u>(376,337)</u>	<u>(2,578,540)</u>
Change in net assets	(654,016)	(196,032)	(606,324)	(1,456,372)
Total net assets - beginning, as restated	22,191,255	2,843,390	1,620,907	26,655,552
Total net assets - ending	<u>\$21,537,239</u>	<u>\$2,647,358</u>	<u>\$ 1,014,583</u>	<u>\$25,199,180</u>

CITY OF CORSICANA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
Cash flows from operating activities:				
Receipts from customers and users	\$14,571,415	\$ 3,178,973	\$1,900,187	\$ 19,650,575
Payments to suppliers	(7,776,740)	(1,779,587)	(826,191)	(10,382,518)
Payments to employees	(2,259,928)	(599,089)	(1,183,817)	(4,042,834)
Net cash provided (used) by operating activities	<u>4,534,747</u>	<u>800,297</u>	<u>(109,821)</u>	<u>5,225,223</u>
Cash flows from noncapital financing activities:				
Repayment of advances to other funds	-	-	525,478	525,478
Transfers from other funds	161,978	733	-	162,711
Transfers to other funds	(1,692,375)	(509,828)	(368,705)	(2,570,908)
Net cash provided (used) by noncapital financing activities	<u>(1,530,397)</u>	<u>(509,095)</u>	<u>156,773</u>	<u>(1,882,719)</u>
Cash flows from capital and related financing activities:				
Capital contributions	67,220	-	8,983	76,203
Acquisition and construction of capital assets	(2,679,081)	(824,668)	(153,792)	(3,657,541)
Principal paid on bond maturities	(2,855,000)	(39,779)	-	(2,894,779)
Interest paid on bond maturities	(1,670,793)	(16,100)	-	(1,686,893)
Proceeds from capital leases	682,103	7,500	-	689,603
Principal paid on leased assets	(253,175)	(79,833)	(210)	(333,218)
Interest paid on leased assets	(17,088)	(12,055)	(21)	(29,164)
Proceeds from the sale of capital assets	47,663	9,330	4,000	60,993
Net cash provided (used) by capital and related financing activities	<u>(6,678,151)</u>	<u>(955,605)</u>	<u>(141,040)</u>	<u>(7,774,796)</u>
Cash flows from investing activities:				
Interest on investments	17,815	1,412	112	19,339
Net cash provided by investing activities	<u>17,815</u>	<u>1,412</u>	<u>112</u>	<u>19,339</u>
Net increase in cash and cash equivalents	(3,655,986)	(662,991)	(93,976)	(4,412,953)
Cash and cash equivalents at beginning of year	9,731,835	999,922	303,458	11,035,215
Cash and cash equivalents at end of year	<u>\$ 6,075,849</u>	<u>\$ 336,931</u>	<u>\$ 209,482</u>	<u>\$ 6,622,262</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 2,342,506	\$ 331,427	\$ (243,061)	\$ 2,430,872
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,679,203	201,306	132,158	2,012,667
Disposal of asset in construction	32,448	-	-	32,448
(Increase) decrease in accounts receivable	269,680	(232,091)	(45,382)	(7,793)
(Increase) decrease in inventory	-	(1,843)	-	(1,843)
(Increase) decrease in prepaid items	24,325	-	5,771	30,096
Increase (decrease) in accounts payable and accrued expenses	151,341	167,359	33,137	351,837
Increase (decrease) in unearned revenue	18,000	-	7,556	25,556
Net increase in customer deposits	15,455	-	-	15,455
Increase in landfill closure liability	-	333,667	-	333,667
Increase in net pension obligation	1,789	472	-	2,261
Total adjustments	<u>2,192,241</u>	<u>468,870</u>	<u>133,240</u>	<u>2,794,351</u>
Net cash provided by operating activities	<u>\$ 4,534,747</u>	<u>\$ 800,297</u>	<u>\$ (109,821)</u>	<u>\$ 5,225,223</u>
Noncash investing, capital and financing activities:				
Capital assets purchased on account	\$ 30,978	\$ -	\$ -	\$ 30,978

See accompanying notes to financial statements.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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 *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.

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, 2012

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.

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, 2012

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, 2012

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 \$1,682,550. Of this amount, \$121,252 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:

Assets	Years
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, 2012

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 -

The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. 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, 2012

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.

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 \$50,277 as of September 30, 2012. The deficit fund balance will be covered by future revenue.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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 \$627,501 as of September 30, 2012. The deficit fund balance will be covered with the collection of the special assessment within the District.

The TCDP Grant Cinergy Cinemas special revenue fund had a fund balance deficit of \$73,639 as of September 30, 2012. The deficit fund balance will be covered by future revenue.

The 2010 Home Program special revenue fund had a fund balance deficit of \$1,073 as of September 30, 2012. The deficit fund balance will be covered by future revenue.

C. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal or contractual provisions, including the Texas Public Funds Investment Act.

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, 2012. At year end, the bank balance of the City's deposits was \$13,167,016. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$12,917,016 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 \$14,949,000.

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, 2012

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	\$ 33,064	N/A	AAAm
Prime Investment Money Market Fund	591,865	N/A	Aaa
Total	<u>\$ 624,929</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, 2012

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	Nonmajor Governmental	Utility Operations	Sanitation	Emergency Medical Services	Total
Receivables:						
Taxes	\$ 1,592,062	\$ 43,287	\$ -	\$ -	\$ -	\$ 1,635,349
Court fines	504,549	-	-	-	-	504,549
Accounts	-	-	2,526,157	193,048	2,254,380	4,973,585
Other	508,026	216,842	151,839	300,663	13,252	1,190,622
Gross receivables	<u>2,604,637</u>	<u>260,129</u>	<u>2,677,996</u>	<u>493,711</u>	<u>2,267,632</u>	<u>8,304,105</u>
Less: allowance for uncollectibles	<u>(62,084)</u>	<u>(14,246)</u>	<u>(158,043)</u>	<u>(48,728)</u>	<u>(982,105)</u>	<u>(1,265,206)</u>
Net total receivables	<u>\$ 2,542,553</u>	<u>\$ 245,883</u>	<u>\$ 2,519,953</u>	<u>\$ 444,983</u>	<u>\$ 1,285,527</u>	<u>\$ 7,038,899</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>\$ 331,333</u>
Court fines (general fund)	504,549
Other (general fund)	76,440
Delinquent property taxes receivable (other governmental funds)	76,299
Grant revenues (other governmental funds)	135,209
Total deferred / unearned revenue for governmental funds	<u>\$1,123,830</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,829,200	\$ 119,272	\$ -	\$ 37,948,472
Construction in progress	1,308,489	2,526,540	(973,351)	2,861,678
Total capital assets not being depreciated	<u>39,137,689</u>	<u>2,645,812</u>	<u>(973,351)</u>	<u>40,810,150</u>
Capital assets being depreciated:				
Buildings	16,511,424	30,066	(27,790)	16,513,700
Machinery and equipment	6,466,016	1,292,873	(412,067)	7,346,822
Infrastructure	22,999,854	1,219,691	-	24,219,545
Totals capital assets being depreciated	<u>45,977,294</u>	<u>2,542,630</u>	<u>(439,857)</u>	<u>48,080,067</u>
Less accumulated depreciation for:				
Buildings	(14,141,154)	(268,528)	25,469	(14,384,213)
Machinery and equipment	(5,243,836)	(392,187)	403,732	(5,232,291)
Infrastructure	(13,773,995)	(597,616)	-	(14,371,611)
Total accumulated depreciation	<u>(33,158,985)</u>	<u>(1,258,331)</u>	<u>429,201</u>	<u>(33,988,115)</u>
Total capital assets, being depreciated, net	<u>12,818,309</u>	<u>1,284,299</u>	<u>(10,656)</u>	<u>14,091,952</u>
Governmental activities capital assets, net	<u>\$ 51,955,998</u>	<u>\$ 3,930,111</u>	<u>\$ (984,007)</u>	<u>\$ 54,902,102</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,548,218	\$ 120,235	\$ (39,750)	\$ 3,628,703
Construction in progress	4,369,138	2,477,476	(4,150,041)	2,696,573
Total capital assets not being depreciated	<u>7,917,356</u>	<u>2,597,711</u>	<u>(4,189,791)</u>	<u>6,325,276</u>
Capital assets being depreciated:				
Buildings	4,329,653	-	-	4,329,653
Improvements	49,305,932	4,311,219	(49,546)	53,567,605
Machinery and equipment	24,712,070	774,144	(177,029)	25,309,185
Total capital assets being depreciated	<u>78,347,655</u>	<u>5,085,363</u>	<u>(226,575)</u>	<u>83,206,443</u>
Less accumulated depreciation for:				
Buildings	(3,002,716)	(60,367)	-	(3,063,083)
Improvements	(12,615,564)	(939,103)	29,337	(13,525,330)
Machinery and equipment	(12,272,675)	(1,013,197)	169,398	(13,116,474)
Total accumulated depreciation	<u>(27,890,955)</u>	<u>(2,012,667)</u>	<u>198,735</u>	<u>(29,704,887)</u>
Total capital assets being depreciated, net	<u>50,456,700</u>	<u>3,072,696</u>	<u>(27,840)</u>	<u>53,501,556</u>
Business-type capital assets, net	<u>\$ 58,374,056</u>	<u>\$ 5,670,407</u>	<u>\$ (4,217,631)</u>	<u>\$ 59,826,832</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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	\$ 296,717
Public safety	218,869
Community support services	8,872
Public works	571,160
Cultural and recreational	125,225
Building and vehicle maintenance	37,488
Total depreciation expense - governmental activities	<u>\$ 1,258,331</u>
Business-type activities:	
Utility operations	\$ 1,679,203
Sanitation	201,306
Emergency medical services	132,158
Total depreciation expense - business-type activities	<u>\$ 2,012,667</u>

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

Construction Commitments –

The City has construction projects outstanding as of September 30, 2012. 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	\$ 2,528,156	\$ 529,708
Utility system improvements	4,254,496	204,394
	<u>\$ 6,782,652</u>	<u>\$ 734,102</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.

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	\$ 805,840
General	Emergency Medical Services	525,478
		<u>\$ 1,331,318</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund receivables, payables and transfers (continued)

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 out:	Transfer In:				Total
	General	Nonmajor Governmental	Utility Operations	Sanitation	
General	\$ -	\$ 1,250,406	\$ -	\$ -	\$ 1,250,406
Nonmajor Governmental	2,317	3,848	234,198	733	241,096
Utility Operations	1,329,287	363,088	-	-	1,692,375
Sanitation	509,828	-	-	-	509,828
Emergency Medical Services	376,337	-	-	-	376,337
	<u>\$ 2,217,769</u>	<u>\$ 1,617,342</u>	<u>\$ 234,198</u>	<u>\$ 733</u>	<u>\$ 4,070,042</u>

Transfers consisted of:

- General Fund to Nonmajor Governmental Funds for subsidy for other programs in the City.
- Nonmajor Governmental Funds to Utility Operations for subsidy of utility projects from donations to the Tax Increment Financing Fund and GO Bond proceeds (\$234,198).
- Utility Operations to General Fund for subsidy for administrative expenditures (\$893,360) and payment in lieu of franchise taxes (\$435,927).
- Utility Operations to Nonmajor Governmental Funds to recognize Utility Fund assets purchased with combined lease purchase proceeds (\$363,088).
- Sanitation to General Fund for subsidy for administrative expenditures (\$409,836) and payment in lieu of franchise taxes (\$99,992).
- Emergency Medical Services to General Fund for subsidy for administrative expenditures (\$376,337).

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	\$ 608,827	\$ 669,155
Less: accumulated depreciation	(148,803)	(138,869)
Total	<u>\$ 460,024</u>	<u>\$ 530,286</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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
2013	\$ 246,487	\$ 25,455	\$ 312,036	\$ 24,033
2014	236,138	19,518	311,037	17,298
2015	209,953	14,027	284,966	10,720
2016	157,912	9,315	178,146	5,357
2017	75,348	6,536	55,348	2,950
2018-2021	201,096	9,475	88,532	4,183
	<u>\$ 1,126,934</u>	<u>\$ 84,326</u>	<u>\$ 1,230,065</u>	<u>\$ 64,541</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%	\$ 4,446,988
Business-type activities	0.148-4.25%	20,628,012
Total		<u>\$ 25,075,000</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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
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	254,374	149,497	930,626	621,874
2018-2022	1,435,083	580,355	6,264,917	2,474,931
2023-2027	2,010,081	241,034	7,579,915	1,127,470
2028-2031	-	-	1,720,002	115,770
	<u>\$ 4,446,988</u>	<u>\$ 1,660,223</u>	<u>\$ 20,628,012</u>	<u>\$ 7,220,274</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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities - refunding	2.00-4.00%	\$ 9,680,000
Business-type activities - refunding	2.25-4.00%	8,120,000
Total		<u>\$ 17,800,000</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
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	610,000	267,768	1,080,000	118,500
2018-2022	2,745,000	1,031,208	2,355,000	169,400
2023-2027	2,795,000	490,854	-	-
2028-2031	1,085,000	77,670	-	-
	<u>\$ 9,680,000</u>	<u>\$ 3,133,182</u>	<u>\$ 8,120,000</u>	<u>\$ 1,072,600</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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%	\$ 12,080,000
Total		\$ 12,080,000

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

Year Ending September 30	Business-type Activities	
	Principal	Interest
2013	\$ 440,000	\$ 497,783
2014	1,110,000	480,183
2015	1,150,000	436,198
2016	1,190,000	390,628
2017	1,235,000	343,473
2018-2022	5,665,000	1,019,095
2023-2025	1,290,000	116,931
	\$12,080,000	\$ 3,284,291

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, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term debt (continued)

Future note payments are as follows:

Year Ending September 30	
2013	\$ 35,185
2014	35,185
2015	35,185
2016	35,185
2017	35,185
2018-2022	175,925
2023-2027	175,925
2028	23,457
Total note payments	551,232
Unamortized discount	(169,562)
Present value of note payments	<u>\$ 381,670</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 \$619,887 was outstanding as of September 30, 2012. 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
2013	\$ 103,921	\$ 30,994
2014	104,202	25,798
2015	104,412	20,588
2016	104,590	15,368
2017	104,862	10,138
2018	97,900	4,895
	<u>\$ 619,887</u>	<u>\$ 107,781</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 4,542,209	\$ -	\$ (95,221)	\$ 4,446,988	\$ 102,274
General obligation bonds	10,260,000	-	(580,000)	9,680,000	635,000
Less deferred amounts:					
For issuance premium	74,102	-	(8,717)	65,385	-
On refunding	(27,923)	-	3,117	(24,806)	-
Total bonds payable	14,848,388	-	(680,821)	14,167,567	737,274
Note payable	586,417	-	(35,185)	551,232	35,185
Less discount on note payable	(189,073)	-	19,511	(169,562)	(20,941)
Line of credit	724,335	-	(104,448)	619,887	103,921
Capital leases	923,901	437,805	(234,772)	1,126,934	246,487
Compensated absences	1,508,845	510,795	(545,090)	1,474,550	301,769
Net pension obligation	465,713	4,587	-	470,300	-
Governmental activity					
Long-term liabilities	<u>\$ 18,868,526</u>	<u>\$ 953,187</u>	<u>\$ (1,580,805)</u>	<u>\$ 18,240,908</u>	<u>\$ 1,403,695</u>
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 21,552,791	\$ -	\$ (924,779)	\$ 20,628,012	\$ 982,726
General obligation bonds	9,670,000	-	(1,550,000)	8,120,000	1,615,000
Revenue bonds	12,500,000	-	(420,000)	12,080,000	440,000
Less deferred amounts:					
For issuance discount	(88,161)	-	7,113	(81,048)	-
For issuance premium	568,676	-	(63,087)	505,589	-
On refunding	(816,364)	-	72,137	(744,227)	-
Total bonds payable	43,386,942	-	(2,878,616)	40,508,326	3,037,726
Landfill closure	1,292,854	333,667	-	1,626,521	-
Capital lease	873,680	689,603	(333,218)	1,230,065	312,036
Compensated absences	523,357	279,461	(271,699)	531,119	106,224
Net pension obligation	233,957	2,261	-	236,218	-
Business-type activity					
Long-term liabilities	<u>\$ 46,310,790</u>	<u>\$ 1,304,992</u>	<u>\$ (3,483,533)</u>	<u>\$ 44,132,249</u>	<u>\$ 3,455,986</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, 2012

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	\$ 1,528,458
Revenue bond debt service account	136,083
Revenue bond reserve account	1,490,213
	<u>\$ 3,154,754</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, 2012 the unreimbursed costs due the Company totaled \$2,493,824.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012 totaled \$485,162 by the City and \$161,721 by the County. As of September 30, 2012 the unpaid debt of the City and County associated with the incentive package totaled \$5,255,451.

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, 2012 were \$252,450.

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 \$197,981.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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 2011	Plan Year 2012
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	60/5, 0/20	60/5, 0/20
Updated service credit	50% Repeating, Transfers	50% Repeating, Transfers
Annuity increase (to retirees)	50% 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 26.1-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 2012 and 2011 was 13.83% and 15.92%, 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, 2012

NOTE 4 – OTHER INFORMATION (continued)

E. Texas Municipal Retirement System (continued)

Annual Required Contribution (ARC)	\$ 1,257,318
Interest on Net Pension Obligation	48,977
Adjustment to the ARC	(42,101)
Annual Pension Cost (APC)	<u>1,264,194</u>
Contributions Made	<u>(1,257,343)</u>
Increase (decrease) in net pension obligation	6,851
Net Pension Obligation/(Asset), beginning of year	<u>699,670</u>
Net Pension Obligation/(Asset), end of year	<u><u>\$ 706,521</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)
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
2012	1,264,194	1,257,343	99%	706,521

The required contribution rates for the year ended September 30, 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	27.0 years; closed period	26.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	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% 1.5%	3.0% 1.5%

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

E. Texas Municipal Retirement System (continued)

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
12/31/2006	\$ 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	27,076,625	63.8%	9,802,217	9,354,262	104.8%
12/31/2010	30,180,484	37,527,268	80.4%	7,346,784	8,560,354	85.8%
12/31/2011	32,387,528	39,522,821	81.9%	7,135,293	8,436,911	84.6%

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.

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.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

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

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	52
Total	81

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.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

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

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 14% 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)	\$ 458,875
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	<u>458,875</u>
Contributions Made	<u>(458,875)</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	<u><u>\$ -</u></u>

Six-year trend information is as follows:

Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
9/30/2007	\$ 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%	-
9/30/2012	458,875	458,875	100.00%	-

The annual required contributions (ARC) by the city for the fiscal year ending September 30, 2012 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

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

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

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)	Funded Ratio (a/b)	Annual Covered Payroll ³ (c)	UAAL as a Percentage of Covered Payroll {(b-a)/c}
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.

For the fiscal year ending September 30, 2012, the City of Corsicana's Annual Pension Cost (APC) for the Corsicana Firemen's Relief and Retirement Fund is \$458,875, 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 14% of pay, and the city contributes 14% of payroll.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

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:

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
	2007	\$ 24,510	\$ 24,510	0.10%	0.10%
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%
2012	18,562	18,562	0.22%	0.22%	100.0%

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

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, in compliance with GASB Statement 18, 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 \$1,626,521 reported to date is based on the use of 23.41 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$5,319,375 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The landfill has an estimated remaining life of 104 years, with an expected closure date of 2116. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City's current financial policy requires 15% of its estimated landfill closure costs be contributed and maintained in a separate cash or investment account. Due to an increase in the closure and post closure cost estimates, this account is under-funded by \$100,883, having an account balance of \$143,095 at September 30, 2012. 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 a construction contracts relating to the street utility relocation totaling \$591,239, waterline relocation totaling \$315,535, and improvements totaling \$158,202. The City also entered into various capital lease agreements for the purchase of various vehicles, equipment, and buildings. These leases total \$1,409,680 and have terms of 3 and 5 years.

Subsequent to year end, the City authorized the issuance of General Obligation bonds, levying an annual ad valorem tax, in the amount of \$3,400,000.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

J. Prior Period Adjustment

Corrections have been made to the governmental activities and 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 understatement of assets, understatement of liabilities, understatement/overstatement of fund balance/net assets, understatement of revenues, and an understatement of expenses of the prior year. The change to the beginning fund balance/net assets as of October 1, 2011 is summarized as follows:

	<u>Fund Financial Statements</u>	<u>Government-wide Financial Statements</u>
	<u>General</u>	<u>Governmental Activities</u>
As previously reported, October 1, 2011	\$ 4,615,324	\$ 44,432,075
Correct understatement of cash	2,338	2,338
Restated, October 1, 2011	<u>\$ 4,617,662</u>	<u>\$ 44,434,413</u>
Effect of restatement on operations for the year ending September 30, 2011	<u>\$ 2,338</u>	<u>\$ 2,338</u>
	<u>Fund Financial Statements</u>	<u>Government-wide Financial Statements</u>
	<u>Sanitation</u>	<u>Business-type Activities</u>
As previously reported, October 1, 2011	\$ 2,556,654	\$ 26,368,816
Correct overstatement of cash	(2,338)	(2,338)
Correct understatement of receivable	77,887	77,887
Correct overstatement of accumulated depreciation	825,477	825,477
Correct understatement of landfill closure liability	(614,290)	(614,290)
Restated, October 1, 2011	<u>\$ 2,843,390</u>	<u>\$ 26,655,552</u>
Effect of restatement on operations for the year ending September 30, 2011	<u>\$ 77,663</u>	<u>\$ 77,663</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 *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 *TP&W Grant Athletic Complex* fund was created to account for grants funds received to construct a new Athletic Complex.

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

The *2010 Home Program* fund was created to account 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 *Athletic Complex Donation* fund was created to account for donated funds to construct a new Athletic Complex.

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 *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 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 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 *2012 3-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 three year period.

The *2012 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.

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,314,797	\$ 74,793	\$ 1,902,703	\$ 3,292,293
Receivables (net of allowance for uncollectibles)	165,158	80,725	-	245,883
Due from other governments	209,692	-	-	209,692
Inventory	42,197	-	-	42,197
Total assets	<u>\$ 1,731,844</u>	<u>\$ 155,518</u>	<u>\$ 1,902,703</u>	<u>\$ 3,790,065</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 233,246	\$ -	\$ 365,429	\$ 598,675
Accrued payroll payable	6,489	-	-	6,489
Due to other funds	805,840	-	-	805,840
Deferred revenue	135,209	76,299	-	211,508
Total liabilities	<u>1,180,784</u>	<u>76,299</u>	<u>365,429</u>	<u>1,622,512</u>
Fund balances:				
Nonspendable:				
Inventory	42,197	-	-	42,197
Restricted:				
General Government	266,793	-	-	266,793
Public Safety	247,033	-	-	247,033
Community support services	64,103	-	-	64,103
Public works	381,036	-	-	381,036
Cultural and recreational	273,573	-	-	273,573
Debt service	-	79,219	-	79,219
Capital projects	-	-	1,537,274	1,537,274
Assigned:				
General Government	24,974	-	-	24,974
Cultural and recreational	3,841	-	-	3,841
Unassigned	(752,490)	-	-	(752,490)
Total fund balances	<u>551,060</u>	<u>79,219</u>	<u>1,537,274</u>	<u>2,167,553</u>
Total liabilities and fund balances	<u>\$ 1,731,844</u>	<u>\$ 155,518</u>	<u>\$ 1,902,703</u>	<u>\$ 3,790,065</u>

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2012

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Property	\$ -	\$ 1,325,778	\$ -	\$ 1,325,778
Hotel occupancy	379,678	-	-	379,678
Fines and forfeitures	182,099	-	-	182,099
Charges for current services	341,791	-	-	341,791
Revenues from use of money and property	2,265	924	4,565	7,754
Other revenue	92,635	-	-	92,635
Intergovernmental	1,189,820	-	-	1,189,820
Contributions and donations	738,921	-	50,000	788,921
Total revenues	<u>2,927,209</u>	<u>1,326,702</u>	<u>54,565</u>	<u>4,308,476</u>
EXPENDITURES				
Current:				
General government	1,733,031	-	51,202	1,784,233
Public safety	85,432	-	69,692	155,124
Community support services	632,953	-	2,066	635,019
Public works	129,209	-	156,571	285,780
Cultural and recreational	62,419	-	34,321	96,740
Building and vehicle maintenance	-	-	163,356	163,356
Capital outlay:				
Public works	-	-	651,032	651,032
Debt service:				
Principal retirement	127,179	831,414	-	958,593
Interest and fiscal charges	31,720	611,715	-	643,435
Total expenditures	<u>2,801,943</u>	<u>1,443,129</u>	<u>1,128,240</u>	<u>5,373,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,266</u>	<u>(116,427)</u>	<u>(1,073,675)</u>	<u>(1,064,836)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,204,255	-	413,087	1,617,342
Transfers out	(75,703)	-	(165,393)	(241,096)
Capital leases	-	-	437,805	437,805
Sale of capital assets	736	-	-	736
Total other financing sources (uses)	<u>1,129,288</u>	<u>-</u>	<u>685,499</u>	<u>1,814,787</u>
Net change in fund balances	1,254,554	(116,427)	(388,176)	749,951
Fund balances - beginning	<u>(703,494)</u>	<u>195,646</u>	<u>1,925,450</u>	<u>1,417,602</u>
Fund balances - ending	<u>\$ 551,060</u>	<u>\$ 79,219</u>	<u>\$ 1,537,274</u>	<u>\$ 2,167,553</u>

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2012

	Hotel/Motel Occupancy Fees	Airport Operating	Cemetery	Forfeitures	Parks/ Recreation	Parks/ Recreation Special Events	Library
ASSETS							
Cash and cash equivalents	\$ 82,688	\$ 24,345	\$ 105,890	\$ 14,187	\$ 43,479	\$ 5,932	\$ 16,484
Receivables (net of allowance for uncollectibles)	127,431	20,524	100	-	1,500	1,667	-
Due from other governments	-	32,986	-	-	-	-	-
Inventory	-	42,197	-	-	-	-	-
Total assets	<u>\$ 210,119</u>	<u>\$ 120,052</u>	<u>\$ 105,990</u>	<u>\$ 14,187</u>	<u>\$ 44,979</u>	<u>\$ 7,599</u>	<u>\$ 16,484</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 53,048	\$ 19,895	\$ 5,090	\$ 634	\$ 5,645	\$ -	\$ -
Accrued payroll payable	3,311	-	121	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	58,397	-	-	-	-	-	-
Total liabilities	<u>114,756</u>	<u>19,895</u>	<u>5,211</u>	<u>634</u>	<u>5,645</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	42,197	-	-	-	-	-
Restricted:							
General Government	95,363	32,986	100,779	-	-	-	-
Public Safety	-	-	-	13,553	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	39,334	7,599	16,484
Assigned:							
General Government	-	24,974	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>95,363</u>	<u>100,157</u>	<u>100,779</u>	<u>13,553</u>	<u>39,334</u>	<u>7,599</u>	<u>16,484</u>
Total liabilities and fund balances	<u>\$ 210,119</u>	<u>\$ 120,052</u>	<u>\$ 105,990</u>	<u>\$ 14,187</u>	<u>\$ 44,979</u>	<u>\$ 7,599</u>	<u>\$ 16,484</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2012

	Corsicana/ Navarro County Economic Development	Police	Community Support Services	Fire	Palace Theatre	Police LEOSE	Senior Activity Center
ASSETS							
Cash and cash equivalents	\$ 21,481	\$ 20,529	\$ 9,966	\$ 7,654	\$ 4,284	\$ 254	\$ 54,137
Receivables (net of allowance for uncollectibles)	5,000	-	-	-	768	-	-
Due from other governments	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 26,481</u>	<u>\$ 20,529</u>	<u>\$ 9,966</u>	<u>\$ 7,654</u>	<u>\$ 5,052</u>	<u>\$ 254</u>	<u>\$ 54,137</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 73,707	\$ 340	\$ -	\$ -	\$ 1,211	\$ -	\$ -
Accrued payroll payable	3,051	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>76,758</u>	<u>340</u>	<u>-</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	-	-	-	-	-	-	-
Public Safety	-	20,189	-	7,654	-	254	-
Community support services	-	-	9,966	-	-	-	54,137
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	3,841	-	-
Unassigned	(50,277)	-	-	-	-	-	-
Total fund balances	<u>(50,277)</u>	<u>20,189</u>	<u>9,966</u>	<u>7,654</u>	<u>3,841</u>	<u>254</u>	<u>54,137</u>
Total liabilities and fund balances	<u>\$ 26,481</u>	<u>\$ 20,529</u>	<u>\$ 9,966</u>	<u>\$ 7,654</u>	<u>\$ 5,052</u>	<u>\$ 254</u>	<u>\$ 54,137</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2012

	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	\$ 4,036	\$ 59,997	\$ 110,421	\$ 72,788	\$ 308,248	\$ 34,217	\$ 754
Receivables (net of allowance for uncollectibles)	8,168	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 12,204</u>	<u>\$ 59,997</u>	<u>\$ 110,421</u>	<u>\$ 72,788</u>	<u>\$ 308,248</u>	<u>\$ 34,217</u>	<u>\$ 754</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ 8,471	\$ -	\$ 896	\$ -	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	6	-	-	-	-
Due to other funds	629,134	-	-	-	-	-	-
Deferred revenue	2,100	-	-	-	-	-	-
Total liabilities	<u>639,705</u>	<u>-</u>	<u>902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	-	-	-	-	-	-	-
Public Safety	-	59,997	109,519	-	-	34,217	754
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	72,788	308,248	-	-
Cultural and recreational	-	-	-	-	-	-	-
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	(627,501)	-	-	-	-	-	-
Total fund balances	<u>(627,501)</u>	<u>59,997</u>	<u>109,519</u>	<u>72,788</u>	<u>308,248</u>	<u>34,217</u>	<u>754</u>
Total liabilities and fund balances	<u>\$ 12,204</u>	<u>\$ 59,997</u>	<u>\$ 110,421</u>	<u>\$ 72,788</u>	<u>\$ 308,248</u>	<u>\$ 34,217</u>	<u>\$ 754</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2012

	GIS Project	Safe Route to School Grant	2009 Texas Capital Fund	TCDP Grant Cinergy Cinemas	ARRA Energy Efficiency and Conservation Block Grant	Animal Shelter Building Donations	TP&W Grant Athletic Complex
ASSETS							
Cash and cash equivalents	\$ 37,665	\$ -	\$ -	\$ -	\$ -	\$ 891	\$ 100,074
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	98,083	73,639	3,911	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 37,665</u>	<u>\$ -</u>	<u>\$ 98,083</u>	<u>\$ 73,639</u>	<u>\$ 3,911</u>	<u>\$ 891</u>	<u>\$ 100,074</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll payable	-	-	-	-	-	-	-
Due to other funds	-	-	98,083	73,639	3,911	-	-
Deferred revenue	-	-	-	73,639	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>98,083</u>	<u>147,278</u>	<u>3,911</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable:							
Inventory	-	-	-	-	-	-	-
Restricted:							
General Government	37,665	-	-	-	-	-	-
Public Safety	-	-	-	-	-	891	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	100,074
Assigned:							
General Government	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	-	-
Unassigned	-	-	-	(73,639)	-	-	-
Total fund balances	<u>37,665</u>	<u>-</u>	<u>-</u>	<u>(73,639)</u>	<u>-</u>	<u>891</u>	<u>100,074</u>
Total liabilities and fund balances	<u>\$ 37,665</u>	<u>\$ -</u>	<u>\$ 98,083</u>	<u>\$ 73,639</u>	<u>\$ 3,911</u>	<u>\$ 891</u>	<u>\$ 100,074</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2012

	2010 Home Program	Athletic Complex Donations	Police Seizures	Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ 110,082	\$ 64,314	\$ 1,314,797
Receivables (net of allowance for uncollectibles)	-	-	-	165,158
Due from other governments	1,073	-	-	209,692
Inventory	-	-	-	42,197
Total assets	\$ 1,073	\$ 110,082	\$ 64,314	\$ 1,731,844
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 64,309	\$ 233,246
Accrued payroll payable	-	-	-	6,489
Due to other funds	1,073	-	-	805,840
Deferred revenue	1,073	-	-	135,209
Total liabilities	2,146	-	64,309	1,180,784
Fund balances:				
Nonspendable:				
Inventory	-	-	-	42,197
Restricted:				
General Government	-	-	-	266,793
Public Safety	-	-	5	247,033
Community support services	-	-	-	64,103
Public works	-	-	-	381,036
Cultural and recreational	-	110,082	-	273,573
Assigned:				
General Government	-	-	-	24,974
Cultural and recreational	-	-	-	3,841
Unassigned	(1,073)	-	-	(752,490)
Total fund balances	(1,073)	110,082	5	551,060
Total liabilities and fund balances	\$ 1,073	\$ 110,082	\$ 64,314	\$ 1,731,844

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended September 30, 2012

	Hotel/Motel Occupancy Fees	Airport Operating	Cemetery	Forfeitures	Parks/ Recreation	Parks/ Recreation Special Events	Library
REVENUES							
Taxes:							
Hotel occupancy	\$ 379,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	32,225	-	-	-
Charges for current services	-	338,063	3,728	-	-	-	-
Revenues from use of money and property	106	33	202	18	89	16	29
Other revenue	6,659	-	78,528	-	200	-	-
Intergovernmental	1,000	133,054	-	-	-	-	-
Contributions and donations	14,750	-	9,945	-	33,461	5,222	4,643
Total revenues	<u>402,193</u>	<u>471,150</u>	<u>92,403</u>	<u>32,243</u>	<u>33,750</u>	<u>5,238</u>	<u>4,672</u>
EXPENDITURES							
Current:							
General government	373,792	477,981	223,923	-	-	-	-
Public safety	-	-	-	23,487	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	39,961	8,630	941
Debt service:							
Principal retirement	2,030	107	-	-	-	-	-
Interest and fiscal charges	106	10	-	-	-	-	-
Total expenditures	<u>375,928</u>	<u>478,098</u>	<u>223,923</u>	<u>23,487</u>	<u>39,961</u>	<u>8,630</u>	<u>941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,265</u>	<u>(6,948)</u>	<u>(131,520)</u>	<u>8,756</u>	<u>(6,211)</u>	<u>(3,392)</u>	<u>3,731</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	150,000	-	161	3,850	-
Transfers out	(3,483)	-	-	-	-	-	-
Sale of capital assets	-	-	-	736	-	-	-
Total other financing sources (uses)	<u>(3,483)</u>	<u>-</u>	<u>150,000</u>	<u>736</u>	<u>161</u>	<u>3,850</u>	<u>-</u>
Net change in fund balances	22,782	(6,948)	18,480	9,492	(6,050)	458	3,731
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ 95,363</u>	<u>\$ 100,157</u>	<u>\$ 100,779</u>	<u>\$ 13,553</u>	<u>\$ 39,334</u>	<u>\$ 7,599</u>	<u>\$ 16,484</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2012

	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	148	38	23	15	9	-	111
Other revenue	-	-	-	-	7,248	-	-
Intergovernmental	-	3,932	-	-	-	-	-
Contributions and donations	77,950	5,743	-	1,517	6,000	-	-
Total revenues	<u>78,098</u>	<u>9,713</u>	<u>23</u>	<u>1,532</u>	<u>13,257</u>	<u>-</u>	<u>111</u>
EXPENDITURES							
Current:							
General government	657,335	-	-	-	-	-	-
Public safety	-	5,940	-	1,354	-	-	-
Community support services	-	-	1,300	-	-	-	-
Public works	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	12,887	-	-
Debt service:							
Principal retirement	125,042	-	-	-	-	-	-
Interest and fiscal charges	31,604	-	-	-	-	-	-
Total expenditures	<u>813,981</u>	<u>5,940</u>	<u>1,300</u>	<u>1,354</u>	<u>12,887</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735,883)</u>	<u>3,773</u>	<u>(1,277)</u>	<u>178</u>	<u>370</u>	<u>-</u>	<u>111</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	729,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>729,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,883)	3,773	(1,277)	178	370	-	111
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ (50,277)</u>	<u>\$ 20,189</u>	<u>\$ 9,966</u>	<u>\$ 7,654</u>	<u>\$ 3,841</u>	<u>\$ 254</u>	<u>\$ 54,137</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2012

	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	-	14,119	10,637	-	119,011	4,438	1,669
Charges for current services	-	-	-	-	-	-	-
Revenues from use of money and property	-	128	217	150	562	66	-
Other revenue	-	-	-	-	-	-	-
Intergovernmental	239,892	-	-	-	-	-	-
Contributions and donations	469,237	-	-	-	-	-	-
Total revenues	<u>709,129</u>	<u>14,247</u>	<u>10,854</u>	<u>150</u>	<u>119,573</u>	<u>4,504</u>	<u>1,669</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	12,540	1,690	-	-	200	1,500
Community support services	630,580	-	-	-	-	-	-
Public works	-	-	-	-	109,052	-	-
Cultural and recreational	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>630,580</u>	<u>12,540</u>	<u>1,690</u>	<u>-</u>	<u>109,052</u>	<u>200</u>	<u>1,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,549</u>	<u>1,707</u>	<u>9,164</u>	<u>150</u>	<u>10,521</u>	<u>4,304</u>	<u>169</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	204,244	-	-	-	12,145	-	-
Transfers out	(72,220)	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>132,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,145</u>	<u>-</u>	<u>-</u>
Net change in fund balances	210,573	1,707	9,164	150	22,666	4,304	169
Fund balances - beginning	<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>
Fund balances - ending	<u>\$ (627,501)</u>	<u>\$ 59,997</u>	<u>\$ 109,519</u>	<u>\$ 72,788</u>	<u>\$ 308,248</u>	<u>\$ 34,217</u>	<u>\$ 754</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2012

	GIS Project	Safe Route to School Grant	2009 Texas Capital Fund	TCDP Grant Cinergy Cinemas	ARRA Energy Efficiency and Conservation Block Grant	Animal Shelter Building Donations	TP&W Grant Athletic Complex
REVENUES							
Taxes:							
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-	-
Charges for current services	-	-	-	-	-	-	-
Revenues from use of money and property	78	66	-	-	-	2	74
Other revenue	-	-	-	-	-	-	-
Intergovernmental	-	13,078	122,629	632,135	44,100	-	-
Contributions and donations	-	-	-	-	-	453	-
Total revenues	<u>78</u>	<u>13,144</u>	<u>122,629</u>	<u>632,135</u>	<u>44,100</u>	<u>455</u>	<u>74</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	38,721	-	-	-	-
Community support services	-	-	-	-	-	-	-
Public works	-	-	-	12,036	8,121	-	-
Cultural and recreational	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>38,721</u>	<u>12,036</u>	<u>8,121</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78</u>	<u>13,144</u>	<u>83,908</u>	<u>620,099</u>	<u>35,979</u>	<u>455</u>	<u>74</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	3,313	1,463	79	-	100,000
Transfers out	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,313</u>	<u>1,463</u>	<u>79</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	78	13,144	87,221	621,562	36,058	455	100,074
Fund balances - beginning	37,587	(13,144)	(87,221)	(695,201)	(36,058)	436	-
Fund balances - ending	<u>\$ 37,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,639)</u>	<u>\$ -</u>	<u>\$ 891</u>	<u>\$ 100,074</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (continued)
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended September 30, 2012

	2010 Home Program	Athletic Complex Donations	Police Seizures	Totals
REVENUES				
Taxes:				
Hotel occupancy	\$ -	\$ -	\$ -	\$ 379,678
Fines and forfeitures	-	-	-	182,099
Charges for current services	-	-	-	341,791
Revenues from use of money and property	-	82	3	2,265
Other revenue	-	-	-	92,635
Intergovernmental	-	-	-	1,189,820
Contributions and donations	-	110,000	-	738,921
Total revenues	<u>-</u>	<u>110,082</u>	<u>3</u>	<u>2,927,209</u>
EXPENDITURES				
Current:				
General government	-	-	-	1,733,031
Public safety	-	-	-	85,432
Community support services	1,073	-	-	632,953
Public works	-	-	-	129,209
Cultural and recreational	-	-	-	62,419
Debt service:				
Principal retirement	-	-	-	127,179
Interest and fiscal charges	-	-	-	31,720
Total expenditures	<u>1,073</u>	<u>-</u>	<u>-</u>	<u>2,801,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,073)</u>	<u>110,082</u>	<u>3</u>	<u>125,266</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,204,255
Transfers out	-	-	-	(75,703)
Sale of capital assets	-	-	-	736
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,129,288</u>
Net change in fund balances	(1,073)	110,082	3	1,254,554
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>2</u>	<u>(703,494)</u>
Fund balances - ending	<u>\$ (1,073)</u>	<u>\$ 110,082</u>	<u>\$ 5</u>	<u>\$ 551,060</u>

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
September 30, 2012

	2005 Certificate of Obligation Construction	2006 Certificate of Obligation Construction	2008 General Obligation	2011 3-Year Capital Lease/ Purchase	2011 5-Year Capital Lease/ Purchase	2012 3-Year Capital Lease/ Purchase	2012 5-Year Capital Lease/ Purchase	Total
ASSETS								
Cash and cash equivalents	\$ 472,354	\$ 233,314	\$ 645,536	\$ -	\$ 121,738	\$ 39,153	\$ 390,608	\$ 1,902,703
Total assets	<u>\$ 472,354</u>	<u>\$ 233,314</u>	<u>\$ 645,536</u>	<u>\$ -</u>	<u>\$ 121,738</u>	<u>\$ 39,153</u>	<u>\$ 390,608</u>	<u>\$ 1,902,703</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and other current liabilities	\$ 116,655	\$ -	\$ 221,927	\$ -	\$ 25,059	\$ 1,788	\$ -	\$ 365,429
Total liabilities	<u>116,655</u>	<u>-</u>	<u>221,927</u>	<u>-</u>	<u>25,059</u>	<u>1,788</u>	<u>-</u>	<u>365,429</u>
Fund balances:								
Restricted:								
Capital projects	355,699	233,314	423,609	-	96,679	37,365	390,608	1,537,274
Total fund balances	<u>355,699</u>	<u>233,314</u>	<u>423,609</u>	<u>-</u>	<u>96,679</u>	<u>37,365</u>	<u>390,608</u>	<u>1,537,274</u>
g Total liabilities and fund balances	<u>\$ 472,354</u>	<u>\$ 233,314</u>	<u>\$ 645,536</u>	<u>\$ -</u>	<u>\$ 121,738</u>	<u>\$ 39,153</u>	<u>\$ 390,608</u>	<u>\$ 1,902,703</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 Year Ended September 30, 2012

	2005 Certificate of Obligation Construction	2006 Certificate of Obligation Construction	2008 General Obligation	2011 3-Year Capital Lease/ Purchase	2011 5-Year Capital Lease/ Purchase	2012 3-Year Capital Lease/ Purchase	2012 5-Year Capital Lease/ Purchase	Total
REVENUES								
Revenues from use of money and property	\$ 1,085	\$ 504	\$ 1,659	\$ 2	\$ 117	\$ 255	\$ 943	\$ 4,565
Contributions and donations	-	-	-	-	-	-	50,000	50,000
Total revenues	<u>1,085</u>	<u>504</u>	<u>1,659</u>	<u>2</u>	<u>117</u>	<u>255</u>	<u>50,943</u>	<u>54,565</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	43,691	7,511	-	51,202
Public safety	-	-	-	-	-	69,692	-	69,692
Community support services	-	-	-	-	-	2,066	-	2,066
Public works	-	-	-	-	-	7,738	148,833	156,571
Cultural and recreational	-	-	-	6,000	-	2,304	26,017	34,321
Building and vehicle maintenance	-	-	-	-	3,400	2,304	157,652	163,356
Capital outlay:								
Public works	237,761	6,865	406,406	-	-	-	-	651,032
Total expenditures	<u>237,761</u>	<u>6,865</u>	<u>406,406</u>	<u>6,000</u>	<u>47,091</u>	<u>91,615</u>	<u>332,502</u>	<u>1,128,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(236,676)</u>	<u>(6,361)</u>	<u>(404,747)</u>	<u>(5,998)</u>	<u>(46,974)</u>	<u>(91,360)</u>	<u>(281,559)</u>	<u>(1,073,675)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	50,000	-	-	-	-	15,425	347,662	413,087
Transfers out	-	-	(41,313)	(5,855)	(118,225)	-	-	(165,393)
Capital leases	-	-	-	-	-	113,300	324,505	437,805
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>(41,313)</u>	<u>(5,855)</u>	<u>(118,225)</u>	<u>128,725</u>	<u>672,167</u>	<u>685,499</u>
Net change in fund balances	(186,676)	(6,361)	(446,060)	(11,853)	(165,199)	37,365	390,608	(388,176)
Fund balances - beginning	542,375	239,675	869,669	11,853	261,878	-	-	1,925,450
Fund balances - ending	<u>\$ 355,699</u>	<u>\$ 233,314</u>	<u>\$ 423,609</u>	<u>\$ -</u>	<u>\$ 96,679</u>	<u>\$ 37,365</u>	<u>\$ 390,608</u>	<u>\$ 1,537,274</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, 2012

	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	\$ 14,082,800	\$ 14,036,170	\$ -	\$ 14,036,170	\$ (46,630)
Penalty	180,000	199,344	-	199,344	19,344
Other	16,850	50,766	-	50,766	33,916
Total operating revenues	<u>14,279,650</u>	<u>14,286,280</u>	<u>-</u>	<u>14,286,280</u>	<u>6,630</u>
Operating expenses:					
Sampling and analysis	425,315	407,838	(183)	407,655	(17,660)
Overland WWTP	308,842	336,054	(134)	335,920	27,078
Wastewater reclamation center	1,559,509	1,342,991	(259)	1,342,732	(216,777)
Navarro Mills plant	4,745,037	4,434,838	(317)	4,434,521	(310,516)
Lake Halbert plant	898,437	771,868	(235)	771,633	(126,804)
Utility system maintenance	2,108,296	2,172,468	(461)	2,172,007	63,711
Utility line replacement	177,475	265,655	-	265,655	88,180
Utility billing	492,361	446,622	(199)	446,423	(45,938)
Non-departmental	2,558,250	86,237	2,395,013	2,481,250	(77,000)
Depreciation	-	1,679,203	(1,679,203)	-	-
Total operating expenses	<u>13,273,522</u>	<u>11,943,774</u>	<u>714,022</u>	<u>12,657,796</u>	<u>(615,726)</u>
Operating income	1,006,128	2,342,506	(714,022)	1,628,484	622,356
Nonoperating revenue (expenses):					
Investment earnings	7,500	17,815	-	17,815	10,315
Gain on disposal of assets	500	27,454	-	27,454	26,954
Interest and fiscal charges	(4,793,713)	(1,561,298)	(3,229,428)	(4,790,726)	2,987
Bond issuance costs	-	(80,876)	-	(80,876)	(80,876)
Total nonoperating revenue (expenses)	<u>(4,785,713)</u>	<u>(1,596,905)</u>	<u>(3,229,428)</u>	<u>(4,826,333)</u>	<u>(40,620)</u>
Income (loss) before contributions and transfers	(3,779,585)	745,601	(3,943,450)	(3,197,849)	581,736
Capital contributions	-	58,560	-	58,560	58,560
Transfer in	675,000	234,198	-	234,198	(440,802)
Transfer out	(1,996,915)	(1,692,375)	-	(1,692,375)	304,540
Change in net assets	(5,101,500)	(654,016)	(3,943,450)	(4,597,466)	504,034
Total net assets - beginning	18,237,270	22,191,255	-	22,191,255	3,953,985
Total net assets - ending	<u>\$ 13,135,770</u>	<u>\$ 21,537,239</u>	<u>\$ (3,943,450)</u>	<u>\$ 17,593,789</u>	<u>\$ 4,458,019</u>

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - SANITATION
Year Ended September 30, 2012

	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	\$ 3,208,800	\$ 3,296,028	\$ -	\$ 3,296,028	\$ 87,228
Other	2,500	115,036	-	115,036	112,536
Total operating revenues	<u>3,211,300</u>	<u>3,411,064</u>	<u>-</u>	<u>3,411,064</u>	<u>199,764</u>
Operating expenses:					
Landfill operations	1,524,750	1,631,364	(294)	1,631,070	106,320
Contract collections	738,000	766,296	-	766,296	28,296
Bulk solid waste pickup	453,142	462,824	(178)	462,646	9,504
Non-departmental	16,450	17,847	-	17,847	1,397
Depreciation	-	201,306	(201,306)	-	-
Total operating expenses	<u>2,732,342</u>	<u>3,079,637</u>	<u>(201,778)</u>	<u>2,877,859</u>	<u>145,517</u>
Operating income	478,958	331,427	201,778	533,205	54,247
Nonoperating revenue (expenses):					
Investment earnings	2,100	1,412	-	1,412	(688)
Gain on disposal of assets	-	9,330	-	9,330	9,330
Interest and fiscal charges	(147,024)	(27,955)	(119,612)	(147,567)	(543)
Bond issuance costs	-	(1,151)	-	(1,151)	(1,151)
Total nonoperating revenue (expenses)	<u>(144,924)</u>	<u>(18,364)</u>	<u>(119,612)</u>	<u>(137,976)</u>	<u>6,948</u>
Income before contributions and transfers	334,034	313,063	82,166	395,229	61,195
Transfer in	-	733	-	733	733
Transfer out	(506,235)	(509,828)	-	(509,828)	(3,593)
Change in net assets	(172,201)	(196,032)	82,166	(113,866)	58,335
Total net assets - beginning, as restated	-	2,843,390	-	2,843,390	2,843,390
Total net assets - ending	<u>\$ (172,201)</u>	<u>\$ 2,647,358</u>	<u>\$ 82,166</u>	<u>\$ 2,729,524</u>	<u>\$ 2,901,725</u>

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES
Year Ended September 30, 2012

	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	\$ 2,450,000	\$ 2,450,000	\$ 1,891,121	\$ (150,000)	\$ 1,741,121	\$ (708,879)
Service charges and rents - intergovernmental	150,000	150,000	-	150,000	150,000	-
Other	55,000	55,000	54,448	-	54,448	(552)
Total operating revenues	<u>2,655,000</u>	<u>2,655,000</u>	<u>1,945,569</u>	<u>-</u>	<u>1,945,569</u>	<u>(709,431)</u>
Operating expenses:						
EMS service	2,217,850	2,231,851	2,030,456	-	2,030,456	(201,395)
Non-departmental	13,875	13,875	26,016	-	26,016	12,141
Depreciation	150,000	150,000	132,158	-	132,158	(17,842)
Total operating expenses	<u>2,381,725</u>	<u>2,395,726</u>	<u>2,188,630</u>	<u>-</u>	<u>2,188,630</u>	<u>(207,096)</u>
Operating income (loss)	273,275	259,274	(243,061)	-	(243,061)	(502,335)
Nonoperating revenue (expenses):						
Investment earnings	800	800	112	-	112	(688)
Gain on disposal of assets	-	-	4,000	-	4,000	4,000
Interest and fiscal charges	(231)	(231)	(21)	(210)	(231)	-
Total nonoperating revenue (expenses)	<u>569</u>	<u>569</u>	<u>4,091</u>	<u>(210)</u>	<u>3,881</u>	<u>3,312</u>
Income (loss) before transfers	273,844	259,843	(238,970)	(210)	(239,180)	(499,023)
Capital contributions	-	-	8,983	-	8,983	8,983
Transfer out	(376,337)	(376,337)	(376,337)	-	(376,337)	-
Change in net assets	(102,493)	(116,494)	(606,324)	(210)	(606,534)	(490,040)
Total net assets - beginning	-	-	1,620,907	-	1,620,907	1,620,907
Total net assets - ending	<u>\$ (102,493)</u>	<u>\$ (116,494)</u>	<u>\$ 1,014,583</u>	<u>\$ (210)</u>	<u>\$ 1,014,373</u>	<u>\$ 1,130,867</u>

Statistical Section (unaudited)

CITY OF CORSICANA, TEXAS
TOP TEN TAXPAYERS
September 30, 2012
(UNAUDITED)

Name of Taxpayer	Nature of Property	2011/12 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Guardian Industries	Manufacturing	47,902,205	3.93%
Russell Stover Candies	Manufacturing	\$ 41,788,490	3.43%
Home Depot	Retail	39,242,590	3.22%
Corsicana Technologies, Inc.	Manufacturing	32,423,520	2.66%
True Value Co.	Retail	30,657,820	2.51%
NIP Owner, LLC	Manufacturing	17,688,270	1.45%
Pactiv-Foam	Manufacturing	14,178,400	1.16%
Oil City Iron Works	Manufacturing	12,119,950	0.99%
Oncor Electric Delivery Co.	Electric Utility	11,285,560	0.93%
Sunoco Pipeline LP	Manufacturing	9,851,240	0.81%
		<u>\$ 209,235,840</u>	<u>17.16%</u>

CITY OF CORSICANA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
For the Year Ended September 30, 2012
(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	862
Estimated Cost	\$ 16,278,396
Fire Protection and EMS:	
Number of Fire Stations	4
Number of Employees	59
Police Personnel	53
Recreation:	
Parks	13 with 374.43 acres
Playgrounds	11
Number of Swimming Pools	2
Municipal Water Plant:	
Number of Meters in Service (Active)	8,855
Average Daily Consumption	6.4 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meter	2,567,095,000 gal.
Number of Gallons Sold	2,323,689,000 gal.
Number of Fire Hydrants (Active)	863
Municipal Employees	
Full-time	251
Part-time	15
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, 2012
(UNAUDITED)

Principal Employer'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
Navarro College/TAMU Commerce	Higher Education	321
Guardian Industries	Manufacturing - Glass	318
Texas Youth Commission	Government/State Home	299
Navarro County	Government/County	284
City of Corsicana (includes part time)	Government/Local	317
Corsicana Bedding	Manufacturing - Furniture Components	257
Heritage Oaks/Heritage Oaks West	Assisted Living Centers	236

Other Report

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 / Joyce Reeve, 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, 2012, which collectively comprise the City of Corsicana, Texas' basic financial statements and have issued our report thereon dated March 27, 2013. 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

Management of City of Corsicana, Texas, is responsible for establishing and maintaining effective 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 a 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.

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

March 27, 2013