

City of Corsicana, Texas



*Comprehensive Annual Financial Report
for the Fiscal Year Ended
September 30, 2016*

CITY OF CORSICANA, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2016

Issued By:

Connie Standridge, City Manager

Virginia (Ginger) Richardson, CPA, CGFO, Director of Finance

CITY OF CORSICANA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2016

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INTRODUCTORY SECTION



March 24, 2017

To the Honorable Mayor, Members of the City Council and Citizens of the City of Corsicana:

State and Federal regulations require that local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) for the City of Corsicana (City) is published to fulfill those requirements for the fiscal year ended September 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Yeldell, Wilson, Wood, and Reeve, P.C., Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Corsicana’s financial statements for the year ended September 30, 2016. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF CORSICANA

The City of Corsicana, incorporated in 1848, is located in north central Texas, 50 miles southeast of Dallas. It currently occupies 23.7377 square miles and serves an estimated population of 23,952. The City of Corsicana is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Corsicana is a Home Rule City that has operated under the City Manager/City Council form of government since the Charter was adopted 1917. The Charter was last amended by election in 2007. Policy-making and legislative authority are vested in the City Council (Council) consisting of the Mayor, who is elected at –large, and four other members, all of whom are elected by Precinct. Council members serve two-year terms, with two members elected every year. The Mayor is also elected for a two-year term. The Council appoints the City of Corsicana’s manager, who in turn appoints its department heads.

200 N 12th Street

Corsicana, TX 75110

903-654-4800

The City of Corsicana provides a full range of services, including public safety (police and fire protection); water and wastewater services; sanitation services; emergency medical services, planning and zoning; inspection services; licenses and permits; the construction and maintenance of streets and other infrastructure; municipal court services; library services; and recreational and cultural activities.

The Council is required to adopt an initial budget for the fiscal year during September of each year for the new budget year, beginning on October 1. This annual budget serves as the foundation for the City of Corsicana's financial planning and control. The budget is prepared by fund and department. The City Manager is authorized by ordinance to make intra-departmental and inter-departmental fund transfers within a fund as becomes necessary in order to avoid over-expenditure of a particular account or department.

LOCAL ECONOMY

The City of Corsicana is close enough to the Dallas-Fort Worth Metroplex to take advantage of its extensive resources, while being just far enough away to also enjoy lower business operating and living costs. Corsicana is a community where you can grow a business, pursue a meaningful career, and raise a family all at the same time. Corsicana is home to a world renowned bakery, known best for its fruitcake. Corsicana is also the birthplace of the Texas oil industry and a world famous chili company. Corsicana is home to over 60 industries, including information technology, manufacturers, processors, and distribution centers. Our industrial partners include a Global Top 60 Company and several Fortune 500 Companies call Corsicana their home. These manufacturing facilities produce and distribute glass, consumer and food service packaging, bedding and furniture, roofing products, plastics, rubber, chemicals, iron castings, pecans, candies, baked goods and other foods. Also located within the government's boundaries or in close proximity include a college, a hospital and cancer treatment center, numerous retail stores and restaurants, and several financial institutions and insurance companies. The college, school district, and City of Corsicana also have a significant economic presence, employing in total more than 1,600 teachers, professionals, and support staff.

Prior to the recession in 2008, unemployment had been relatively stable in Corsicana. During the past ten years, the unemployment rate rose from 5.3 percent (2007) to a decade high of 8.5 percent (2011). The current unemployment rate of 4.1 percent (2016) is consistent with the overall improvement to local, state and national economy. Based on economic forecasts, this improvement in the local unemployment rate is anticipated to continue in calendar year 2017.

Due to its strong and healthy local economy, the City of Corsicana has a tax bond credit rating of A1 from Moody's Investor Service and AA- from Standard & Poor's. Revenue bond ratings for the City are A2 from Moody's Investor Service and A from Standard & Poor's.

The City of Corsicana is experiencing a period of significant economic growth and investment. New development and re-development throughout the downtown and surrounding areas, has allowed Corsicana to become a hub for the dining, entertainment, and medical needs of the north central Texas region. This development, combined with the presence of retail and service industries, the presence of recreational, educational and health facilities has even further strengthened the City of Corsicana's already strong economic base. Thanks to the diversity of its commercial base, the City of Corsicana expects a full recovery in all sectors of its local economy as the national economy improves.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

By charter, the City of Corsicana maintains a Capital Improvement Plan which serves to ensure that its facilities, equipment, and infrastructure are well maintained and operating in peak condition. This plan is prepared and budgeted in conjunction with the operating budget, and gives the City of Corsicana the ability to plan for its capital needs and allocate short- and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. Major capital improvements will normally be funded through the issuance of long-term debt, as opposed to being funded via appropriations in the operating budget.

RELEVANT FINANCIAL POLICIES

The City of Corsicana has adopted a comprehensive financial policy, which was revised during fiscal year 2013 and reviewed during fiscal year 2014. One of these policies remains particularly relevant. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year end was 28.7 percent of total general fund operating budget for fiscal year 2016 and was a decrease from the same percentage from fiscal year 2015, which was 35.5 percent. This change was due to an intentional spend-down of fund balance by the Council, to fund several large projects. More information on this spend-down of fund balance is included in Management's Discussion and Analysis.

After the intentional spend-down of fund balance, the General Fund's fund balance remains healthy and exceeds the minimum fund balance policy guideline set by the Council for budgetary and planning purposes (i.e., 25 percent of general fund operating budget). This is particularly impressive, because in 2003 the City began aggressively pursuing this goal, after the general fund's fund balance had reached an all-time low of just over \$50,000.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Corsicana for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the third year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The 2016 comprehensive annual financial report is prepared to meet the Certificate of Achievement Program requirements and this document will be submitted to the GFOA to determine the eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration departments. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Corsicana's finances.

Respectfully submitted,



Connie Standridge
City Manager



Virginia (Ginger) Richardson, CPA, CGFO
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

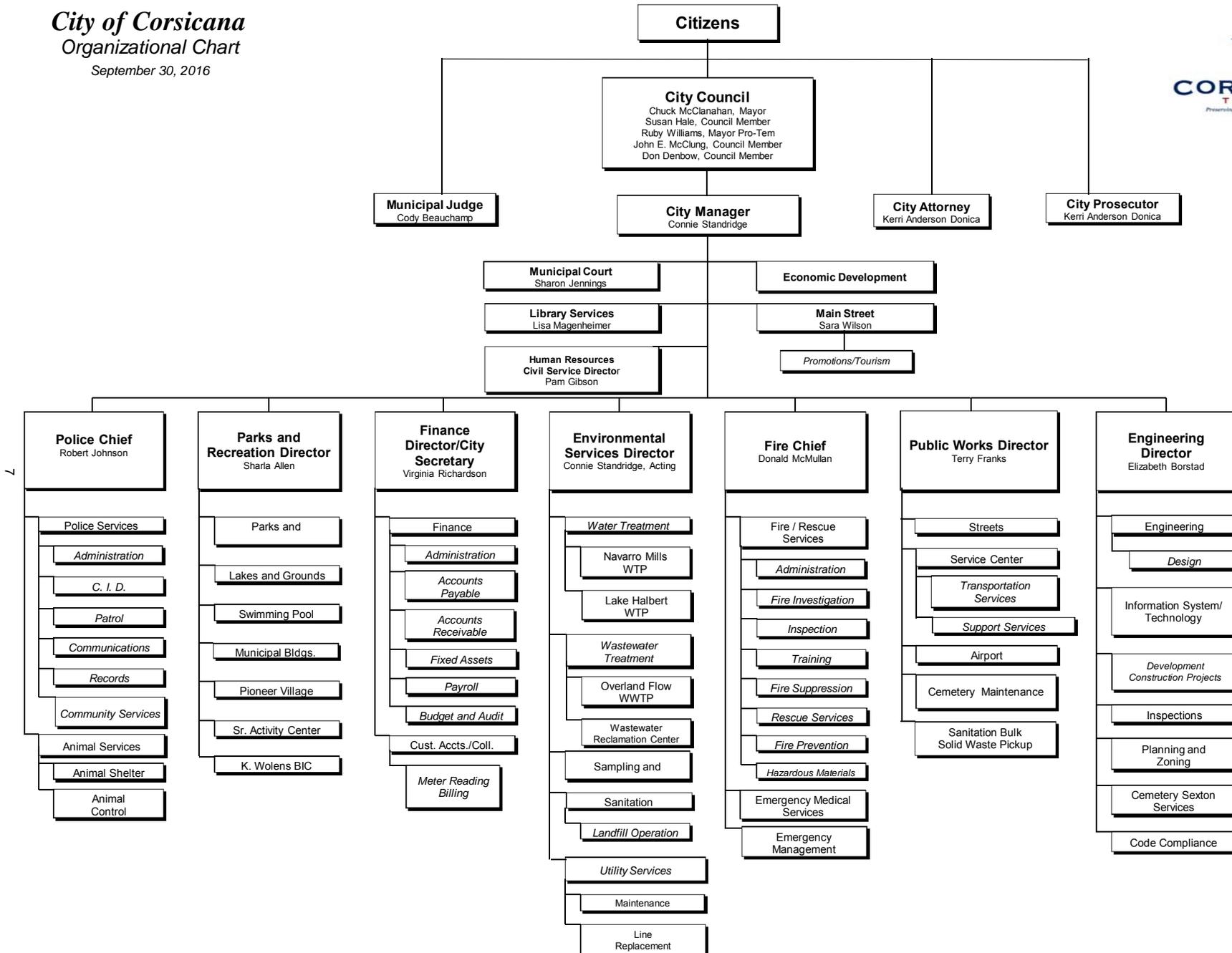
**City of Corsicana
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Corsicana
Organizational Chart
 September 30, 2016



CITY OF CORSICANA, TEXAS
LIST OF ELECTED AND APPOINTED CITY OFFICIALS
September 30, 2016

Elected Officials

Mayor	Chuck McClanahan
Council Member, Precinct 1	Susan Hale
Mayor Pro Tem, Precinct 2	Ruby Williams
Council Member, Precinct 3	John E. McClung
Council Member, Precinct 4	Don Denbow
City Attorney	Kerri Anderson Donica
Municipal Court Judge	Cody Beauchamp

Appointed Officials

City Manager	Connie Standridge
Chief of Police	Robert Johnson
Parks and Recreation Director	Sharla Allen
Director of Finance/City Secretary	Virginia (Ginger) Richardson
Director of Environmental Services	Connie Standridge, Acting
Fire Chief	Donald McMullan
Director of Public Works	Terry Franks
Director of Engineering	Elizabeth Borstad
Municipal Court Administrator	Sharon Jennings
Economic Development Director	Scott Jones
Library Director	Lisa Magenheimer
Main Street Director	Sara Wilson
Human Resources / Civil Service Director	Pam Gibson

FINANCIAL SECTION



YELDELL, WILSON, WOOD & REEVE, P.C

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA
Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 the City of Corsicana, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Corsicana, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-21, schedule of changes in net pension liability and related ratios on pages 77 and 79 and schedule of contributions on pages 78 and 80 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corsicana, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining and individual fund financial 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, 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* in considering the City of Corsicana, Texas' internal control over financial reporting and compliance.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood, & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
March 24, 2017

CITY OF CORSICANA, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Corsicana, Texas, 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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which can be found on pages 2-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$74,499,206 (*net position*). Of this amount \$(6,683,372) represents unrestricted net position (deficit).
- The City's total net position increased by \$3,084,311.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$12,456,876, an increase of \$576,388 in comparison with the prior year. Approximately 34.2% of this amount (\$4,259,305) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,500,302, or approximately 27.8% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 position* presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 other 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, cultural and recreational and building and vehicle maintenance. 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 23-24 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 *near-term inflows and outflows 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 assessing 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seventeen 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 Debt Service Fund, which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of 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 25-30 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the 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 funds, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 34-75 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 77-80 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 84-93 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$74,499,206, at the close of the most recent fiscal year.

CITY OF CORSICANA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 16,752,277	\$ 15,209,028	\$ 8,632,114	\$ 8,981,594	\$ 25,384,391	\$ 24,190,622
Capital assets	65,064,581	62,106,115	60,628,675	60,234,899	125,693,256	122,341,014
Total assets	<u>81,816,858</u>	<u>77,315,143</u>	<u>69,260,789</u>	<u>69,216,493</u>	<u>151,077,647</u>	<u>146,531,636</u>
Deferred outflows of resources	<u>3,522,776</u>	<u>1,270,628</u>	<u>2,464,327</u>	<u>1,448,216</u>	<u>5,987,103</u>	<u>2,718,844</u>
Long term liabilities	37,920,010	31,627,264	39,309,740	41,279,019	77,229,750	72,906,283
Other liabilities	3,217,109	1,113,465	1,828,296	1,951,140	5,045,405	3,064,605
Total liabilities	<u>41,137,119</u>	<u>32,740,729</u>	<u>41,138,036</u>	<u>43,230,159</u>	<u>82,275,155</u>	<u>75,970,888</u>
Deferred inflows of resources	<u>186,017</u>	<u>1,270,628</u>	<u>104,372</u>	<u>594,069</u>	<u>290,389</u>	<u>1,864,697</u>
Net position:						
Net investment in capital assets	45,756,066	44,373,034	32,264,793	29,060,154	78,020,859	73,433,188
Restricted	2,227,592	287,398	934,127	1,042,449	3,161,719	1,329,847
Unrestricted	(3,967,160)	(86,018)	(2,716,212)	(3,262,122)	(6,683,372)	(3,348,140)
Total net position	<u>\$ 44,016,498</u>	<u>\$ 44,574,414</u>	<u>\$ 30,482,708</u>	<u>\$ 26,840,481</u>	<u>\$ 74,499,206</u>	<u>\$ 71,414,895</u>

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

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, equipment, and vehicles, infrastructure, and improvements), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.24%) represents resources that are subject to external restrictions on how they may be used.

The City's total net investment in capital assets increased as the additions from capital outlays and work-in-progress exceeded capital related debt issued, depreciation and retirements.

CITY OF CORSICANA'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,070,816	\$ 1,251,667	\$ 22,205,652	\$ 20,963,021	\$ 24,276,468	\$ 22,214,688
Operating grants and contributions	468,043	778,129	468,230	879,834	936,273	1,657,963
Capital grants and contributions	102,030	2,000,997	70,730	-	172,760	2,000,997
General revenues:						
Property taxes	8,109,922	7,860,959	-	-	8,109,922	7,860,959
Sales taxes	6,359,457	6,163,208	-	-	6,359,457	6,163,208
Franchise taxes	2,017,440	2,124,384	-	-	2,017,440	2,124,384
Hotel occupancy taxes	472,337	556,702	-	-	472,337	556,702
Alcoholic beverage taxes	48,679	45,814	-	-	48,679	45,814
Investment earnings	29,487	10,551	6,169	2,108	35,656	12,659
Gain on sale of capital assets	5,568	-	26,940	11,228	32,508	11,228
Miscellaneous	190,370	165,499	-	91,371	190,370	256,870
Total revenues	<u>19,874,149</u>	<u>20,957,910</u>	<u>22,777,721</u>	<u>21,947,562</u>	<u>42,651,870</u>	<u>42,905,472</u>
Expenses:						
General government	2,815,422	3,479,022	-	-	2,815,422	3,479,022
Judicial	531,183	438,625	-	-	531,183	438,625
Public safety	9,514,100	8,895,762	-	-	9,514,100	8,895,762
Community support services	516,407	895,261	-	-	516,407	895,261
Public works	4,801,131	4,259,021	-	-	4,801,131	4,259,021
Cultural and recreational	2,369,467	2,193,046	-	-	2,369,467	2,193,046
Building and vehicle maintenance	453,732	482,805	-	-	453,732	482,805
Interest on long-term debt	765,951	726,296	-	-	765,951	726,296
Utility operations	-	-	12,256,022	10,805,970	12,256,022	10,805,970
Sanitation	-	-	2,880,234	2,687,081	2,880,234	2,687,081
Emergency medical services	-	-	2,663,910	2,952,912	2,663,910	2,952,912
Total expenses	<u>21,767,393</u>	<u>21,369,838</u>	<u>17,800,166</u>	<u>16,445,963</u>	<u>39,567,559</u>	<u>37,815,801</u>
Change in net position before transfers	(1,893,244)	(411,928)	4,977,555	5,501,599	3,084,311	5,089,671
Transfers	1,335,328	2,278,510	(1,335,328)	(2,278,510)	-	-
Change in net position	<u>(557,916)</u>	<u>1,866,582</u>	<u>3,642,227</u>	<u>3,223,089</u>	<u>3,084,311</u>	<u>5,089,671</u>
Net position - beginning, as restated	<u>44,574,414</u>	<u>42,707,832</u>	<u>26,840,481</u>	<u>23,617,392</u>	<u>71,414,895</u>	<u>66,325,224</u>
Net position - ending	<u>\$ 44,016,498</u>	<u>\$ 44,574,414</u>	<u>\$ 30,482,708</u>	<u>\$ 26,840,481</u>	<u>\$ 74,499,206</u>	<u>\$ 71,414,895</u>

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

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$557,916 from the prior fiscal year for an ending balance of \$44,016,498. This decrease is primarily due to the intentional spend-down of funds in the General Fund. This will be discussed further in the Governmental Funds section, below. Total revenues from governmental activities decreased from the prior year primarily due to decreases in grant revenues, as several large grant projects were completed in the prior year. In addition, property taxes and sales taxes both increased by \$248,963 (3.17%) and \$196,249 (3.18%), respectively, in the current year. Overall, expenses were down in most categories, except Public Safety, Cultural and Recreational, and Public Works. Street Improvements and Public Safety continue to be areas of focus for the Council.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year resulted in a net increase in net position to an ending balance of \$30,482,708. The total increase in net position for business-type activities (utility operations, sanitation and emergency medical services) was \$3,642,227 or 13.6% from the prior fiscal year. Revenues were higher in the current year than in the previous year. Expenses increased overall, as well, compared to the prior year. For more information, see the proprietary funds section, below.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2016, the City's governmental funds reported combined fund balances of \$12,456,876, an increase of \$576,388 in comparison with the prior year. Approximately 34.2% of this amount (\$4,259,305) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$126,823), 2) restricted for particular purposes (\$7,381,284), 3) committed for particular purposes (\$548,614) or 4) assigned for particular purposes (\$140,850).

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 \$4,500,302, while total fund balance increased to \$4,689,025. 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 general fund expenditures. Unassigned fund balance represents approximately 27.8% of total general fund expenditures, while total fund balance represents approximately 29.0% of that same amount.

The fund balance in the City's general fund decreased by \$615,893 during the current fiscal year. Revenues increased slightly over the prior year. Expenditures increased over the prior year by \$638,346 (4.11%) due to an intentional spend-down of fund balance by Council to fund various projects, which will be discussed in detail under the General Fund Budgetary Highlights section. Despite funding these projects, the City's goal of 90 days operating expenses in fund balance was able to be met for the year.

The debt service fund, a major fund, had an decrease in fund balance during the current year of \$15,730 to bring the year end fund balance to \$144,852.

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

Unrestricted net position (deficit) of the Utility Operations, Sanitation, and Emergency Medical Services funds at the end of the year amounts to \$820,192, \$(1,184,627) and \$(2,351,777). Net position increased in 2016 by \$2,418,257, \$436,985, and \$786,985, respectively. For utility operations, the increase is \$315,383 less than the increase in the prior year. This is primarily due to the continued focus by Council to replace aged infrastructure, vehicles, equipment, and meters using cash. For sanitation operations, net position increased by \$436,985. Operating revenues increased for the fund, as did operating expenses. However, operating income overall increased by \$1,014,046, which contributed to the increase in net position. Emergency Medical Services fund experienced a positive change in net position primarily due to cash receipts for the 1115 Waiver Program. Participation in this program has greatly impacted the net position of the fund. The City hopes that the program will continue to be funded and plans to continue participation in the program. The negative unrestricted net position of the fund, which was caused by the recognition of 50% of the Firefighter's Relief and Retirement pension fund's liability in fiscal year 2015.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City amended the budget in the amount of \$1,377,778. \$542,778 was to fund expenditures and \$835,000 to fund transfers for the following projects:

- \$276,778 for an employee compensation package (a \$1,350 across the board raise for all full-time employees);
- \$700,000 for street maintenance and reconstruction;
- \$155,000 for the purchase of new vehicles;
- \$45,000 in matching funds for a grant for downtown sidewalk construction;
- \$45,000 for a parking lot and sidewalk improvements downtown;
- \$41,000 for a down payment on land for to purchase an industrial park;
- \$20,000 in additional funds for the fire station renovation project;
- \$15,000 for improvements to the new pocket park downtown, Beaton Market; and
- \$80,000 for an emergency repair to the GW Jackson (5th Avenue) bridge.

Final budget compared to actual results. General fund actual revenues of \$15,218,879 exceeded budgeted revenues of \$15,059,308 by \$159,571. The main component that experienced an increase was sales tax, which increased \$294,457 over budget. Licenses and permits were up \$75,706 over budget, as well. These increases offset negative variances in both property and franchise taxes, as well as fines and forfeitures.

Budgeted general fund expenditures of \$16,502,114 exceeded actual expenditures of \$16,163,690. This \$338,424 positive variance in expenditures was achieved largely due to vacancies in staffing in the police department. Staffing levels in the police department have increased, and the police department is now fully staffed.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$125,693,256 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery, equipment, and vehicles, infrastructure, and improvements. The total increase in capital assets for the current fiscal year was approximately 2.74%.

City of Corsicana's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 40,350,512	\$ 39,712,480	\$ 3,628,703	\$ 3,628,703	\$ 43,979,215	\$ 43,341,183
Construction in progress	1,722,951	3,029,642	2,484,597	2,142,526	4,207,548	5,172,168
Buildings	3,721,907	2,941,788	1,112,433	1,164,672	4,834,340	4,106,460
Machinery, equipment, and vehicles	2,769,478	2,648,691	11,402,609	11,422,901	14,172,087	14,071,592
Infrastructure	16,499,733	13,773,514	-	-	16,499,733	13,773,514
Improvements	-	-	42,000,333	41,876,097	42,000,333	41,876,097
Total	<u>\$ 65,064,581</u>	<u>\$ 62,106,115</u>	<u>\$ 60,628,675</u>	<u>\$ 60,234,899</u>	<u>\$ 125,693,256</u>	<u>\$ 122,341,014</u>

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

- Building and improvements of approximately \$1,043,000 were comprised of fire station renovations and a recreational building at the new athletic complex.
- Infrastructure improvements of approximately \$3,604,000 were comprised of a new athletic complex and street improvement projects in the City.
- Improvements of approximately \$1,235,000 for utility line improvement and relocation.
- Machinery and equipment additions of approximately \$1,582,000 were comprised of six vehicles, two emergency medical vehicles, one large dump truck, two excavators, one bull dozer, and other smaller, acquisitions.

Additional information on the City's capital assets can be found in Note 2.E on pages 48-49 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$48,460,000, which is backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises notes payable, line of credit, and capital leases.

City of Corsicana's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of obligation	\$ -	\$ 3,300,000	\$ 16,245,000	\$ 17,315,000	\$ 16,245,000	\$ 20,615,000
General obligation	21,028,692	15,248,066	6,576,308	8,026,934	27,605,000	23,275,000
Revenue bonds	-	-	4,610,000	5,355,000	4,610,000	5,355,000
Notes payable	715,476	350,822	-	-	715,476	350,822
Line of credit	192,823	192,823	-	-	192,823	192,823
Capital leases	1,581,547	1,581,547	1,780,584	1,299,012	3,362,131	2,880,559
Total	<u>\$ 23,518,538</u>	<u>\$ 20,673,258</u>	<u>\$ 29,211,892</u>	<u>\$ 31,995,946</u>	<u>\$ 52,730,430</u>	<u>\$ 52,669,204</u>

The City's total debt increased by \$61,226 (0.12%) during the current fiscal year. The reason for the increase was that the new debt issuance during the year was for an amount that was more than the regularly scheduled principal reductions on the existing outstanding debt.

The City maintains a tax bond rating of "AA-" from Standard & Poor's and a "A1" rating from Moody's Investors Service. The revenue bond rating is "A" from Standard & Poor's and "A2" rating from Moody's Investors Service.

Additional information on the City's long term-debt can be found in Note 2.J on pages 53-58 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2017 Budget, General Fund revenues and transfers in are budgeted to increase 0.71% from the 2016 budget year with general property taxes making up about 32.54% of general fund budgeted revenues. Certified assessed taxable valuations increased from the preceding year. However, due to a shift in the ad valorem tax rate, less property tax revenues will be applicable for maintenance and operations of the general fund. The local economy continues to improve, and several new businesses have opened, expanded, or are under construction. These new businesses have already helped the City's tax base to recover some of the valuation losses from prior years. The City's budgets for all funds continue to be impacted positively by growth in the economy. Being mindful of the economy's continued growth, but still cautious of the volatility of some revenue sources, such as sales taxes, the City's revenue budget for 2017 is slightly less conservative than the 2016 budget. The growth in Statewide sales tax receipts, including the City's, has slowed down considerably. The City's sales taxes over the last six months have shown decreases from the prior year. With that information, the City is closely monitoring these revenues, as well as other revenues and expenditures.

Water and wastewater rates have not increased since budget year 2015. The Fund continues to improve, and several improvement projects that would have been delayed or financed continue to be funded with cash. The City continues to replace aged infrastructure and over the past several years has aggressively worked on upgrading the water metering system. These practices will continue during 2017 and in the coming years.

Requests 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 City'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.

BASIC FINANCIAL STATEMENTS

CITY OF CORSICANA, TEXAS
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,078,144	\$ 2,612,956	\$ 15,691,100
Restricted cash and cash equivalents	-	1,845,564	1,845,564
Receivables (net of allowance for uncollectibles)	3,511,034	4,057,705	7,568,739
Intergovernmental receivables	126	30,321	30,447
Internal balances	36,150	(36,150)	-
Inventories	22,080	1,260	23,340
Prepaid items	104,743	120,458	225,201
Capital assets:			
Non-depreciable	42,073,463	6,113,300	48,186,763
Depreciable (net of accumulated depreciation)	22,991,118	54,515,375	77,506,493
Total Assets	<u>81,816,858</u>	<u>69,260,789</u>	<u>151,077,647</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	76,882	455,678	532,560
Changes in actuarial assumptions	405,655	209,297	614,952
Pension contributions after measurement date	791,288	459,191	1,250,479
Difference in projected and actual earnings on pension assets	2,248,951	1,340,161	3,589,112
Total Deferred Outflows of Resources	<u>3,522,776</u>	<u>2,464,327</u>	<u>5,987,103</u>
LIABILITIES			
Accounts payable and other current liabilities	2,537,025	685,550	3,222,575
Accrued payroll payable	585,262	316,622	901,884
Accrued interest payable	94,822	129,482	224,304
Customer deposits payable	-	621,900	621,900
Unearned revenue	-	55,571	55,571
Liabilities payable from restricted assets	-	19,171	19,171
Noncurrent liabilities:			
Due within one year	2,310,364	3,785,580	6,095,944
Due in more than one year	35,609,646	35,524,160	71,133,806
Total Liabilities	<u>41,137,119</u>	<u>41,138,036</u>	<u>82,275,155</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual pension experience	186,017	104,372	290,389
Total Deferred Inflows of Resources	<u>186,017</u>	<u>104,372</u>	<u>290,389</u>
NET POSITION			
Net investment in capital assets	45,756,066	32,264,793	78,020,859
Restricted for:			
General government	1,317,511	-	1,317,511
Judicial	247,763	-	247,763
Public safety	58,269	-	58,269
Community support services	174,923	-	174,923
Cultural and recreational	284,274	-	284,274
Debt service	144,852	934,127	1,078,979
Unrestricted	(3,967,160)	(2,716,212)	(6,683,372)
Total Net Position	<u>\$ 44,016,498</u>	<u>\$ 30,482,708</u>	<u>\$ 74,499,206</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Activities	Total
Function/Programs:							
Primary government:							
Governmental activities:							
General government	\$ 2,815,422	\$ 163,424	\$ 367,271	\$ 28,359	\$ (2,256,368)	\$ -	\$ (2,256,368)
Judicial	531,183	-	-	-	(531,183)	-	(531,183)
Public safety	9,514,100	423,888	10,542	16,259	(9,063,411)	-	(9,063,411)
Community support services	516,407	349,988	-	-	(166,419)	-	(166,419)
Public works	4,801,131	842,467	-	-	(3,958,664)	-	(3,958,664)
Cultural and recreational	2,369,467	291,049	90,230	57,412	(1,930,776)	-	(1,930,776)
Building and vehicle maintenance	453,732	-	-	-	(453,732)	-	(453,732)
Interest on long-term debt	765,951	-	-	-	(765,951)	-	(765,951)
Total governmental activities	<u>21,767,393</u>	<u>2,070,816</u>	<u>468,043</u>	<u>102,030</u>	<u>(19,126,504)</u>	<u>-</u>	<u>(19,126,504)</u>
Business-type activities:							
Utility operations	12,256,022	15,691,253	14,686	70,730	-	3,520,647	3,520,647
Sanitation	2,880,234	3,869,133	10,029	-	-	998,928	998,928
Emergency medical services	2,663,910	2,645,266	443,515	-	-	424,871	424,871
Total business-type activities	<u>17,800,166</u>	<u>22,205,652</u>	<u>468,230</u>	<u>70,730</u>	<u>-</u>	<u>4,944,446</u>	<u>4,944,446</u>
Total primary government	<u>\$ 39,567,559</u>	<u>\$ 24,276,468</u>	<u>\$ 936,273</u>	<u>\$ 172,760</u>	<u>(19,126,504)</u>	<u>4,944,446</u>	<u>(14,182,058)</u>
General revenues:							
Property taxes					8,109,922	-	8,109,922
Sales taxes					6,359,457	-	6,359,457
Franchise taxes					2,017,440	-	2,017,440
Hotel occupancy taxes					472,337	-	472,337
Alcoholic beverage taxes					48,679	-	48,679
Investment earnings					29,487	6,169	35,656
Gain on sale of capital asset					5,568	26,940	32,508
Miscellaneous					190,370	-	190,370
Transfers					1,335,328	(1,335,328)	-
Total general revenues and transfers					<u>18,568,588</u>	<u>(1,302,219)</u>	<u>17,266,369</u>
Change in net position					(557,916)	3,642,227	3,084,311
Net position - beginning, as restated					<u>44,574,414</u>	<u>26,840,481</u>	<u>71,414,895</u>
Net position - ending					<u>\$ 44,016,498</u>	<u>\$ 30,482,708</u>	<u>\$ 74,499,206</u>

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

CITY OF CORSICANA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,597,168	\$ 131,248	\$ 9,349,728	\$ 13,078,144
Receivables (net of allowance for uncollectibles)	2,985,032	114,655	411,347	3,511,034
Intergovernmental receivables	126	-	-	126
Due from other funds	280,285	-	-	280,285
Inventories	15,654	-	6,426	22,080
Prepaid items	91,051	-	13,692	104,743
Total assets	<u>\$ 6,969,316</u>	<u>\$ 245,903</u>	<u>\$ 9,781,193</u>	<u>\$ 16,996,412</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 814,373	\$ 8,664	\$ 1,713,988	\$ 2,537,025
Accrued payroll payable	572,689	-	12,573	585,262
Due to other funds	-	-	244,135	244,135
Total liabilities	<u>1,387,062</u>	<u>8,664</u>	<u>1,970,696</u>	<u>3,366,422</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	313,469	92,387	-	405,856
Unavailable revenue-court fines	579,760	-	-	579,760
Unavailable revenue-other	-	-	187,498	187,498
Total deferred inflows of resources	<u>893,229</u>	<u>92,387</u>	<u>187,498</u>	<u>1,173,114</u>
FUND BALANCES				
Nonspendable:				
Inventories	15,654	-	6,426	22,080
Prepaid items	91,051	-	13,692	104,743
Restricted:				
Tourism	-	-	176,086	176,086
Economic development	-	-	1,141,425	1,141,425
Municipal court	-	-	247,763	247,763
Police	-	-	51,365	51,365
Fire	-	-	6,890	6,890
Cemetery	-	-	137,099	137,099
Airport	-	-	99,285	99,285
Parks and recreation	-	-	184,989	184,989
Other purposes	-	-	37,838	37,838
Debt service	-	144,852	-	144,852
Capital projects	-	-	5,153,692	5,153,692
Committed:				
Streets	-	-	548,614	548,614
Assigned:				
Public works	80,000	-	58,832	138,832
Cultural and recreational	2,018	-	-	2,018
Unassigned	4,500,302	-	(240,997)	4,259,305
Total fund balances	<u>4,689,025</u>	<u>144,852</u>	<u>7,622,999</u>	<u>12,456,876</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,969,316</u>	<u>\$ 245,903</u>	<u>\$ 9,781,193</u>	<u>\$ 16,996,412</u>

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

CITY OF CORSICANA, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds (page 25)		\$ 12,456,876
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		65,064,581
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		1,173,114
Deferred outflows of resources are not reported in the governmental funds:		
Deferred charges on refunding	\$ 76,882	
Changes in actuarial assumptions	405,655	
Pension contributions after measurement date	791,288	
Difference in projected and actual earnings on pension assets	<u>2,248,951</u>	3,522,776
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(94,822)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Due within one year	(2,310,364)	
Due in more than one year	<u>(35,609,646)</u>	(37,920,010)
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience		<u>(186,017)</u>
Net position of governmental activities (page 23)		<u>\$ 44,016,498</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 5,703,463	\$ 2,190,790	\$ 166,667	\$ 8,060,920
Sales taxes	6,359,457	-	-	6,359,457
Franchise taxes	2,017,440	-	-	2,017,440
Hotel occupancy taxes	-	-	472,337	472,337
Alcoholic beverage taxes	48,679	-	-	48,679
Licenses and permits	266,116	-	-	266,116
Fines and forfeitures	277,440	-	115,727	393,167
Charges for current services	160,835	-	1,119,820	1,280,655
Investment earnings	16,133	335	13,018	29,486
Miscellaneous	210,278	1,913	146,217	358,408
Intergovernmental	144,348	-	326,187	470,535
Contributions and donations	14,690	-	175,592	190,282
Total revenues	<u>15,218,879</u>	<u>2,193,038</u>	<u>2,535,565</u>	<u>19,947,482</u>
EXPENDITURES				
Current:				
General government	1,943,598	-	640,425	2,584,023
Judicial	497,872	-	107,095	604,967
Public safety	8,436,025	-	12,444	8,448,469
Community support services	475,490	-	158,928	634,418
Public works	2,414,663	-	1,735,750	4,150,413
Cultural and recreational	1,844,139	-	681,295	2,525,434
Building and vehicle maintenance	373,926	-	-	373,926
Debt service:				
Principal retirement	173,508	1,490,347	161,445	1,825,300
Interest and fiscal charges	4,469	630,073	24,492	659,034
Bond issuance costs	-	100,592	79,732	180,324
Capital outlay:				
General government	-	-	114,119	114,119
Public safety	-	-	557,283	557,283
Community support services	-	-	1,362	1,362
Public works	-	-	2,945,392	2,945,392
Cultural and recreational	-	-	1,362	1,362
Total expenditures	<u>16,163,690</u>	<u>2,221,012</u>	<u>7,221,124</u>	<u>25,605,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(944,811)</u>	<u>(27,974)</u>	<u>(4,685,559)</u>	<u>(5,658,344)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,069,501	-	2,009,965	4,079,466
Transfers out	(2,119,185)	-	(624,953)	(2,744,138)
Refunding bonds issued	-	4,675,000	-	4,675,000
General obligation bonds issued	-	-	3,835,000	3,835,000
Premium on bonds issued	-	334,595	255,196	589,791
Payment to refunded bond escrow agent	-	(4,997,351)	-	(4,997,351)
Capital leases	-	-	267,787	267,787
Note proceeds	366,124	-	-	366,124
Sale of capital assets	12,478	-	150,575	163,053
Total other financing sources (uses)	<u>328,918</u>	<u>12,244</u>	<u>5,893,570</u>	<u>6,234,732</u>
Net change in fund balances	(615,893)	(15,730)	1,208,011	576,388
Fund balances - beginning, as restated	<u>5,304,918</u>	<u>160,582</u>	<u>6,414,988</u>	<u>11,880,488</u>
Fund balances - ending	<u>\$ 4,689,025</u>	<u>\$ 144,852</u>	<u>\$ 7,622,999</u>	<u>\$ 12,456,876</u>

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

CITY OF CORSICANA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

Amounts reported for governmental activities in the statement of activities (page 24) are different because:

Net Change in Fund Balances - total governmental funds (page 27)	\$	576,388	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, 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.			4,651,452
The net effect of various miscellaneous transactions involving capital assets (i.e., asset retirements/disposals) is to decrease net position.			(162,135)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.			(1,530,851)
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Bonds issued	\$	(8,510,000)	
Deferred charge on refunding		67,350	
Bond premiums/discounts		(589,791)	
Bond principal retirement		6,029,374	
Amortization of deferred charge on refunding		(5,924)	
Amortization of bond premiums/discounts		59,684	
Note payable issued		(366,124)	
Note payable retirement		2,932	
Amortization of discount on note payable		(1,462)	
Line of credit retirement		109,826	
Capital leases issued		(267,787)	
Capital leases retirement		<u>613,168</u>	(2,858,754)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, 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.			21,105
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(74,256)
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.			
Changes in actuarial assumptions		405,655	
Pension contributions after measurement date		30,645	
Difference in projected and actual earnings on pension assets		1,755,567	
Difference in expected and actual pension experience		<u>(166)</u>	2,191,701
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			
Compensated absences		110,270	
Net pension liability		<u>(3,482,836)</u>	<u>(3,372,566)</u>
Change in net position of governmental activities (page 24)	\$		<u><u>(557,916)</u></u>

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

CITY OF CORSICANA, TEXAS

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

For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
REVENUES				
Property taxes	\$ 5,829,708	\$ 5,829,708	\$ 5,703,463	\$ (126,245)
Sales taxes	6,065,000	6,065,000	6,359,457	294,457
Franchise taxes	2,135,750	2,135,750	2,017,440	(118,310)
Alcoholic beverage taxes	50,000	50,000	48,679	(1,321)
Licenses and permits	190,410	190,410	266,116	75,706
Fines and forfeitures	375,700	375,700	277,440	(98,260)
Charges for current services	150,543	150,543	160,835	10,292
Investment earnings	5,052	5,052	16,133	11,081
Miscellaneous	162,045	162,045	210,278	48,233
Intergovernmental	95,100	95,100	144,348	49,248
Contributions and donations	-	-	14,690	14,690
Total revenues	<u>15,059,308</u>	<u>15,059,308</u>	<u>15,218,879</u>	<u>159,571</u>
EXPENDITURES				
Current:				
General government:				
Administration:				
Mayor and council	27,139	27,139	35,109	7,970
Administration	272,628	326,019	298,937	(27,082)
Human resources	104,138	106,295	107,724	1,429
Civil service	76,169	77,671	74,516	(3,155)
Tax	140,750	140,750	138,874	(1,876)
Finance	555,805	568,248	531,405	(36,843)
Health services	42,000	42,000	42,000	-
Total administration	<u>1,218,629</u>	<u>1,288,122</u>	<u>1,228,565</u>	<u>(59,557)</u>
Non departmental	<u>254,000</u>	<u>295,000</u>	<u>715,033</u>	<u>420,033</u>
Total general government	<u>1,472,629</u>	<u>1,583,122</u>	<u>1,943,598</u>	<u>360,476</u>
Judicial:				
Legal	114,815	116,474	177,767	61,293
Municipal court	317,589	325,884	320,105	(5,779)
Total judicial	<u>432,404</u>	<u>442,358</u>	<u>497,872</u>	<u>55,514</u>
Public safety:				
Police	4,882,323	5,078,909	4,654,848	(424,061)
Fire	3,351,145	3,409,943	3,494,311	84,368
Emergency management	19,640	19,640	14,180	(5,460)
Animal control	120,132	124,292	117,492	(6,800)
Animal shelter	161,127	163,623	155,194	(8,429)
Total public safety	<u>8,534,367</u>	<u>8,796,407</u>	<u>8,436,025</u>	<u>(360,382)</u>

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

CITY OF CORSICANA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (continued)

For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget - Over (Under) Budget
	Original	Final		
Community support services:				
Inspections	\$ 158,996	\$ 162,656	\$ 159,058	\$ (3,598)
Planning and zoning	63,988	65,403	54,635	(10,768)
Code compliance	191,707	194,594	261,797	67,203
Total community support services	<u>414,691</u>	<u>422,653</u>	<u>475,490</u>	<u>52,837</u>
Public works:				
Information technology	125,961	127,624	101,510	(26,114)
Engineering	495,237	504,388	427,388	(77,000)
Streets	2,053,785	2,160,362	1,885,765	(274,597)
Total public works	<u>2,674,983</u>	<u>2,792,374</u>	<u>2,414,663</u>	<u>(377,711)</u>
Cultural and recreational:				
Parks and recreation	1,047,005	1,061,221	1,092,387	31,166
Lakes and grounds	97,143	97,975	111,708	13,733
Senior activity center	98,192	101,063	108,145	7,082
Swimming pool	90,146	90,146	90,492	346
Library	439,696	450,060	441,407	(8,653)
Total cultural and recreational	<u>1,772,182</u>	<u>1,800,465</u>	<u>1,844,139</u>	<u>43,674</u>
Building and vehicle maintenance:				
K. Wolens BIC	32,537	32,537	29,734	(2,803)
Maintenance service center	233,251	238,243	155,952	(82,291)
Municipal buildings	208,717	210,380	188,240	(22,140)
Total building and vehicle maintenance	<u>474,505</u>	<u>481,160</u>	<u>373,926</u>	<u>(107,234)</u>
Debt service:				
Principal retirement	180,388	180,388	173,508	(6,880)
Interest and fiscal charges	3,187	3,187	4,469	1,282
Total debt service	<u>183,575</u>	<u>183,575</u>	<u>177,977</u>	<u>(5,598)</u>
Total expenditures	<u>15,959,336</u>	<u>16,502,114</u>	<u>16,163,690</u>	<u>(338,424)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(900,028)</u>	<u>(1,442,806)</u>	<u>(944,811)</u>	<u>497,995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,070,645	2,070,645	2,069,501	(1,144)
Transfers out	(1,190,000)	(2,025,000)	(2,119,185)	(94,185)
Note proceeds	-	-	366,124	366,124
Sale of capital assets	30,000	30,000	12,478	(17,522)
Total other financing sources (uses)	<u>910,645</u>	<u>75,645</u>	<u>328,918</u>	<u>253,273</u>
Net change in fund balances	10,617	(1,367,161)	(615,893)	751,268
Fund balances - beginning, as restated	<u>4,868,973</u>	<u>5,305,097</u>	<u>5,304,918</u>	<u>(179)</u>
Fund balances - ending	<u>\$ 4,879,590</u>	<u>\$ 3,937,936</u>	<u>\$ 4,689,025</u>	<u>\$ 751,089</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,701,373	\$ 856,576	\$ 55,007	\$ 2,612,956
Restricted cash and cash equivalents	19,171	-	-	19,171
Receivables (net of allowance for uncollectibles)	2,394,636	658,294	1,004,775	4,057,705
Intergovernmental receivable	30,321	-	-	30,321
Inventories	-	1,260	-	1,260
Prepaid items	116,055	153	4,250	120,458
Total current assets	<u>4,261,556</u>	<u>1,516,283</u>	<u>1,064,032</u>	<u>6,841,871</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,607,379	219,014	-	1,826,393
Capital assets (net, where applicable of accumulated depreciation)	54,527,626	5,581,643	519,406	60,628,675
Total noncurrent assets	<u>56,135,005</u>	<u>5,800,657</u>	<u>519,406</u>	<u>62,455,068</u>
Total assets	<u>60,396,561</u>	<u>7,316,940</u>	<u>1,583,438</u>	<u>69,296,939</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	455,678	-	-	455,678
Changes in actuarial assumptions	153,857	50,330	5,110	209,297
Pension contributions after measurement date	212,983	69,671	176,537	459,191
Difference in projected and actual earnings on pension assets	662,527	208,897	468,737	1,340,161
Total deferred outflows of resources	<u>1,485,045</u>	<u>328,898</u>	<u>650,384</u>	<u>2,464,327</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	509,656	160,981	14,913	685,550
Accrued payroll payable	167,189	51,563	97,870	316,622
Due to other funds	36,150	-	-	36,150
Compensated absences	71,665	25,034	45,519	142,218
Customer deposits payable	621,900	-	-	621,900
Accrued interest payable	128,607	875	-	129,482
Bonds payable	3,175,000	20,626	-	3,195,626
Capital lease payable	211,661	226,004	10,071	447,736
Unearned revenue	30,321	-	25,250	55,571
Current liabilities payable from restricted assets:				
Accounts payable	19,171	-	-	19,171
Total current liabilities	<u>4,971,320</u>	<u>485,083</u>	<u>193,623</u>	<u>5,650,026</u>
Noncurrent liabilities:				
Compensated absences	365,095	127,535	231,354	723,984
Bonds payable	24,505,473	230,143	-	24,735,616
Capital lease payable	493,425	824,791	14,632	1,332,848
Landfill closure liability	-	1,844,387	-	1,844,387
Net pension liability	2,439,663	798,063	3,649,599	6,887,325
Total noncurrent liabilities	<u>27,803,656</u>	<u>3,824,919</u>	<u>3,895,585</u>	<u>35,524,160</u>
Total liabilities	<u>32,774,976</u>	<u>4,310,002</u>	<u>4,089,208</u>	<u>41,174,186</u>
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	81,314	21,370	1,688	104,372
Total deferred inflows of resources	<u>81,314</u>	<u>21,370</u>	<u>1,688</u>	<u>104,372</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	27,490,011	4,280,079	494,703	32,264,793
Restricted for debt service	715,113	219,014	-	934,127
Unrestricted	820,192	(1,184,627)	(2,351,777)	(2,716,212)
Total net position (deficit)	<u>\$ 29,025,316</u>	<u>\$ 3,314,466</u>	<u>\$ (1,857,074)</u>	<u>\$ 30,482,708</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility	Emergency		Total
	Operations	Sanitation	Medical Services	
Operating revenues:				
Water	\$ 9,789,398	\$ -	\$ -	\$ 9,789,398
Sewer	5,381,109	-	-	5,381,109
Tap fees	43,085	-	-	43,085
Other charges	477,661	29,215	17,409	524,285
Garbage collection fees	-	1,287,950	-	1,287,950
Landfill	-	2,551,968	-	2,551,968
Emergency medical services	-	-	2,627,857	2,627,857
Total operating revenues	<u>15,691,253</u>	<u>3,869,133</u>	<u>2,645,266</u>	<u>22,205,652</u>
Operating expenses:				
Costs of sales and services	8,587,725	2,557,967	2,520,778	13,666,470
Administration	789,857	19,293	19,792	828,942
Depreciation and amortization	1,845,178	277,827	122,990	2,245,995
Total operating expenses	<u>11,222,760</u>	<u>2,855,087</u>	<u>2,663,560</u>	<u>16,741,407</u>
Operating income (loss)	<u>4,468,493</u>	<u>1,014,046</u>	<u>(18,294)</u>	<u>5,464,245</u>
Nonoperating revenue (expenses):				
Intergovernmental	-	-	443,515	443,515
Investment earnings	4,675	1,405	89	6,169
Gain on disposal of assets	19,440	-	7,500	26,940
Interest and fiscal charges	(1,033,262)	(25,147)	(350)	(1,058,759)
Total nonoperating revenue (expenses)	<u>(1,009,147)</u>	<u>(23,742)</u>	<u>450,754</u>	<u>(582,135)</u>
Income (loss) before contributions and transfers	3,459,346	990,304	432,460	4,882,110
Capital contributions	85,416	10,029	-	95,445
Transfer in	624,953	-	385,000	1,009,953
Transfer out	(1,751,458)	(563,348)	(30,475)	(2,345,281)
Change in net position	2,418,257	436,985	786,985	3,642,227
Total net position (deficit) - beginning, as restated	<u>26,607,059</u>	<u>2,877,481</u>	<u>(2,644,059)</u>	<u>26,840,481</u>
Total net position (deficit) - ending	<u>\$29,025,316</u>	<u>\$3,314,466</u>	<u>\$(1,857,074)</u>	<u>\$30,482,708</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 15,755,669	\$ 3,645,545	\$ 3,621,213	\$ 23,022,427
Payments to suppliers	(6,635,854)	(1,451,084)	(938,945)	(9,025,883)
Payments to employees	(2,975,523)	(920,969)	(2,321,223)	(6,217,715)
Net cash provided by (used for) operating activities	<u>6,144,292</u>	<u>1,273,492</u>	<u>361,045</u>	<u>7,778,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	6,358	-	-	6,358
Repayment of advances from other funds	-	-	(982,386)	(982,386)
Transfers from other funds	624,953	-	385,000	1,009,953
Transfers to other funds	(1,751,458)	(563,348)	(30,475)	(2,345,281)
Operating grants	-	-	443,515	443,515
Net cash provided by (used for) noncapital financing activities	<u>(1,120,147)</u>	<u>(563,348)</u>	<u>(184,346)</u>	<u>(1,867,841)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	85,416	10,029	-	95,445
Acquisition and construction of capital assets	(1,734,606)	(548,073)	(260,266)	(2,542,945)
Principal paid on bond maturities	(3,245,000)	(23,274)	-	(3,268,274)
Interest paid on bond maturities	(1,163,233)	(8,569)	-	(1,171,802)
Proceeds from capital leases	409,600	554,800	30,475	994,875
Principal paid on leased assets	(290,684)	(216,674)	(5,943)	(513,301)
Interest paid on leased assets	(12,240)	(18,643)	(350)	(31,233)
Proceeds from the sale of capital assets	19,440	-	7,500	26,940
Net cash provided by (used for) capital and related financing activities	<u>(5,931,307)</u>	<u>(250,404)</u>	<u>(228,584)</u>	<u>(6,410,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	4,675	1,405	89	6,169
Net cash provided by investing activities	<u>4,675</u>	<u>1,405</u>	<u>89</u>	<u>6,169</u>
Net change in cash and cash equivalents	(902,487)	461,145	(51,796)	(493,138)
Cash and cash equivalents October 1	4,230,410	614,445	106,803	4,951,658
Cash and cash equivalents September 30	<u>\$ 3,327,923</u>	<u>\$ 1,075,590</u>	<u>\$ 55,007</u>	<u>\$ 4,458,520</u>
Reported on Statement of Net Position				
Cash and cash equivalents	\$ 1,701,373	\$ 856,576	\$ 55,007	\$ 2,612,956
Restricted cash and cash equivalents	1,626,550	219,014	-	1,845,564
Total cash and cash equivalents	<u>\$ 3,327,923</u>	<u>\$ 1,075,590</u>	<u>\$ 55,007</u>	<u>\$ 4,458,520</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 4,468,493	\$ 1,014,046	\$ (18,294)	\$ 5,464,245
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,845,178	277,827	122,990	2,245,995
(Increase) decrease in accounts receivable	27,283	(229,905)	14,424	(188,198)
(Increase) decrease in intergovernmental receivables	14,516	6,317	961,523	982,356
(Increase) decrease in inventories	-	1,709	-	1,709
(Increase) decrease in prepaid items	30,447	(98)	6,153	36,502
(Increase) decrease in pension related deferred outflows	(640,943)	(237,238)	(210,067)	(1,088,248)
Increase (decrease) in accounts payable	(218,735)	(23,355)	(12,402)	(254,492)
Increase (decrease) in accrued payroll payable	17,374	27,135	31,555	76,064
Increase (decrease) in compensated absences	15,652	31,154	37,376	84,182
Increase (decrease) in pension related deferred inflows	(5,234)	642	269	(4,323)
Increase (decrease) in unearned revenue	(21,686)	(6,318)	(401,799)	(429,803)
Net increase in customer deposits	22,617	-	-	22,617
Increase in landfill closure liability	-	56,657	-	56,657
Increase (decrease) in net pension liability	589,330	354,919	(170,683)	773,566
Total adjustments	<u>1,675,799</u>	<u>259,446</u>	<u>379,339</u>	<u>2,314,584</u>
Net cash provided by (used for) operating activities	<u>\$ 6,144,292</u>	<u>\$ 1,273,492</u>	<u>\$ 361,045</u>	<u>\$ 7,778,829</u>
Schedule of non-cash transactions:				
Capital assets purchased on account	\$ 19,171	\$ -	\$ -	\$ -

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

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. 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. 61, 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.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of presentation – government-wide financial statements (continued)

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.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 *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.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation – fund financial statements (continued)

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

The 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary information

1. Budgetary basis of accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budgets for the proprietary funds are prepared on the budgetary basis of accounting. Appropriations in all budgeted funds lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

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.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR. In accordance with state law, TexPool and TexSTAR operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool and TexSTAR qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool and TexSTAR are subject to regulatory oversight by the State Treasurer, although they are not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing Participant Services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, are governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

J.P. Morgan Investment Management Inc. (“JPMIM” or the “investment manager”) and Hilltop Securities Inc. (“HTS”) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the “Board”). JPMIM provides investment management services, and First Southwest, a Division of HTS, provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. (“BFDS” or the “Transfer Agent”). Each of JPMIM, HTS, BFDS, and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates.

The City also invests in a government money market fund managed by Wells Fargo Asset Management which seeks current income, while preserving capital and liquidity. It invests in high-quality, short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. The fund seeks to maintain a \$1.00 value per share. The fund is rated AAAM by Standard & Poor's. The weighted average maturities of the fund cannot exceed 45 days, with the maximum maturity of any investment limited to 95 days.

3. 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 position 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.

4. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), 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 and an estimated useful life in excess of one year.

As the government constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds 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 amount of interest capitalized depends on the specific circumstances. Certificates of obligation were issued in the prior year to finance utility fund projects. Accordingly, the interest was capitalized in the amount of \$77,656.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	20-50
Machinery and equipment	3-20
Infrastructure	20-50
Improvements	10-40

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (3) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit plan, and (4) deferred charge on refunding. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 3.84 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 3.84 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, *unavailable revenue* from property taxes, court fines, and other are reported in the governmental funds balance sheet.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type 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 statements of net position. Bond premiums and discounts 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.

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.

8. Net position flow assumption

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund balance flow assumption

The governmental fund financial statements 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 inventories and prepaid items) 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.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

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.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

10. Deficit fund equity

As of September 30, 2016, the Tax Increment Financing District fund, a nonmajor capital projects fund, had a deficit fund balance of \$240,997. The deficit fund balance will be covered with the collection of the special assessment within the District.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

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.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

3. *Compensated absences*

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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 funds are charges to customers for sales and services. The utility operations fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds includes 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.

5. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and Corsicana Firefighter's Relief and Retirement Fund and additions to/deductions from TMRS and Corsicana Firefighter's Relief and Retirement Fund's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and Corsicana Firefighter's Relief and Retirement Fund. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or 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, 2016. At year end, the bank balance of the City's deposits was \$10,890,564. Of the bank balance, \$978,799 was covered by federal depository insurance and the remaining balance, \$9,911,765, 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 \$13,276,000.

B. Investments

Public funds of the City of Corsicana, Texas may be invested in the following: (1) obligations of the United States or its agencies with stated maturity not to exceed two years, (2) direct obligations of the State of Texas or its agencies with a stated maturity not to exceed two years, (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or its agencies, including obligations that are fully insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States and with stated maturity not to exceed two years, (4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent along with a stated maturity not to exceed two years, (5) certificates of deposit issued by state and national banks having an office in Texas, (6) no-load money market mutual fund, and (7) eligible Investment Pools as defined in Section 2256.016 of the Texas Government Code.

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating ⁽¹⁾</u>
TexPool	\$ 3,253,523	AAAm
TexSTAR	3,549,439	AAAm
Governmental money market fund	269,465	AAAm
	<u>\$ 7,072,427</u>	

⁽¹⁾ Per Standard & Poor's

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. 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.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexPool, TexSTAR, and governmental money market fund are considered cash equivalents on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial

C. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Revenue bond construction account	\$ 911,437
Revenue bond debt service account	35,641
Revenue bond reserve account	898,486
	<u>\$ 1,845,564</u>

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, nonmajor governmental, utility, sanitation and emergency medical service funds, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Utility Operations</u>	<u>Sanitation</u>	<u>Emergency Medical Services</u>
Receivables:						
Taxes	\$ 1,976,021	\$ 118,936	\$ 775	\$ -	\$ -	\$ -
Court fines	1,656,456	-	-	-	-	-
Accounts	-	-	-	1,848,151	743,796	3,800,527
Other	1,259,560	13,559	410,572	866,137	-	1,509
Gross receivables	<u>4,892,037</u>	<u>132,495</u>	<u>411,347</u>	<u>2,714,288</u>	<u>743,796</u>	<u>3,802,036</u>
Less: allowance for uncollectibles	<u>(1,907,005)</u>	<u>(17,840)</u>	<u>-</u>	<u>(319,652)</u>	<u>(85,502)</u>	<u>(2,797,261)</u>
Net total receivables	<u>\$ 2,985,032</u>	<u>\$ 114,655</u>	<u>\$ 411,347</u>	<u>\$ 2,394,636</u>	<u>\$ 658,294</u>	<u>\$ 1,004,775</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 39,712,480	\$ 795,940	\$ (157,908)	\$ 40,350,512
Construction in progress	3,029,642	3,076,217	(4,382,908)	1,722,951
Total capital assets not being depreciated	<u>42,742,122</u>	<u>3,872,157</u>	<u>(4,540,816)</u>	<u>42,073,463</u>
Capital assets being depreciated:				
Buildings	18,054,184	1,043,225	-	19,097,409
Machinery, equipment, and vehicles	8,074,973	515,078	(85,909)	8,504,142
Infrastructure	29,661,376	3,603,900	(8,748)	33,256,528
Totals capital assets being depreciated	<u>55,790,533</u>	<u>5,162,203</u>	<u>(94,657)</u>	<u>60,858,079</u>
Less accumulated depreciation for:				
Buildings	(15,112,396)	(263,106)	-	(15,375,502)
Machinery, equipment, and vehicles	(5,426,282)	(390,064)	81,682	(5,734,664)
Infrastructure	(15,887,862)	(877,681)	8,748	(16,756,795)
Total accumulated depreciation	<u>(36,426,540)</u>	<u>(1,530,851)</u>	<u>90,430</u>	<u>(37,866,961)</u>
Total capital assets, being depreciated, net	<u>19,363,993</u>	<u>3,631,352</u>	<u>(4,227)</u>	<u>22,991,118</u>
Governmental activities capital assets, net	<u>\$ 62,106,115</u>	<u>\$ 7,503,509</u>	<u>\$ (4,545,043)</u>	<u>\$ 65,064,581</u>

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

Governmental activities:

General government	\$ 305,966
Public safety	240,224
Community support services	24,601
Public works	795,833
Cultural and recreational	92,618
Building and vehicle maintenance	71,609
Total depreciation expense - governmental activities	<u>\$ 1,530,851</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,628,703	\$ -	\$ -	\$ 3,628,703
Construction in progress	2,142,526	1,062,484	(720,413)	2,484,597
Total capital assets not being depreciated	<u>5,771,229</u>	<u>1,062,484</u>	<u>(720,413)</u>	<u>6,113,300</u>
Capital assets being depreciated:				
Buildings	4,392,546	-	-	4,392,546
Machinery, equipment, and vehicles	26,878,007	1,066,437	(269,402)	27,675,042
Improvements	58,517,500	1,234,587	-	59,752,087
Total capital assets being depreciated	<u>89,788,053</u>	<u>2,301,024</u>	<u>(269,402)</u>	<u>91,819,675</u>
Less accumulated depreciation for:				
Buildings	(3,227,874)	(52,239)	-	(3,280,113)
Machinery, equipment, and vehicles	(15,455,106)	(1,083,405)	266,078	(16,272,433)
Improvements	(16,641,403)	(1,110,351)	-	(17,751,754)
Total accumulated depreciation	<u>(35,324,383)</u>	<u>(2,245,995)</u>	<u>266,078</u>	<u>(37,304,300)</u>
Total capital assets being depreciated, net	<u>54,463,670</u>	<u>55,029</u>	<u>(3,324)</u>	<u>54,515,375</u>
Business-type capital assets, net	<u>\$ 60,234,899</u>	<u>\$ 1,117,513</u>	<u>\$ (723,737)</u>	<u>\$ 60,628,675</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:

Utility operations	\$ 1,845,178
Sanitation	277,827
Emergency medical services	122,990
Total depreciation expense - business-type activities	<u>\$ 2,245,995</u>

F. Construction commitments

The City has active construction projects as of September 30, 2016. The projects include infrastructure improvements and utility system improvements. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining commitment</u>
Infrastructure and utility system improvements	\$ 1,522,629	\$ 3,794,888
Utility system improvements	296,140	105,000
	<u>\$ 1,818,769</u>	<u>\$ 3,899,888</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Construction commitments (continued)

The infrastructure improvements projects are commitments of the City's capital projects funds. The projects are being funded by certificates of obligation.

The utility system improvements projects are a commitment of the Utility Operations fund. The projects are being funded by certificates of obligation.

G. Other significant 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 Tax Increment Financing District fund in any one fiscal year unless authorized by the TIF District Board of Directors. As of September 30, 2016, the unreimbursed costs due the Company totaled \$1,699,347.

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 or should the public purpose for the use of the funds cease to exist. Grants paid to the Foundation under the agreement for the year ended September 30, 2016 totaled \$41,209 by the City and \$13,736 by the County. The City and the County are not contractually liable for the debt owed by the Foundation, and are not privy to the details of the loan document or the remaining balance owed.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Other significant commitments (continued)

Tax Increment Financing ("TIF") Reinvestment Zone Number 2 - On March 9, 2015, the City created Tax Increment Financing Reinvestment Zone Number 2, City of Corsicana ("Zone 2") to fund a series of infrastructure improvements which are needed to incentivize and accelerate the rate of development in Zone 2. On May 18, 2015, the City authorized the execution of a development agreement with Lots 102 Holdings, LLC ("Lots 102 Holdings") with a term of 20 years, or until \$13,918,989 in public infrastructure expenses, listed in the approved Project Plan and Financing Plan, have been reimbursed to the developer, whichever occurs first. Under the agreement the Lots 102 Holdings 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 Zone 2. Following completion of the public improvements with funding by Lots 102 Holdings, the City will acquire the public improvements and reimburse the acquisition funding by the use of Zone 2 TIF increment funds.

Subject to the terms of the agreement, the City agreed to reimburse the Lots 102 Holdings to coincide with the frequency and amount of payments made by the City, Navarro County and Navarro College into the Tax Increment Fund from fiscal year to fiscal year, not to exceed 100% of the total funds deposited into the Zone 2 TIF fund in any on fiscal year.

As of March 24, 2017 the developer has not signed the development agreement with the City, Navarro County and Navarro College. Until the development agreement is fully executed, Tax Increment Financing Reinvestment Zone Number 2, City of Corsicana ("Zone 2") is on hold. The TIFRZ Board dissolved Zone 2 at its meeting held December 13, 2016

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 \$400,000 annually, subject to adjustment as required by the Authority to cover actual cost incurred. Actual payments for the year ended September 30, 2016 were \$451,259.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. 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; 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.

I. Capital lease obligations

The City is currently purchasing equipment under lease purchase agreements. The interest on the leases range from 1.24-5.75%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 2,150,593	\$ 2,553,971
Less: accumulated depreciation	(568,459)	(577,814)
Total	<u>\$ 1,582,134</u>	<u>\$ 1,976,157</u>

Annual debt service requirements to maturity are as follows –

<u>Year Ending September 30</u>	Capital Lease Obligations			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 529,158	\$ 29,309	\$ 447,736	\$ 31,371
2018	332,562	20,710	380,115	23,827
2019	210,897	14,597	368,931	16,791
2020	152,965	10,458	227,776	10,559
2021	99,369	7,128	97,020	7,048
2022	256,596	9,599	259,006	14,030
	<u>\$ 1,581,547</u>	<u>\$ 91,801</u>	<u>\$ 1,780,584</u>	<u>\$ 103,626</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2016 are as follows:

Business-Type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2007	\$ 17,000,000	2/15/2027	4.0-5.75	\$ 9,400,000
2009	1,935,000	2/15/2028	0.148-3.018	1,335,000
2010	3,705,000	2/15/2030	3.56	2,905,000
2011	3,205,000	2/15/2031	2.0-4.25	2,605,000
Total				<u>\$ 16,245,000</u>

The debt service requirements for the City's certificates of obligation are as follows:

<u>Year Ending September 30</u>	<u>Certificates of Obligation</u>	
	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 910,000	\$ 611,314
2018	1,145,000	575,745
2019	1,185,000	534,148
2020	1,225,000	490,196
2021	1,275,000	443,105
2022-2026	7,170,000	1,410,237
2027-2031	3,335,000	215,450
	<u>\$ 16,245,000</u>	<u>\$ 4,280,195</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2016 are as follows:

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2008	\$ 3,400,000	2/15/2028	3.79	\$ 2,375,000
2010 - Refunding	1,290,000	8/15/2020	2.25-4.0	425,000
2011	3,205,000	2/15/2031	2.0-4.25	2,605,000
2013	3,400,000	2/15/2033	2.75-4.0	3,055,000
2015 - Refunding	4,243,066	2/15/2045	3.0-5.0	4,058,692
2016 - Refunding	8,510,000	2/15/2036	2.0-3.0	8,510,000
Total				<u><u>\$ 21,028,692</u></u>

Business-type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2010 - Refunding	\$ 11,035,000	8/15/2020	2.25-4.0	\$ 3,435,000
2015 - Refunding	3,285,000	2/15/2025	3.0-5.0	2,910,000
2015 - Refunding	251,934	2/15/2026	3.0-5.0	231,308
Total				<u><u>\$ 6,576,308</u></u>

The debt service requirements for the City's general obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,289,374	\$ 715,510	\$ 1,515,626	\$ 227,578
2018	1,280,847	622,263	1,404,153	192,331
2019	1,319,374	585,086	915,626	138,935
2020	1,362,900	546,744	952,100	105,194
2021	1,302,901	505,951	327,099	68,495
2022-2026	7,033,296	1,855,390	1,461,704	134,160
2027-2031	4,435,000	831,388	-	-
2032-2036	2,040,000	328,714	-	-
2037-2041	495,000	136,431	-	-
2042-2045	470,000	36,161	-	-
	<u><u>\$ 21,028,692</u></u>	<u><u>\$ 6,163,638</u></u>	<u><u>\$ 6,576,308</u></u>	<u><u>\$ 866,693</u></u>

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 outstanding at September 30, 2016 are as follows:

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

Business-Type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2007 - Refunding	\$ 7,000,000	8/15/2022	4.0-4.125	\$ 4,610,000
Total				<u>\$ 4,610,000</u>

The debt service requirements for the City's revenue bonds are as follows:

<u>Year Ending September 30</u>	<u>Revenue Bonds</u>	
	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 770,000	\$ 188,129
2018	710,000	157,329
2019	735,000	128,929
2020	765,000	98,794
2021	800,000	67,238
2022-2026	830,000	34,238
	<u>\$ 4,610,000</u>	<u>\$ 674,657</u>

Notes Payable

Notes payable currently outstanding and reported as liabilities of the City's governmental activities are:

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. As of September 30, 2016, the outstanding balance is \$483,794.

The City received a loan from Bauer Farms & Land, LLC for \$366,124 to fund the purchase of land in September 2016. The loan will be repaid in 20 semi-annual installments, with the first principal payment due in March 2017. Interest payments are to be made semi-annually beginning March 2017 at an interest rate of 4%. As of September 30, 2016, the outstanding balance is \$366,124.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

The debt service requirements for the City's notes payable are as follows:

<u>Year Ending September 30</u>	<u>Notes Payable</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 65,623	\$ 14,344
2018	66,853	13,114
2019	68,132	11,835
2020	69,463	10,504
2021	70,848	9,119
2022-2026	377,054	22,780
2027-2028	131,945	-
Total note payments	849,918	\$ 81,696
Unamortized discount	(134,442)	
Present value of note payments	<u>\$ 715,476</u>	

Line of Credit

The City has a nonrevolving line of credit from a local bank with a total authorized balance of \$1,158,000, of which \$192,823 is outstanding as of September 30, 2016. The line of credit matures May 19, 2018 with an interest rate of 5.00%.

Annual principal and interest requirements are as follows:

<u>Year Ending September 30</u>	<u>Line of Credit</u>	
	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 105,862	\$ 15,368
2018	86,961	10,138
	<u>\$ 192,823</u>	<u>\$ 25,506</u>

Advance Refunding

The City issued \$4,675,000 in general obligation bonds with interest rates ranging from 2.0% to 3.0%. The proceeds were used to advance refund \$4,930,000 of outstanding 2006 Series certificates of obligation and 2006 Series general obligation bonds which had interest rates ranging from 3.5% to 4.25%. The net proceeds of \$4,997,351 (including a \$334,595 premium, \$101,875 transfer from prior debt service funds, and payment of \$114,119 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, 2006 Series certificates of obligation and 2006 Series general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2016, \$0 of defeased bonds remain outstanding.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$67,351. This amount is amortized over the remaining life of the refunding debt. The City advance refunded 2006 Series certificates of obligation and 2006 Series general obligation bonds to reduce its total debt service payments over 11 years by \$711,732 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$624,604.

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Utility Operations Fund, Sanitation Fund, Emergency Medical Services Fund and nonmajor governmental funds based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

Changes in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 3,300,000	\$ -	\$ (3,300,000)	\$ -	\$ -
General obligation bonds	15,248,066	8,510,000	(2,729,374)	21,028,692	1,289,374
Less deferred amounts:					
For issuance premium	541,150	589,791	(59,684)	1,071,257	-
Total bonds payable	<u>19,089,216</u>	<u>9,099,791</u>	<u>(6,089,058)</u>	<u>22,099,949</u>	<u>1,289,374</u>
Notes payable	486,726	366,124	(2,932)	849,918	65,623
Less discount on note payable	(135,904)	-	1,462	(134,442)	(17,866)
Line of credit	302,649	-	(109,826)	192,823	105,862
Capital leases	1,926,928	267,787	(613,168)	1,581,547	529,158
Compensated absences	2,170,160	456,336	(566,606)	2,059,890	338,213
Net pension liability	<u>7,787,489</u>	<u>3,482,836</u>	<u>-</u>	<u>11,270,325</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 31,627,264</u>	<u>\$ 13,672,874</u>	<u>\$ (7,380,128)</u>	<u>\$ 37,920,010</u>	<u>\$ 2,310,364</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

General obligation bonds, note payable, line of credit, and capital leases issued for governmental activity purposes are liquidated by the general debt service funds. Governmental compensated absences and net pension liability will be liquidated by the general fund and nonmajor governmental funds.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type activities:</i>					
Bonds payable:					
Certificates of obligation	\$ 17,315,000	\$ -	\$ (1,070,000)	\$ 16,245,000	\$ 910,000
General obligation bonds	8,026,934	-	(1,450,626)	6,576,308	1,515,626
Revenue bonds	5,355,000	-	(745,000)	4,610,000	770,000
Less deferred amounts:					
For issuance discount	(74,017)	-	8,500	(65,517)	-
For issuance premium	673,581	-	(108,130)	565,451	-
Total bonds payable	<u>31,296,498</u>	<u>-</u>	<u>(3,365,256)</u>	<u>27,931,242</u>	<u>3,195,626</u>
Landfill closure	1,787,730	56,657	-	1,844,387	-
Capital leases	1,299,012	994,875	(513,303)	1,780,584	447,736
Compensated absences	782,020	334,572	(250,390)	866,202	142,218
Net pension liability	6,113,759	773,566	-	6,887,325	-
Business-type activity					
Long-term liabilities	<u>\$ 41,279,019</u>	<u>\$ 2,159,670</u>	<u>\$ (4,128,949)</u>	<u>\$ 39,309,740</u>	<u>\$ 3,785,580</u>

Certificates of obligations, general obligation bonds, revenue bonds, landfill closure, capital leases, compensated absences and net pension liability issued for business-type activities are repaid from those activities.

K. Fund Balance

Minimum fund balance policy. The City Council has adopted a financial policy to maintain a fund balance in the General Fund equal to twenty-five percent (25.0%) of the operating budget. The City will appropriate at least \$100,000 or one percent (1.0%) of each year's General Fund operating budget to a fund balance until the identified goal is met.

L. Interfund receivables and payables

The composition of interfund balances as of September 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 244,135
General	Utility Operations	36,150
		<u>\$ 280,285</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Interfund receivables and payables (continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

M. Interfund transfers

The composition of interfund transfers as of September 30, 2016 is as follows:

	Transfer In:				Total
	General	Nonmajor Governmental	Utility Operations	Emergency Medical Services	
Transfer out:					
General	\$ -	\$ 1,734,185	\$ -	\$ 385,000	\$ 2,119,185
Nonmajor Governmental	-	-	624,953	-	624,953
Utility Operations	1,510,953	240,505	-	-	1,751,458
Sanitation	558,548	4,800	-	-	563,348
Emergency Medical Services	-	30,475	-	-	30,475
Total	\$ 2,069,501	\$ 2,009,965	\$ 624,953	\$ 385,000	\$ 5,089,419

Transfers are primarily used for::

- General fund to Nonmajor Governmental funds for subsidy for other programs in the City.
- General Fund to Emergency Medical Services fund for subsidy for ambulance services.
- Nonmajor Governmental funds to Utility Operations fund for subsidy of utility projects from donations to the Tax Increment Financing Fund and GO Bond proceeds.
- Utility Operations fund to General fund for subsidy for administrative expenditures and payment in lieu of franchise tax.
- Utility Operations fund to Nonmajor Governmental funds to recognize Utility Fund assets purchased with combined lease purchase proceeds.
- Sanitation fund to General fund for subsidy for administrative expenditures and payment in lieu of franchise tax.

N. 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's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

O. Related party

During the year, businesses owned by City employees provided services for the City in the amount of \$13,576.

P. 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 \$1,844,387 reported to date is based on the use of 25.22 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$5,469,751 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. The landfill has an estimated remaining life of 100 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 10% of its estimated landfill closure costs be contributed and maintained in a separate cash or investment account. The Landfill Closure reserve is adequately funded with a balance of \$193,603 at September 30, 2016. 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.

Q. Subsequent events

Subsequent to year end, the City:

- Entered into construction contracts relating to the Lake Halbert spillway rehabilitation project totaling \$1,115,135.
- Sold an emergency medical services vehicle for \$10,141.
- Authorized a three year and a ten year capital lease/purchase financing contract for various vehicles, equipment and accessories not to exceed \$703,100 and \$1,180,000, respectively.
- Purchased equipment in the amount of \$58,440 with lease proceeds.
- Awarded a contract for the design and construction of the Historic Downtown Corsicana Gateway in the amount of \$63,851, a contract for street improvements in the amount of \$174,525, a contract for professional services for analysis and audit of franchise tax reporting and collection.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

Q. Subsequent events (continued)

- Approved the issuance of general obligation refunding bonds in the amount of \$7,895,000, maturing February 15, 2027 with an interest rate of 2.29% for the refunding of the 2007 combination tax and revenue certificates of obligation.

R. Prior period adjustment

Reclassifications have been made to the governmental funds' fund balance in the fund financial statements due to the reclassification of major governmental and nonmajor governmental funds. Corrections have been made to the business-type activities beginning net position in the government-wide financial statements and proprietary fund beginning net position in the fund financial statements due to the overstatement of assets, understatement of liabilities and net position. The changes to the beginning net position as of October 1, 2015 are summarized as follows:

	Government-wide			
	Financial Statements	Fund Financial Statements		
	Governmental Activities	General	Debt Service	Other Governmental Funds
As previously reported, October 1, 2015	\$ 44,763,418	\$ 6,077,611	\$ -	\$ 5,802,877
Correct overstatement of capital assets	(37,642)	-	-	-
Correct understatement of compensated absences	(151,362)	-	-	-
Reclassification of major governmental fund	-	-	160,582	(160,582)
Reclassification of nonmajor governmental fund	-	(772,693)	-	772,693
Restated, October 1, 2015	<u>\$ 44,574,414</u>	<u>\$ 5,304,918</u>	<u>\$ 160,582</u>	<u>\$ 6,414,988</u>
Effect of restatement on operations for the year ended September 30, 2015	<u>\$ (189,004)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Government-wide			
	Financial Statements	Fund Financial Statements		
	Business-type Activities	Utility Operations	Sanitation	Emergency Medical Services
As previously reported, October 1, 2015	\$ 26,981,804	\$ 26,634,143	\$ 2,909,943	\$ (2,562,282)
Correct overstatement of capital assets	(33,456)	(27,084)	-	(6,372)
Correct understatement of landfill closure payable	(32,462)	-	(32,462)	-
Correct understatement of compensated absences	(75,405)	-	-	(75,405)
Restated, October 1, 2015	<u>\$ 26,840,481</u>	<u>\$ 26,607,059</u>	<u>\$ 2,877,481</u>	<u>\$ (2,644,059)</u>
Effect of restatement on operations for the year ended September 30, 2015	<u>\$ (141,323)</u>	<u>\$ (27,084)</u>	<u>\$ (32,462)</u>	<u>\$ (81,777)</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS

1. Texas Municipal Retirement System

A. Plan description

The City of Corsicana Texas participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	50 T
Year effective	2011R
Increase benefits to retirees:	
Rate (%) ⁽¹⁾	50
Year effective	2011R
Military service credit effective date	10-89
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	1-96
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	Removed

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	142
Inactive employees entitled to but not yet receiving benefits	83
Active employees	163
	388

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Corsicana, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Corsicana, Texas were 14.00% and 14.01% in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$1,225,933, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Asset Class	Target Allocation	Long-Term Expected
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.0%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$48,122,531	\$41,800,926	\$ 6,321,605
Changes for the year:			
Service cost	1,267,264	-	1,267,264
Interest	3,337,570	-	3,337,570
Difference between expected and actual experience	(117,414)	-	(117,414)
Changes of assumptions	831,486	-	831,486
Contributions - employer	-	1,245,047	(1,245,047)
Contributions - employee	-	622,079	(622,079)
Net investment income	-	61,680	(61,680)
Benefit payments, including refunds of employee contributions	(2,153,179)	(2,153,179)	-
Administrative expense	-	(37,569)	37,569
Other changes	-	(1,856)	1,856
Net Changes	<u>\$ 3,165,727</u>	<u>\$ (263,798)</u>	<u>\$ 3,429,525</u>
Balance at 12/31/2015	<u>\$51,288,258</u>	<u>\$41,537,128</u>	<u>\$ 9,751,130</u>

Sensitivity of the net pension liability to changes in the discount rate -

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 16,722,769	\$ 9,751,130	\$ 4,006,671

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$91,778.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

1. Texas Municipal Retirement System (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2016, the City recognized pension expense of \$1,863,756.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in actuarial assumptions	\$ 614,952	\$ -
Contributions subsequent to the measurement date	851,273	-
Difference between projected and actual investment earnings	2,596,243	-
Differences between expected and actual economic experience	-	290,389
Total	<u>\$ 4,062,468</u>	<u>\$ 290,389</u>

\$851,273 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2016	\$ 768,277
2017	768,277
2018	811,375
2019	572,877
Total	<u>\$ 2,920,806</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

2. Corsicana Firefighter's Relief and Retirement Fund

A. Plan description

The City contributes to the retirement plan for firefighters in the Corsicana Fire Department known as the Corsicana Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Corsicana Firemen's Relief and Retirement Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Corsicana Firemen's Relief and Retirement Fund at 200 N. 12th Street, Corsicana, Texas 75110. See that report for all information about the plan fiduciary net position.

B. Benefits provided

Firefighters in the Corsicana Fire Department are covered by the Corsicana Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service with 75% vesting after 15 years of service, grading to 100% with 20 years. Firefighters become eligible for normal service retirement at age 50 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, he is entitled to a deferred benefit starting at age 55 with 15 years of service, age 54 with 16 years, age 53 with 17 years, age 52 with 18 years, age 51 with 19 years, and age 50 with 20 or more years. The present plan effective August 1, 2007 provides a monthly normal service retirement benefit, payable in a Joint and 75% to Spouse form of annuity, equal to 53% of Highest 60-Month Average Salary plus \$90 for each year of service in excess of 20.

A retiring firefighter over age 51.5 with more than 21.5 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 51.5 and 21.5 years of service requirements and the date 36 months preceding the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

C. Members covered by the fund

In the December 31, 2014 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	60
	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 97

D. Funding policy

The contribution provisions of the Fund 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.

The funding policy of the Corsicana Firemen's Relief and Retirement Fund requires contributions equal to 14% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The city contributes 14% of payroll according to a city ordinance and has since 2007. The Fund's December 31, 2014 actuarial valuation includes the assumption that the city contribution rate will be 14% for at least as long as the UAAL amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2015, the money-weighted rate of return on pension plan investments was -2.19%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide 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). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

E. Net Pension Liability

The City of Corsicana's net pension liability was measured as December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of December 31, 2014 and rolled forward to December 31, 2015.

Total pension liability	\$16,528,138
Plan fiduciary net position	<u>8,121,618</u>
City's net pension liability	<u>\$ 8,406,520</u>

Plan fiduciary net position as a percentage of the total pension liability	49.10%
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Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	3.5%, plus promotion, step and longevity increases that vary by service	
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 3.9%) and by adding expected inflation (3.5%). In addition, the final 7.5% assumption was selected by rounding up to 7.5%. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Equities:		
Large cap domestic	26%	5.3%
Small/mid cap domestic	9%	5.8%
International developed	20%	5.8%
Emerging markets	5%	7.3%
Fixed Income:		
Domestic core	35%	0.1%
Alternatives:		
Commodities	5%	3.8%
Cash	0%	0.0%
Total	100%	
Weighted Average		3.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the December 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 24 years. Because of the 24-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

CITY OF CORSICANA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the net pension liability of the City of Corsicana, calculated using the discount rate of 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 10,440,257	\$ 8,406,520	\$ 6,708,290

Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$20,176.

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of September 30, 2015 ¹	\$15,741,031	\$ 8,161,618	\$ 7,579,413
Changes for the year:			
Service cost	538,114	-	538,114
Interest	1,185,805	-	1,185,805
Contributions - employer	-	555,435	(555,435)
Contributions - employee	-	555,332	(555,332)
Net investment income	-	(180,420)	180,420
Benefit payments, including refunds of employee contributions	(936,812)	(936,812)	-
Administrative expense	-	(33,535)	33,535
Net Changes	<u>\$ 787,107</u>	<u>\$ (40,000)</u>	<u>\$ 827,107</u>
Amounts as of September 30, 2016 ²	<u>\$16,528,138</u>	<u>\$ 8,121,618</u>	<u>\$ 8,406,520</u>

¹ Measurements for the fiscal year ended September 30, 2015 were taken as of December 31, 2014.

² Measurements for the fiscal year ended September 30, 2016 were taken as of December 31, 2015.

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2016, the city's GASB 68 pension expense was \$862,504. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years

	Deferred Outflow of Resources	Deferred Inflow of Resources
Contributions subsequent to the measurement date	\$ 399,206	\$ -
Net difference between projected and actual investment earnings	992,869	-
Total	<u>\$ 1,392,075</u>	<u>\$ -</u>

CITY OF CORSICANA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2017	\$ 277,769
2018	277,769
2019	277,769
2020	159,562
Total	<u>\$ 992,869</u>

\$399,206, the total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2015, through September 30, 2016 is a deferred outflow of resources that will be recognized as a reduction in the net pension liability in the fiscal year ending September 30, 2017.

NOTE 4 - OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

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 (CAFR) that can be obtained 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 TMRS SDBF for the years ended 2016, 2015 and 2014 were \$20,409, \$19,384 and \$19,149, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORSICANA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last 10 Calendar Years (will ultimately be displayed)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 1,166,449	\$ 1,267,264
Interest (on the Total Pension Liability)	3,198,111	3,337,570
Difference between expected and actual experience	(387,823)	(117,414)
Changes of assumptions	-	831,486
Benefit payments, including refunds of employee contributions	(1,916,569)	(2,153,179)
Net Change in Total Pension Liability	<u>2,060,168</u>	<u>3,165,727</u>
Total Pension Liability - Beginning	46,062,363	48,122,531
Total Pension Liability - Ending (a)	<u><u>\$48,122,531</u></u>	<u><u>\$ 51,288,258</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,188,150	\$ 1,245,047
Contributions - Employee	591,961	622,079
Net Investment Income	2,270,579	61,680
Benefit payments, including refunds of employee contributions	(1,916,569)	(2,153,179)
Administrative Expense	(23,707)	(37,569)
Other	(1,949)	(1,856)
Net Change in Plan Fiduciary Net Position	<u>2,108,465</u>	<u>(263,798)</u>
Plan Fiduciary Net Position - Beginning	39,692,461	41,800,926
Plan Fiduciary Net Position - Ending (b)	<u><u>\$41,800,926</u></u>	<u><u>\$ 41,537,128</u></u>
 Net Pension Liability - Ending (a) - (b)	 \$ 6,321,605	 \$ 9,751,130
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 86.86%	 80.99%
 Covered Employee Payroll	 8,456,582	 8,886,844
 Net Pension Liability as a Percentage of Covered Employee Payroll	 74.75%	 109.73%

Notes to Schedule:

N/A

CITY OF CORSICANA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016
Actuarially Determined Contribution	\$ 1,194,803	\$ 1,205,524
Contributions in relation to the actuarially determined contribution	1,194,803	1,205,524
Contribution deficiency (excess)	-	-
Covered employee payroll	8,522,039	8,609,078
Contributions as a percentage of covered employee payroll	14.02%	14.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF CORSICANA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CORSICANA FIREMEN'S RELIEF AND RETIREMENT FUND
Last 10 Fiscal Years ¹ (will ultimately be displayed)

	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 519,873	\$ 538,114
Interest (on the Total Pension Liability)	1,135,753	1,185,805
Benefit payments, including refunds of employee contributions	<u>(1,076,197)</u>	<u>(936,812)</u>
Net Change in Total Pension Liability	579,429	787,107
Total Pension Liability - Beginning	15,161,602 ²	<u>15,741,031</u>
Total Pension Liability - Ending (a)	<u>\$ 15,741,031</u>	<u>\$ 16,528,138</u> ³
Plan Fiduciary Net Position		
Contributions - Employer	\$ 509,659	\$ 555,435
Contributions - Employee	509,550	555,332
Net Investment Income	22,056	(180,420)
Benefit payments, including refunds of employee contributions	(1,076,197)	(936,812)
Administrative Expense	<u>(13,081)</u>	<u>(33,535)</u>
Net Change in Plan Fiduciary Net Position	(48,013)	(40,000)
Plan Fiduciary Net Position - Beginning	8,209,631	8,161,618
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,161,618</u>	<u>\$ 8,121,618</u>
Net Pension Liability - Ending (a) - (b)	\$ 7,579,413	\$ 8,406,520
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.85%	49.14%
Covered Employee Payroll	3,761,184	3,966,657
Net Pension Liability as a Percentage of Covered Employee Payroll	201.52%	211.93%

Notes to Schedule:

¹ Until a full 10-year trend is compiled, only available information is shown. The measurement date is December 31, nine months prior to the fiscal year end. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

² Determined from the ending total pension liability as of December 31, 2014, using the roll back procedure allowed for the initial year of implementing GASB 68.

³ Determined from the total pension liability as of December 31, 2014, using the roll forward procedure allowed for GASB 68.

CITY OF CORSICANA, TEXAS
SCHEDULE OF CONTRIBUTIONS
CORSICANA FIREMEN'S RELIEF AND RETIREMENT FUND
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016
Actuarially Determined Contribution	\$ 517,209	\$ 559,302
Contributions in relation to the actuarially determined contribution	517,209	559,302
Contribution deficiency (excess)	-	-
Covered employee payroll	3,694,350	3,995,014
Contributions as a percentage of covered employee payroll	14.00%	14.00%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated biennial as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation 3.50%
Salary Increases 3.50%, plus promotion, step and longevity increases that vary service
Investment Rate of Return 7.50%, net of pension plan investment expense, including inflation

Mortality RP2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

Other Information:

None

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

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 *Economic Development* fund was established to account for special fees, grant funds and donations for Economic Development programs of the City.

The *Judicial* fund was established to account for special fines for Judicial programs of the City.

The *Public Safety* fund was established to account for special fines and forfeitures, grant funds and donations for Public Safety programs of the City.

The *Community Support Services* fund was established to account for special fees, grant funds and donations for Community Support Programs of the City.

The *Public Works* fund was established to account for special fees for Public Works programs of the City.

The *Cultural and Recreational* fund was established to account for grant funds and donations for Cultural and Recreational programs of the City.

Nonmajor Governmental Funds (continued)

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 *2011 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 *2013 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 *2015 General Obligation* fund is used to account for resources designated for the following general related projects: street and drainage improvements. Sources for funds are proceeds from the sale of General Obligation bonds.

The *2016 General Obligation* fund is used to account for resources designated for the following general related projects: street and drainage improvements. Sources for funds are proceeds from the sale of General Obligation bonds.

The *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 to ten year period.

The *Public Safety* fund was created to separately account for funds transferred from the General Fund and expended for renovations to the fire stations.

The *Public Works* fund was created to separately account for funds received and expended for infrastructure improvements within the City.

The *Tax Increment Reinvestment Zone* fund was created to separately account for funds received and expended within the City's Tax Increment Reinvestment Zone.

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,921,867	\$ 6,427,861	\$ 9,349,728
Receivables (net of allowance for uncollectibles)	400,083	11,264	411,347
Inventories	6,426	-	6,426
Prepaid items	13,692	-	13,692
Total assets	<u>\$ 3,342,068</u>	<u>\$ 6,439,125</u>	<u>\$ 9,781,193</u>
LIABILITIES			
Accounts payable	\$ 490,525	\$ 1,223,463	\$ 1,713,988
Accrued payroll payable	12,573	-	12,573
Due to other funds	-	244,135	244,135
Total liabilities	<u>503,098</u>	<u>1,467,598</u>	<u>1,970,696</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-other	187,498	-	187,498
Total deferred inflows of resources	<u>187,498</u>	<u>-</u>	<u>187,498</u>
FUND BALANCES			
Nonspendable:			
Inventories	6,426	-	6,426
Prepaid items	13,692	-	13,692
Restricted:			
Tourism	176,086	-	176,086
Economic development	1,141,425	-	1,141,425
Municipal court	247,763	-	247,763
Police	51,365	-	51,365
Fire	6,890	-	6,890
Cemetery	137,099	-	137,099
Airport	99,285	-	99,285
Parks and recreation	184,989	-	184,989
Other purposes	37,838	-	37,838
Capital projects	-	5,153,692	5,153,692
Committed:			
Streets	548,614	-	548,614
Assigned:			
Public works	-	58,832	58,832
Unassigned	-	(240,997)	(240,997)
Total fund balances	<u>2,651,472</u>	<u>4,971,527</u>	<u>7,622,999</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,342,068</u>	<u>\$ 6,439,125</u>	<u>\$ 9,781,193</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ -	\$ 166,667	\$ 166,667
Hotel occupancy taxes	472,337	-	472,337
Fines and forfeitures	115,727	-	115,727
Charges for current services	1,119,820	-	1,119,820
Investment earnings	4,777	8,241	13,018
Miscellaneous	123,834	22,383	146,217
Intergovernmental	114,550	211,637	326,187
Contributions and donations	175,592	-	175,592
Total revenues	<u>2,126,637</u>	<u>408,928</u>	<u>2,535,565</u>
EXPENDITURES			
Current:			
General government	640,425	-	640,425
Judicial	107,095	-	107,095
Public safety	12,444	-	12,444
Community support services	158,928	-	158,928
Public works	1,735,750	-	1,735,750
Cultural and recreational	681,295	-	681,295
Debt service:			
Principal retirement	161,445	-	161,445
Interest and fiscal charges	24,492	-	24,492
Bond issuance costs	-	79,732	79,732
Capital outlay:			
General government	-	114,119	114,119
Public safety	-	557,283	557,283
Community support services	-	1,362	1,362
Public works	-	2,945,392	2,945,392
Cultural and recreational	-	1,362	1,362
Total expenditures	<u>3,521,874</u>	<u>3,699,250</u>	<u>7,221,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,395,237)</u>	<u>(3,290,322)</u>	<u>(4,685,559)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,910,425	359,540	2,269,965
Transfers out	(260,000)	(624,953)	(884,953)
General obligation bonds issued	-	3,835,000	3,835,000
Premium on bonds issued	-	255,196	255,196
Capital leases	-	267,787	267,787
Sale of capital assets	150,575	-	150,575
Total other financing sources (uses)	<u>1,801,000</u>	<u>4,092,570</u>	<u>5,893,570</u>
Net change in fund balances	405,763	802,248	1,208,011
Fund balances - beginning, as restated	<u>2,245,709</u>	<u>4,169,279</u>	<u>6,414,988</u>
Fund balances - ending	<u>\$ 2,651,472</u>	<u>\$ 4,971,527</u>	<u>\$ 7,622,999</u>

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2016

	Hotel/Motel Occupancy Fees	Economic Development	Judicial	Public Safety	Community Support Services	Public Works	Cultural and Recreational	Totals
ASSETS								
Cash and cash equivalents	\$ 163,639	\$ 1,187,059	\$ 249,125	\$ 58,773	\$ 205,146	\$ 773,072	\$ 285,053	\$ 2,921,867
Receivables (net of allowance for uncollectibles)	272,336	23,391	-	-	-	88,036	16,320	400,083
Inventories	-	-	-	-	-	-	6,426	6,426
Prepaid items	3,618	2,098	5,916	715	238	-	1,107	13,692
Total assets	<u>\$ 439,593</u>	<u>\$ 1,212,548</u>	<u>\$ 255,041</u>	<u>\$ 59,488</u>	<u>\$ 205,384</u>	<u>\$ 861,108</u>	<u>\$ 308,906</u>	<u>\$ 3,342,068</u>
LIABILITIES								
Accounts payable	\$ 63,829	\$ 65,014	\$ 1,362	\$ 504	\$ 30,223	\$ 312,494	\$ 17,099	\$ 490,525
Accrued payroll payable	8,562	4,011	-	-	-	-	-	12,573
Total liabilities	<u>72,391</u>	<u>69,025</u>	<u>1,362</u>	<u>504</u>	<u>30,223</u>	<u>312,494</u>	<u>17,099</u>	<u>503,098</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-other	187,498	-	-	-	-	-	-	187,498
Total deferred inflows of resources	<u>187,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,498</u>
FUND BALANCES								
Nonspendable:								
Inventories	-	-	-	-	-	-	6,426	6,426
Prepaid items	3,618	2,098	5,916	715	238	-	1,107	13,692
Restricted:								
Tourism	176,086	-	-	-	-	-	-	176,086
Economic development	-	1,141,425	-	-	-	-	-	1,141,425
Municipal court	-	-	247,763	-	-	-	-	247,763
Police	-	-	-	51,365	-	-	-	51,365
Fire	-	-	-	6,890	-	-	-	6,890
Cemetery	-	-	-	-	137,099	-	-	137,099
Airport	-	-	-	-	-	-	99,285	99,285
Parks and recreation	-	-	-	-	-	-	184,989	184,989
Other purposes	-	-	-	14	37,824	-	-	37,838
Committed:								
Streets	-	-	-	-	-	548,614	-	548,614
Total fund balances	<u>179,704</u>	<u>1,143,523</u>	<u>253,679</u>	<u>58,984</u>	<u>175,161</u>	<u>548,614</u>	<u>291,807</u>	<u>2,651,472</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 439,593</u>	<u>\$ 1,212,548</u>	<u>\$ 255,041</u>	<u>\$ 59,488</u>	<u>\$ 205,384</u>	<u>\$ 861,108</u>	<u>\$ 308,906</u>	<u>\$ 3,342,068</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2016

	Hotel/Motel Occupancy Fees	Economic Development	Judicial	Public Safety	Community Support Services	Public Works	Cultural and Recreational	Totals
REVENUES								
Hotel occupancy taxes	\$ 472,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,337
Fines and forfeitures	-	-	107,548	8,179	-	-	-	115,727
Charges for current services	-	36,022	-	-	4,011	820,497	259,290	1,119,820
Investment earnings	472	1,386	614	106	357	1,239	603	4,777
Miscellaneous	31,969	-	-	4,144	68,344	-	19,377	123,834
Intergovernmental	-	82,355	-	4,148	-	-	28,047	114,550
Contributions and donations	6,552	43,050	-	6,394	-	-	119,596	175,592
Total revenues	<u>511,330</u>	<u>162,813</u>	<u>108,162</u>	<u>22,971</u>	<u>72,712</u>	<u>821,736</u>	<u>426,913</u>	<u>2,126,637</u>
EXPENDITURES								
Current:								
General government	485,905	154,520	-	-	-	-	-	640,425
Judicial	-	-	107,095	-	-	-	-	107,095
Public safety	-	-	-	12,444	-	-	-	12,444
Community support services	-	-	-	-	158,928	-	-	158,928
Public works	-	-	-	-	-	1,735,750	-	1,735,750
Cultural and recreational	-	649	-	-	-	-	680,646	681,295
Debt service:								
Principal retirement	41,608	95,120	-	-	-	-	24,717	161,445
Interest and fiscal charges	8,429	15,174	-	-	-	-	889	24,492
Total expenditures	<u>535,942</u>	<u>265,463</u>	<u>107,095</u>	<u>12,444</u>	<u>158,928</u>	<u>1,735,750</u>	<u>706,252</u>	<u>3,521,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,612)</u>	<u>(102,650)</u>	<u>1,067</u>	<u>10,527</u>	<u>(86,216)</u>	<u>(914,014)</u>	<u>(279,339)</u>	<u>(1,395,237)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	660,425	-	-	75,000	1,085,000	93,850	1,914,275
Transfers out	(3,850)	-	(260,000)	-	-	-	-	(263,850)
Sale of capital assets	-	150,575	-	-	-	-	-	150,575
Total other financing sources (uses)	<u>(3,850)</u>	<u>811,000</u>	<u>(260,000)</u>	<u>-</u>	<u>75,000</u>	<u>1,085,000</u>	<u>93,850</u>	<u>1,801,000</u>
Net change in fund balances	(28,462)	708,350	(258,933)	10,527	(11,216)	170,986	(185,489)	405,763
Fund balances - beginning, as restated	208,166	435,173	512,612	48,457	186,377	377,628	477,296	2,245,709
Fund balances - ending	<u>\$ 179,704</u>	<u>\$ 1,143,523</u>	<u>\$ 253,679</u>	<u>\$ 58,984</u>	<u>\$ 175,161</u>	<u>\$ 548,614</u>	<u>\$ 291,807</u>	<u>\$ 2,651,472</u>

CITY OF CORSICANA, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 September 30, 2016

	<u>2011 General Obligation</u>	<u>2013 General Obligation</u>	<u>2015 General Obligation</u>	<u>2016 General Obligation</u>	<u>Capital Lease/ Purchase</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Tax Increment Reinvestment Zone</u>	<u>Total</u>
ASSETS									
Cash and cash equivalents	\$ 15,854	\$ 266,258	\$ 1,489,548	\$ 4,005,369	\$ 543,528	\$ 58,832	\$ 45,000	\$ 3,472	\$ 6,427,861
Receivables (net of allowance for uncollectibles)	-	-	-	10,489	-	-	-	775	11,264
Total assets	<u>\$ 15,854</u>	<u>\$ 266,258</u>	<u>\$ 1,489,548</u>	<u>\$ 4,015,858</u>	<u>\$ 543,528</u>	<u>\$ 58,832</u>	<u>\$ 45,000</u>	<u>\$ 4,247</u>	<u>\$ 6,439,125</u>
LIABILITIES									
Accounts payable	\$ -	\$ 114,428	\$ 134,624	\$ 911,319	\$ 61,983	\$ -	\$ -	\$ 1,109	\$ 1,223,463
Due to other funds	-	-	-	-	-	-	-	244,135	244,135
Total liabilities	<u>-</u>	<u>114,428</u>	<u>134,624</u>	<u>911,319</u>	<u>61,983</u>	<u>-</u>	<u>-</u>	<u>245,244</u>	<u>1,467,598</u>
FUND BALANCES									
Restricted:									
Capital projects	15,854	151,830	1,354,924	3,104,539	481,545	-	45,000	-	5,153,692
Assigned:									
Capital projects	-	-	-	-	-	58,832	-	-	58,832
Unassigned									
Total fund balances	<u>15,854</u>	<u>151,830</u>	<u>1,354,924</u>	<u>3,104,539</u>	<u>481,545</u>	<u>58,832</u>	<u>45,000</u>	<u>(240,997)</u>	<u>(240,997)</u>
Total liabilities and fund balances	<u>\$ 15,854</u>	<u>\$ 266,258</u>	<u>\$ 1,489,548</u>	<u>\$ 4,015,858</u>	<u>\$ 543,528</u>	<u>\$ 58,832</u>	<u>\$ 45,000</u>	<u>\$ 4,247</u>	<u>\$ 6,439,125</u>

CITY OF CORSICANA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended September 30, 2016

	2011	2013	2015	2016	Capital	Public	Public	Tax	Total
	General	General	General	General	Lease/	Safety	Works	Increment	
	Obligation	Obligation	Obligation	Obligation	Purchase			Reinvestment	
								Zone	
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,667	\$ 166,667
Investment earnings	11	466	1,250	5,568	817	129	-	-	8,241
Miscellaneous	-	19,000	3,383	-	-	-	-	-	22,383
Intergovernmental	-	-	-	-	16,259	-	-	195,378	211,637
Total revenues	<u>11</u>	<u>19,466</u>	<u>4,633</u>	<u>5,568</u>	<u>17,076</u>	<u>129</u>	<u>-</u>	<u>362,045</u>	<u>408,928</u>
EXPENDITURES									
Debt service:									
Bond issuance costs	-	-	-	79,732	-	-	-	-	79,732
Capital outlay:									
General government	-	-	-	-	114,119	-	-	-	114,119
Public safety	-	-	-	-	105,665	451,618	-	-	557,283
Community support services	-	-	-	-	1,362	-	-	-	1,362
Public works	-	401,165	1,209,518	911,493	151,443	-	239	271,534	2,945,392
Cultural and recreational	-	-	-	-	1,362	-	-	-	1,362
Total expenditures	<u>-</u>	<u>401,165</u>	<u>1,209,518</u>	<u>991,225</u>	<u>373,951</u>	<u>451,618</u>	<u>239</u>	<u>271,534</u>	<u>3,699,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11</u>	<u>(381,699)</u>	<u>(1,204,885)</u>	<u>(985,657)</u>	<u>(356,875)</u>	<u>(451,489)</u>	<u>(239)</u>	<u>90,511</u>	<u>(3,290,322)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	294,301	20,000	45,239	-	359,540
Transfers out	-	(257,997)	(135,036)	-	(231,920)	-	-	-	(624,953)
General obligation bonds issued	-	-	-	3,835,000	-	-	-	-	3,835,000
Premium on bonds issued	-	-	-	255,196	-	-	-	-	255,196
Capital leases	-	-	-	-	267,787	-	-	-	267,787
Total other financing sources (uses)	<u>-</u>	<u>(257,997)</u>	<u>(135,036)</u>	<u>4,090,196</u>	<u>330,168</u>	<u>20,000</u>	<u>45,239</u>	<u>-</u>	<u>4,092,570</u>
Net change in fund balances	11	(639,696)	(1,339,921)	3,104,539	(26,707)	(431,489)	45,000	90,511	802,248
Fund balances - beginning, as restated	<u>15,843</u>	<u>791,526</u>	<u>2,694,845</u>	<u>-</u>	<u>508,252</u>	<u>490,321</u>	<u>-</u>	<u>(331,508)</u>	<u>4,169,279</u>
Fund balances - ending	<u>\$ 15,854</u>	<u>\$ 151,830</u>	<u>\$ 1,354,924</u>	<u>\$ 3,104,539</u>	<u>\$ 481,545</u>	<u>\$ 58,832</u>	<u>\$ 45,000</u>	<u>\$ (240,997)</u>	<u>\$ 4,971,527</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, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
ENTERPRISE FUND - UTILITY OPERATIONS
For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
Operating revenues:						
Service charges	\$16,247,941	\$16,247,941	\$15,382,374	\$ -	\$15,382,374	\$ (865,567)
Penalty	211,000	211,000	213,374	-	213,374	2,374
Other	40,220	40,220	95,505	-	95,505	55,285
Total operating revenues	16,499,161	16,499,161	15,691,253	-	15,691,253	(807,908)
Operating expenses:						
Sampling and analysis	464,109	472,927	435,867	7,948	443,815	(29,112)
Overland WWTP	375,131	380,622	442,633	5,220	447,853	67,231
Wastewater reclamation center	1,757,101	1,773,573	1,321,017	12,805	1,333,822	(439,751)
Navarro Mills plant	2,411,527	2,426,335	2,075,242	13,442	2,088,684	(337,651)
Lake Halbert plant	926,854	937,337	738,723	(96,055)	642,668	(294,669)
Utility system maintenance	2,972,163	3,000,798	2,367,821	(54,332)	2,313,489	(687,309)
Utility line replacement	764,737	769,729	1,206,422	1,939	1,208,361	438,632
Utility billing	458,553	469,368	438,144	2,651	440,795	(28,573)
Non-departmental	212,072	212,072	351,713	-	351,713	139,641
Depreciation	-	-	1,845,178	(1,845,178)	-	-
Total operating expenses	10,342,247	10,442,761	11,222,760	(1,951,560)	9,271,200	(1,171,561)
Operating income	6,156,914	6,056,400	4,468,493	1,951,560	6,420,053	363,653
Nonoperating revenue (expenses):						
Investment earnings	2,154	2,154	4,675	-	4,675	2,521
Gain on disposal of assets	2,000	2,000	19,440	-	19,440	17,440
Interest and fiscal charges	(5,484,933)	(5,484,933)	(1,033,262)	(3,608,790)	(4,642,052)	842,881
Total nonoperating revenue (expenses)	(5,480,779)	(5,480,779)	(1,009,147)	(3,608,790)	(4,617,937)	862,842
Income (loss) before contributions and transfers	676,135	575,621	3,459,346	(1,657,230)	1,802,116	1,226,495
Capital contributions	-	-	85,416	-	85,416	85,416
Transfer in	-	-	624,953	-	624,953	624,953
Transfer out	(1,512,081)	(1,512,081)	(1,751,458)	(169,095)	(1,920,553)	(408,472)
Change in net position	(835,946)	(936,460)	2,418,257	(1,826,325)	591,932	1,528,392
Total net position - beginning, as restated	5,389,008	5,489,522	26,607,059	-	26,607,059	21,117,537
Total net position - ending	\$ 4,553,062	\$ 4,553,062	\$29,025,316	\$(1,826,325)	\$27,198,991	\$ 22,645,929

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
ENTERPRISE FUND - SANITATION
For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
Operating revenues:						
Service charges	\$3,390,800	\$3,390,800	\$3,839,918	\$ -	\$3,839,918	\$ 449,118
Other	8,300	8,300	29,215	-	29,215	20,915
Total operating revenues	<u>3,399,100</u>	<u>3,399,100</u>	<u>3,869,133</u>	<u>-</u>	<u>3,869,133</u>	<u>470,033</u>
Operating expenses:						
Landfill operations	1,092,999	1,107,142	598,547	(70,747)	527,800	(579,342)
Contract collections	880,000	880,000	902,481	-	902,481	22,481
Bulk solid waste pickup	509,780	521,926	1,056,939	(46,932)	1,010,007	488,081
Non-departmental	19,300	19,300	19,293	-	19,293	(7)
Depreciation	-	-	277,827	(277,827)	-	-
Total operating expenses	<u>2,502,079</u>	<u>2,528,368</u>	<u>2,855,087</u>	<u>(395,506)</u>	<u>2,459,581</u>	<u>(68,787)</u>
Operating income	897,021	870,732	1,014,046	395,506	1,409,552	538,820
Nonoperating revenue (expenses):						
Investment earnings	300	300	1,405	-	1,405	1,105
Interest and fiscal charges	(276,326)	(276,326)	(25,147)	(239,609)	(264,756)	11,570
Total nonoperating revenue (expenses)	<u>(276,026)</u>	<u>(276,026)</u>	<u>(23,742)</u>	<u>(239,609)</u>	<u>(263,351)</u>	<u>12,675</u>
Income before transfers	620,995	594,706	990,304	155,897	1,146,201	551,495
Capital contributions	-	-	10,029	-	10,029	10,029
Transfer out	(558,564)	(558,564)	(563,348)	-	(563,348)	(4,784)
Change in net position	62,431	36,142	436,985	155,897	592,882	556,740
Total net position - beginning, as restated	2,751,180	2,777,469	2,877,481	-	2,877,481	100,012
Total net position - ending	<u>\$2,813,611</u>	<u>\$2,813,611</u>	<u>\$3,314,466</u>	<u>\$ 155,897</u>	<u>\$3,470,363</u>	<u>\$ 656,752</u>

CITY OF CORSICANA, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
ENTERPRISE FUND - EMERGENCY MEDICAL SERVICES
For the Fiscal Year Ended September 30, 2016

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
Operating revenues:						
Service charges	\$ 2,717,500	\$2,717,500	\$ 2,627,857	\$ (405,000)	\$ 2,222,857	\$ (494,643)
Service charges - intergovernmental	405,000	405,000	-	405,000	405,000	-
Other	3,750	3,750	17,409	-	17,409	13,659
Total operating revenues	<u>3,126,250</u>	<u>3,126,250</u>	<u>2,645,266</u>	<u>-</u>	<u>2,645,266</u>	<u>(480,984)</u>
Operating expenses:						
Emergency medical services	3,191,630	3,248,095	2,520,778	380,481	2,901,259	(346,836)
Non-departmental	21,890	21,890	19,792	-	19,792	(2,098)
Depreciation	155,000	155,000	122,990	-	122,990	(32,010)
Total operating expenses	<u>3,368,520</u>	<u>3,424,985</u>	<u>2,663,560</u>	<u>380,481</u>	<u>3,044,041</u>	<u>(380,944)</u>
Operating income (loss)	(242,270)	(298,735)	(18,294)	(380,481)	(398,775)	(100,040)
Nonoperating revenue (expenses):						
Intergovernmental	10,000	10,000	443,515	-	443,515	433,515
Investment earnings	-	-	89	-	89	89
Gain on disposal of assets	4,000	4,000	7,500	-	7,500	3,500
Interest and fiscal charges	(7,076)	(7,076)	(350)	(5,943)	(6,293)	783
Total nonoperating revenue (expenses)	<u>6,924</u>	<u>6,924</u>	<u>450,754</u>	<u>(5,943)</u>	<u>444,811</u>	<u>437,887</u>
Income (loss) before transfers	(235,346)	(291,811)	432,460	(386,424)	46,036	337,847
Transfer in	385,000	385,000	385,000	-	385,000	-
Transfer out	-	-	(30,475)	-	(30,475)	(30,475)
Change in net position	149,654	93,189	786,985	(386,424)	400,561	307,372
Total net position - beginning, as restated	427,842	484,307	(2,644,059)	-	(2,644,059)	(3,128,366)
Total net position - ending	<u>\$ 577,496</u>	<u>\$ 577,496</u>	<u>\$(1,857,074)</u>	<u>\$ (386,424)</u>	<u>\$(2,243,498)</u>	<u>\$ (2,820,994)</u>

STATISTICAL SECTION

This part of the City of Corsicana, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	95-99
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	100-103
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	104-107
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	108-109
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	110-112

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CORSICANA, TEXAS
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$43,535,773	\$40,704,695	\$36,515,350	\$37,993,856	\$35,062,030	\$41,315,063	\$40,990,194	\$41,570,801	\$44,233,994	\$45,756,066
Restricted	65,981	6,805	476,945	464,482	6,161,057	3,538,602	6,187,752	4,123,119	287,398	2,227,592
Unrestricted	<u>2,564,433</u>	<u>2,495,040</u>	<u>3,644,985</u>	<u>4,085,878</u>	<u>3,208,988</u>	<u>695,653</u>	<u>(339,366)</u>	<u>3,255,640</u>	<u>242,026</u>	<u>(3,967,160)</u>
Total governmental activities net position	<u>\$46,166,187</u>	<u>\$43,206,540</u>	<u>\$40,637,280</u>	<u>\$42,544,216</u>	<u>\$44,432,075</u>	<u>\$45,549,318</u>	<u>\$46,838,580</u>	<u>\$48,949,560</u>	<u>\$44,763,418</u>	<u>\$44,016,498</u>
Business-type activities										
Net investment in capital assets	\$13,591,302	\$15,973,129	\$16,790,974	\$15,020,985	\$19,227,378	\$19,585,921	\$23,022,166	\$24,274,258	\$28,352,433	\$32,264,793
Restricted	3,426,490	1,333,557	2,148,310	1,563,587	1,625,875	1,626,296	1,646,643	1,660,084	1,042,449	934,127
Unrestricted	<u>506,052</u>	<u>872,990</u>	<u>1,525,421</u>	<u>7,900,782</u>	<u>5,515,563</u>	<u>3,986,963</u>	<u>2,593,190</u>	<u>2,724,112</u>	<u>(2,413,077)</u>	<u>(2,716,212)</u>
Total business-type activities net position	<u>\$17,523,844</u>	<u>\$18,179,676</u>	<u>\$20,464,705</u>	<u>\$24,485,354</u>	<u>\$26,368,816</u>	<u>\$25,199,180</u>	<u>\$27,261,999</u>	<u>\$28,658,454</u>	<u>\$26,981,805</u>	<u>\$30,482,708</u>
Primary government										
Net investment in capital assets	\$57,127,075	\$56,677,824	\$53,306,324	\$53,014,841	\$54,289,408	\$60,900,984	\$64,012,360	\$65,845,059	\$72,586,427	\$78,020,859
Restricted	3,492,471	1,340,362	2,625,255	2,028,069	7,786,932	5,164,898	7,834,395	5,783,203	1,329,847	3,161,719
Unrestricted	<u>3,070,485</u>	<u>3,368,030</u>	<u>5,170,406</u>	<u>11,986,660</u>	<u>8,724,551</u>	<u>4,682,616</u>	<u>2,253,824</u>	<u>5,979,752</u>	<u>(2,171,051)</u>	<u>(6,683,372)</u>
Total primary government net position	<u>\$63,690,031</u>	<u>\$61,386,216</u>	<u>\$61,101,985</u>	<u>\$67,029,570</u>	<u>\$70,800,891</u>	<u>\$70,748,498</u>	<u>\$74,100,579</u>	<u>\$77,608,014</u>	<u>\$71,745,223</u>	<u>\$74,499,206</u>

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF CORSICANA, TEXAS
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 3,716,908	\$ 4,222,680	\$ 3,429,018	\$ 3,271,011	\$ 3,241,304	\$ 3,492,349	\$ 3,428,726	\$ 4,292,718	\$ 3,298,549	\$ 2,815,422
Judicial	-	-	378,397	383,638	386,193	430,353	439,868	415,245	438,625	531,183
Public safety	7,203,500	8,010,253	8,073,287	8,209,523	8,201,461	8,123,848	8,137,238	8,108,969	8,744,400	9,514,100
Community support services	2,670,104	2,795,635	1,191,459	453,387	968,287	663,869	1,679,358	534,337	895,261	516,407
Public works	3,746,007	6,857,387	4,714,312	3,204,745	3,352,434	4,084,541	3,201,281	3,037,206	4,221,379	4,801,131
Cultural and recreational	-	-	2,176,559	1,768,084	2,007,750	2,067,844	1,953,716	2,039,772	2,193,046	2,369,467
Building and vehicle maintenance	-	-	673,726	591,613	792,991	638,517	574,845	608,363	482,805	453,732
Interest on long-term debt	578,480	467,423	697,648	619,762	578,780	682,394	776,903	673,765	726,296	765,951
Total Governmental Activities	17,914,999	22,353,378	21,334,406	18,501,763	19,529,200	20,183,715	20,191,935	19,710,375	21,000,361	21,767,393
Business-type Activities:										
Utility operations	11,227,697	11,574,461	10,430,444	10,545,545	10,634,345	13,585,948	10,949,139	11,503,228	10,778,885	12,256,022
Sanitation	2,541,502	2,670,527	2,555,538	2,474,798	2,727,912	3,101,112	2,610,537	2,637,125	2,654,619	2,880,234
Emergency medical services	4,064,683	3,717,276	1,784,212	1,903,164	2,023,114	2,188,651	2,335,385	5,786,377	6,749,335	2,663,910
Total Business-type Activities	17,833,882	17,962,264	14,770,194	14,923,507	15,385,371	18,875,711	15,895,061	19,926,730	20,182,839	17,800,166
Total Expenses	\$ 35,748,881	\$ 40,315,642	\$ 36,104,600	\$ 33,425,270	\$ 34,914,571	\$ 39,059,426	\$ 36,086,996	\$ 39,637,105	\$ 41,183,200	\$ 39,567,559
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 443,617	\$ 861,361	\$ 250,875	\$ 190,281	\$ 178,740	\$ 204,762	\$ 193,017	\$ 195,053	\$ 461,659	\$ 163,424
Judicial	-	-	-	-	-	-	-	4,029	3,889	-
Public safety	167,625	146,731	736,490	719,602	583,310	602,704	620,291	626,745	517,706	423,888
Community support services	161,738	255,961	147,850	231,413	194,534	201,412	252,413	208,632	208,389	349,988
Public works	151,525	121,601	257,783	247,461	355,585	342,709	395,133	366,670	10,387	842,467
Cultural and recreational	-	-	40,671	31,984	33,199	32,454	35,920	36,352	49,637	291,049
Operating grants and contributions	841,099	719,494	860,023	1,136,614	1,085,095	820,299	1,770,791	1,953,146	778,129	468,043
Capital grants and contributions	525,399	136,137	933,426	754,742	1,049,889	528,122	749,503	317,777	2,000,997	102,030
Total Governmental Activities	2,291,003	2,241,285	3,227,118	3,312,097	3,480,352	2,732,462	4,017,068	3,708,404	4,030,793	2,640,889
Business-type Activities:										
Charges for services:										
Utility operations	11,286,355	11,911,140	12,947,466	14,160,281	15,294,834	14,286,280	14,703,547	14,038,278	15,227,616	15,691,253
Sanitation	3,088,374	3,189,739	3,079,968	3,185,505	3,209,777	3,411,064	3,358,419	3,533,135	3,561,216	3,869,133
Emergency medical services	4,168,024	4,337,662	2,030,719	3,077,210	1,702,719	1,945,569	2,062,901	5,409,269	6,052,389	2,645,266
Operating grants and contributions	-	-	-	-	521	8,983	11,083	-	879,834	468,230
Capital grants and contributions	-	-	84,434	22,578	312,250	58,560	35,531	131,146	-	70,730
Total Business-type Activities	18,542,753	19,438,541	18,142,587	20,445,574	20,520,101	19,710,456	20,171,481	23,111,828	25,721,055	22,744,612
Total Program Revenues	\$ 20,833,756	\$ 21,679,826	\$ 21,369,705	\$ 23,757,671	\$ 24,000,453	\$ 22,442,918	\$ 24,188,549	\$ 26,820,232	\$ 29,751,848	\$ 25,385,501
Net (Expense)/Revenue										
Governmental Activities	\$(15,623,996)	\$(20,112,093)	\$(18,107,288)	\$(15,189,666)	\$(16,048,848)	\$(17,451,253)	\$(16,174,867)	\$(16,001,971)	\$(16,969,568)	\$(19,126,504)
Business-type Activities	708,871	1,476,277	3,372,393	5,522,067	5,134,730	834,745	4,276,420	3,185,098	5,538,216	4,944,446
Total Net Expense	\$(14,915,125)	\$(18,635,816)	\$(14,734,895)	\$(9,667,599)	\$(10,914,118)	\$(16,616,508)	\$(11,898,447)	\$(12,816,873)	\$(11,431,352)	\$(14,182,058)

CITY OF CORSICANA, TEXAS
CHANGES IN NET POSITION (continued)
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues										
Governmental Activities:										
Property taxes	\$ 6,214,531	\$ 6,819,390	\$ 7,483,973	\$ 7,514,547	\$ 7,660,066	\$ 7,828,414	\$ 8,173,945	\$ 7,463,669	\$ 7,860,959	\$ 8,109,922
Sales taxes	5,025,853	5,306,960	5,034,621	4,996,997	5,195,660	5,522,784	5,789,582	6,019,571	6,163,208	6,359,457
Franchise taxes	2,739,941	2,292,672	2,128,682	1,965,427	2,109,086	2,085,066	1,971,939	2,021,723	2,124,384	2,017,440
Hotel occupancy taxes	623,595	646,998	374,282	348,217	361,052	396,481	399,656	455,671	556,702	472,337
Alcoholic beverage taxes	31,327	29,791	33,497	32,355	30,631	31,811	33,885	43,850	45,814	48,679
Investment earnings	451,178	317,278	51,104	14,755	36,850	21,873	18,019	12,655	10,551	29,487
Gain on sale of capital assets	-	-	-	97,730	(52,154)	17,632	(113,028)	41,436	(180,473)	5,568
Miscellaneous	360,569	195,822	188,131	191,176	393,800	310,857	229,050	123,535	165,499	190,370
Transfers in/out	1,371,671	1,470,122	1,573,145	1,581,995	2,201,716	2,351,240	1,260,277	1,930,841	2,278,510	1,335,328
Total Governmental Activities	16,818,665	17,079,033	16,867,435	16,743,199	17,936,707	18,566,158	17,763,325	18,112,951	19,025,154	18,568,588
Business-type Activities:										
Investment earnings	735,809	649,677	25,027	17,891	31,468	19,339	12,336	3,868	2,108	6,169
Gain on sale of capital assets	-	-	-	-	52,718	40,784	6,073	50,761	11,228	26,940
Miscellaneous	-	-	-	-	-	-	-	87,570	91,371	-
Transfers in/out	(1,371,671)	(1,470,122)	(1,573,145)	(1,581,995)	(2,201,716)	(2,351,240)	(1,260,277)	(1,930,841)	(2,278,510)	(1,335,328)
Total Business-type Activities	(635,862)	(820,445)	(1,548,118)	(1,564,104)	(2,117,530)	(2,291,117)	(1,241,868)	(1,788,642)	(2,173,803)	(1,302,219)
Total primary government	\$ 16,182,803	\$ 16,258,588	\$ 15,319,317	\$ 15,179,095	\$ 15,819,177	\$ 16,275,041	\$ 16,521,457	\$ 16,324,309	\$ 16,851,351	\$ 17,266,369
Change in Net Position										
Governmental Activities	\$ 1,194,669	\$ (3,033,060)	\$ (1,239,853)	\$ 1,553,533	\$ 1,887,859	\$ 1,114,905	\$ 1,588,458	\$ 2,110,980	\$ 2,055,586	\$ (557,916)
Business-type Activities	73,009	655,832	1,824,275	3,957,963	3,017,200	(1,456,372)	3,034,552	1,396,456	3,364,413	3,642,227
Total Change in Net Position	\$ 1,267,678	\$ (2,377,228)	\$ 584,422	\$ 5,511,496	\$ 4,905,059	\$ (341,467)	\$ 4,623,010	\$ 3,507,436	\$ 5,419,999	\$ 3,084,311

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF CORSICANA, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Nonspendable	\$ 28,380	\$ 52,350	\$ 24,103	\$ 38,409	\$ 51,166	\$ 57,494	\$ 55,572	\$ 58,924	\$ 80,272	\$ 106,705
Assigned	-	-	-	-	1,140,271	743,888	1,178,248	80,000	80,000	82,018
Unassigned	1,899,140	1,897,060	1,820,851	3,074,774	3,423,887	3,873,916	4,692,009	6,486,647	5,917,339	4,500,302
Total general fund	<u>\$ 1,927,520</u>	<u>\$ 1,949,410</u>	<u>\$ 1,844,954</u>	<u>\$ 3,113,183</u>	<u>\$ 4,615,324</u>	<u>\$ 4,675,298</u>	<u>\$ 5,925,829</u>	<u>\$ 6,625,571</u>	<u>\$ 6,077,611</u>	<u>\$ 4,689,025</u>
All other governmental funds										
Nonspendable	\$ 24,485	\$ 30,704	\$ 31,366	\$ 30,454	\$ 30,454	\$ 42,197	\$ 43,877	\$ 40,168	\$ 21,022	\$ 20,118
Restricted	6,310,574	5,774,426	3,624,578	2,942,808	6,210,955	3,538,602	6,187,752	3,508,724	5,421,865	7,381,284
Committed	-	-	-	-	-	-	-	-	-	548,614
Assigned	-	-	-	-	-	28,815	21,818	126,222	757,113	58,832
Unassigned	(950,860)	(993,890)	(1,053,004)	(895,219)	(1,713,092)	(752,490)	(627,358)	(485,135)	(397,123)	(240,997)
Total all other governmental funds	<u>\$ 5,384,199</u>	<u>\$ 4,811,240</u>	<u>\$ 2,602,940</u>	<u>\$ 2,078,043</u>	<u>\$ 4,528,317</u>	<u>\$ 2,857,124</u>	<u>\$ 5,626,089</u>	<u>\$ 3,189,979</u>	<u>\$ 5,802,877</u>	<u>\$ 7,767,851</u>

Source: Comprehensive Annual Financial Report

CITY OF CORSICANA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	\$ 6,461,526	\$ 7,038,652	\$ 7,446,802	\$ 7,449,054	\$ 7,682,862	\$ 7,832,086	\$ 8,222,550	\$ 7,479,874	\$ 7,851,370	\$ 8,060,920
Sales taxes	5,025,853	5,306,960	5,034,621	4,996,997	5,195,660	5,522,784	5,789,582	6,019,571	6,163,208	6,359,457
Franchise taxes	2,739,941	2,292,672	2,128,682	1,965,427	2,109,086	2,085,066	1,971,939	2,021,723	2,124,384	2,017,440
Hotel occupancy taxes	386,523	417,964	374,282	348,217	319,459	379,678	404,973	466,590	598,862	472,337
Alcoholic beverage taxes	31,327	29,791	33,497	32,355	30,631	31,811	33,885	43,850	45,814	48,679
Licenses and permits	165,586	136,589	125,058	206,965	175,066	185,953	225,117	189,217	192,472	266,116
Fines and forfeitures	530,387	536,588	624,717	701,340	600,098	555,896	630,167	502,551	486,290	393,167
Charges for current services	236,312	579,422	425,829	397,883	474,035	490,874	511,908	516,528	444,656	1,280,655
Investment earnings	451,179	317,278	51,104	14,753	38,057	22,335	18,014	12,655	10,551	29,486
Miscellaneous	360,569	345,186	330,118	333,850	528,596	451,467	400,243	260,835	298,831	358,408
Intergovernmental	1,108,910	649,509	1,321,857	1,467,302	1,009,559	1,413,897	1,981,557	1,565,481	1,513,796	470,535
Contributions and donations	257,588	206,026	490,648	425,015	241,350	788,921	523,046	444,490	1,311,501	190,282
Total revenues	17,755,701	17,856,637	18,387,215	18,339,158	18,404,459	19,760,768	20,712,981	19,523,365	21,041,735	19,947,482
EXPENDITURES										
Current:										
General government	3,196,533	3,569,545	3,947,760	2,759,480	2,978,286	3,230,795	3,242,689	4,081,164	3,131,469	2,584,023
Judicial	-	-	371,350	374,899	385,241	431,614	422,985	412,027	435,845	604,967
Public safety	6,971,865	7,723,976	7,777,689	8,515,399	7,912,394	7,998,438	7,854,553	7,863,862	8,362,547	8,448,469
Community support services	2,543,332	2,630,030	721,616	748,585	1,081,217	949,136	1,683,762	530,330	891,386	634,418
Public works	3,541,456	6,879,504	3,004,149	2,625,393	3,901,088	4,140,675	3,017,473	3,033,383	3,315,838	4,150,413
Cultural and recreational	-	-	1,993,306	1,645,593	1,898,052	2,007,945	2,443,232	2,334,182	2,807,332	2,525,434
Building and vehicle maintenance	-	-	610,156	529,065	758,935	652,727	506,143	469,709	409,895	373,926
Debt service										
Principal retirement	767,038	997,499	1,078,094	986,916	821,888	1,053,512	1,321,533	1,524,086	1,735,930	1,825,300
Interest and fiscal charges	560,642	515,616	651,680	681,747	544,343	649,896	600,085	715,258	616,622	659,034
Bond issuance costs	-	-	-	26,584	96,637	-	117,560	-	52,020	180,324
Capital outlay	1,945,681	3,096,052	2,098,873	909,276	44,067	3,076,920	1,478,705	3,148,346	3,971,816	3,619,518
Total expenditures	19,526,547	25,412,222	22,254,673	19,802,937	20,422,148	24,191,658	22,688,720	24,112,347	25,730,700	25,605,826
Excess (deficiency) of revenues over (under) expenditures	(1,770,846)	(7,555,585)	(3,867,458)	(1,463,779)	(2,017,689)	(4,430,890)	(1,975,739)	(4,588,982)	(4,688,965)	(5,658,344)
Other financing sources (uses)										
Transfers in	2,991,019	2,605,466	2,173,811	2,742,970	3,529,270	3,835,111	3,779,759	4,189,044	5,345,901	4,079,466
Transfers out	(1,619,348)	(1,135,344)	(600,666)	(1,160,975)	(1,465,694)	(1,491,502)	(2,519,482)	(2,258,203)	(3,067,391)	(2,744,138)
Refunding bonds issued	-	-	-	-	-	-	-	-	-	4,675,000
General obligation bonds issued	-	3,400,000	-	1,290,000	3,205,000	-	3,400,000	-	4,243,066	3,835,000
Premium on bonds issued	-	-	-	72,755	6,712	-	219,168	-	270,227	589,791
Payment to refunded bond escrow agent	-	-	-	(1,305,000)	-	-	-	-	(663,664)	(4,997,351)
Capital leases	339,506	504,751	-	-	793,283	437,805	1,072,405	878,750	594,810	267,787
Note proceeds	-	1,556,230	146,718	42,048	-	-	-	-	-	366,124
Sale of capital assets	-	-	-	262,872	25,186	35,919	43,385	43,023	30,954	163,053
Total other financing sources (uses)	1,711,177	6,931,103	1,719,863	1,944,670	6,093,757	2,817,333	5,995,235	2,852,614	6,753,903	6,234,732
Net change in fund balances	\$ (59,669)	\$ (624,482)	\$ (2,147,595)	\$ 480,891	\$ 4,076,068	\$ (1,613,557)	\$ 4,019,496	\$ (1,736,368)	\$ 2,064,938	\$ 576,388
Debt service as a percentage of noncapital expenditures	7.55%	6.83%	8.29%	9.45%	7.74%	8.53%	10.26%	11.18%	11.39%	12.72%

Source: Comprehensive Annual Financial Report

CITY OF CORSICANA, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year	Estimated Actual Value		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2007	\$ 636,638,568	\$ 460,861,909	\$ 100,372,858	\$ 997,127,619	0.62720
2008	767,463,250	477,708,710	150,116,815	1,095,055,145	0.62720
2009	814,596,190	526,040,140	157,213,077	1,183,423,253	0.62720
2010	877,439,920	432,508,540	108,263,225	1,201,685,235	0.62720
2011	867,995,410	434,532,820	80,289,150	1,222,239,080	0.62720
2012	865,533,555	432,735,030	77,898,334	1,220,370,251	0.62720
2013	881,569,127	423,714,980	55,434,726	1,249,849,381	0.62720
2014	877,314,365	378,409,500	50,374,434	1,205,349,431	0.62720
2015	906,720,250	435,913,320	73,276,488	1,269,357,082	0.62720
2016	1,117,741,790	437,513,449	266,440,312	1,288,814,927	0.62720

Source: City Finance Department.

CITY OF CORSICANA, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING¹ GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Corsicana			Overlapping Rates			Total Direct and Overlapping Rates
	Operating / General Rate	General Obligation Debt Service	Total Direct	Corsicana Independent School District	Navarro College	Navarro County	
2007	\$ 0.52270	\$0.10450	\$0.62720	\$ 1.50380	\$0.13500	\$0.59730	\$ 2.86330
2008	0.51380	0.11340	0.62720	1.28500	0.12000	0.57540	2.60760
2009	0.49060	0.13660	0.62720	1.28570	0.11900	0.58280	2.61470
2010	0.50964	0.11756	0.62720	1.28300	0.11900	0.62700	2.65620
2011	0.52079	0.10641	0.62720	1.28300	0.11900	0.62700	2.65620
2012	0.51980	0.10740	0.62720	1.28300	0.11900	0.62700	2.65620
2013	0.49790	0.12930	0.62720	1.28300	0.11900	0.62700	2.65620
2014	0.46900	0.15820	0.62720	1.28030	0.12020	0.62700	2.65470
2015	0.47040	0.15680	0.62720	1.28030	0.12020	0.62700	2.65470
2016	0.45640	0.17080	0.62720	1.37030	0.11830	0.62700	2.74280

Source: City Finance Department.

¹ Overlapping rates are those of local and county governments that apply to property owners within the City of Corsicana, Texas.

CITY OF CORSICANA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Nalco Company	\$ 56,587,750	1	4.39%	\$ -	-	-
Guardian Industries	45,928,470	2	3.56%	35,800,720	1	3.59%
Russell Stover Candies Inc.	40,899,980	3	3.17%	54,335,060	3	5.45%
True Value Co	27,651,750	4	2.15%	23,886,840	5	2.40%
Pactiv-Foam	24,800,084	5	1.92%	14,264,540	6	1.43%
Oil City Iron Works	14,970,010	6	1.16%	-	-	-
Wal-Mart Stores Texas LLC	13,599,850	7	1.06%	-	-	-
NIP Owner III, LLC	13,200,000	8	1.02%	-	-	-
Oncor Electric Delivery Co LLC	12,644,370	9	0.98%	-	-	-
Navarro Pecan Co Inc.	8,793,020	10	0.68%	-	-	-
Home Depot	-	-	-	32,855,120	2	3.29%
Equity Industrial Corsicana, L.P.	-	-	-	26,981,150	4	2.71%
Corsicana Technologies, Inc.	-	-	-	12,893,870	7	1.29%
Russell Stover Candies Inc.	-	-	-	12,750,730	8	1.28%
TXU Electric Delivery Corporation	-	-	-	12,244,910	9	1.23%
Guardian Industries	-	-	-	20,153,050	10	2.02%
Total	\$ 259,075,284		20.10%	\$ 246,165,990		19.10%

Source: City Finance Department.

CITY OF CORSICANA, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount Collected</u>	<u>Percentage of Levy</u>		<u>Amount Collected</u>	<u>Percentage of Levy</u>
2007	\$ 6,253,984	\$ 6,121,103	97.88 %	\$ 123,895	\$ 6,244,998	99.86 %
2008	6,868,186	6,702,475	97.59	154,835	6,857,310	99.84
2009	7,422,431	7,213,426	97.18	191,998	7,405,424	99.77
2010	7,536,970	7,225,383	95.87	288,174	7,513,557	99.69
2011	7,665,884	7,416,905	96.75	221,839	7,638,744	99.65
2012	7,654,162	7,482,118	97.75	138,208	7,620,326	99.56
2013	7,839,055	7,676,886	97.93	119,173	7,796,059	99.45
2014	7,559,951	7,421,489	98.17	84,658	7,506,147	99.29
2015	7,961,408	7,831,740	98.37	50,478	7,882,218	99.01
2016	8,068,143	7,904,440	97.97	N/A	7,904,440	97.97

Source: City Finance Department.

CITY OF CORSICANA, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business- Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Certificates of Obligation	General Obligation Bonds	Notes Payable	Line of Credit	Capital Leases	Certificates of Obligation	General Obligation Bonds	Revenue Bonds	Capital Leases			
2007	\$ 6,618,025	\$ 3,968,922	\$ 140,551	\$ -	\$ 640,927	\$23,108,053	\$ -	\$25,370,000	\$ 635,670	\$60,482,148	N/A	\$2,326
2008	6,412,585	7,072,871	691,972	893,081	787,763	21,717,415	597,129	24,025,000	752,693	62,950,509	N/A	2,381
2009	6,118,590	6,760,174	653,855	94,124	453,166	22,676,410	304,826	22,630,000	461,877	60,153,022	N/A	2,228
2010	4,633,903	7,530,000	621,602	833,399	261,837	19,101,097	11,035,000	12,910,000	301,673	57,228,511	N/A	2,081
2011	4,542,209	10,260,000	586,417	724,335	923,901	21,552,791	9,670,000	12,500,000	873,680	61,633,333	N/A	2,593
2012	4,446,988	9,680,000	551,232	619,887	1,126,934	20,628,012	8,120,000	12,080,000	1,230,065	58,483,118	12.78%	2,447
2013	4,344,715	12,445,000	516,047	515,966	1,754,185	19,645,285	6,505,000	11,640,000	1,186,736	58,552,934	N/A	2,458
2014	4,195,340	11,695,000	486,726	412,154	2,069,783	18,639,660	5,520,000	10,530,000	829,987	54,378,650	12.46%	2,280
2015	3,300,000	15,248,066	486,726	302,649	1,926,928	17,315,000	8,026,934	5,355,000	1,299,012	53,260,315	12.19%	2,233
2016	-	22,099,949	715,476	192,823	1,581,547	16,249,852	7,092,902	4,588,488	1,780,584	54,301,621	12.17%	2,267

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Personal income data and population data can be found in the Schedule of Demographic and Economic Statistics on page 108.

N/A Not available

CITY OF CORSICANA, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Fiscal Year	Certificates of Obligation	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2007	\$29,726,078	\$3,968,922	\$ 52,673	\$33,642,327	3.37%	\$ 1,294
2008	28,130,000	7,670,000	5,655	35,794,345	3.27%	1,354
2009	28,795,000	7,065,000	73,669	35,786,331	3.02%	1,325
2010	23,735,000	18,565,000	30,485	42,269,515	3.52%	1,537
2011	26,095,000	19,930,000	195,646	45,829,354	3.75%	1,928
2012	25,075,000	17,800,000	79,219	42,795,781	3.51%	1,791
2013	23,990,000	18,950,000	112,361	42,827,639	3.43%	1,798
2014	22,835,000	17,215,000	98,387	39,951,613	3.31%	1,675
2015	20,615,000	23,275,000	149,800	43,740,200	3.45%	1,834
2016	16,249,852	29,192,851	144,852	45,297,851	3.51%	1,891

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 100 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 108.

CITY OF CORSICANA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Corsicana ISD	\$ 93,741,116	69.98%	\$ 65,600,033
Debt repaid with property taxes: Mildred ISD	12,691,120	9.48%	1,203,118
Debt repaid with property taxes: Navarro County	7,245,000	44.44%	<u>3,219,678</u>
Subtotal, overlapping debt			70,022,829
City of Corsicana, Texas direct debt			<u>24,589,795</u>
Total direct and overlapping debt			<u><u>\$ 94,612,624</u></u>

Source: Texas Municipal Reports

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the property taxes of the City of Corsicana, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxes should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county and school district's taxable assessed value that is within the city's boundaries and dividing it by the county and school district's total taxable assessed value.

CITY OF CORSICANA, TEXAS
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Waterworks and Sewer System Revenue Bonds

Fiscal Year	Total Revenues¹	Less Operating Expenses²	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 12,000,294	\$ 7,947,935	\$ 4,052,359	\$1,330,000	\$1,218,686	1.59
2008	12,547,326	7,806,331	4,740,995	1,345,000	1,076,353	1.96
2009	12,969,339	7,757,346	5,211,993	1,395,000	1,016,953	2.16
2010	14,176,298	7,342,951	6,833,347	1,455,000	954,208	2.84
2011	15,322,836	7,534,268	7,788,568	410,000	527,314	8.31
2012	14,331,549	10,264,571	4,066,978	420,000	512,483	4.36
2013	14,714,761	7,694,325	7,020,436	440,000	495,583	7.50
2014	14,204,608	8,314,023	5,890,585	1,110,000	474,639	3.72
2015	15,401,972	7,652,691	7,749,281	1,150,000	360,430	5.13
2016	15,715,368	9,377,582	6,337,786	745,000	217,929	6.58

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Includes operating and nonoperating revenues.

² Includes operating expenses minus depreciation.

CITY OF CORSICANA, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Estimated Population¹	Personal Income¹	Per Capita Personal Income²	Median Age³	Public School Enrollment⁴	Unemployment Rate⁵
2007	26,000	N/A	N/A	*	5,742	5.3 %
2008	26,442	N/A	N/A	*	5,672	6.0
2009	27,000	N/A	N/A	*	5,649	7.8
2010	27,500	N/A	N/A	*	5,633	8.0
2011	23,770	N/A	N/A	33.4	5,715	8.5
2012	23,899	\$ 457,464,000	19,142	*	5,782	8.0
2013	23,820	N/A	N/A	32.5	5,891	6.8
2014	23,850	436,574,250	18,305	32.7	5,906	5.3
2015	23,850	437,027,400	18,324	34.0	5,826	4.1
2016	23,952	446,082,040	18,624	39.0	5,900	4.1

Sources:

- ¹ Population X Per Capita Income
- ² North Central Texas Council of Governments
- ³ Retail Coach Report 2016
- ⁴ Corsicana Independent School District
- ⁵ Texas Workforce Commission, Labor Market & Career Information (LMCI) Department

* Median age only available when released in census years.

N/A Not available

CITY OF CORSICANA, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Employer	2016			2007			
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	
Corsicana ISD	811	1	7.22%	879	1	7.20%	
Russell Stover Candies	*	650	2	5.78%	859	2	7.04%
Navarro College		568	3	5.06%	827	3	6.78%
Navarro Regional Hospital		450	4	4.00%	377	5	3.09%
Pactiv-Foam	~	384	5	3.42%	-	-	-
Wal-Mart		350	6	3.11%	-	-	-
Guardian Industries		350	7	3.11%	367	6	3.01%
City of Corsicana	~	301	8	2.68%	335	8	2.74%
Navarro County		284	9	2.53%	282	10	2.31%
Corsicana Bedding		257	10	2.29%	-	-	-
Collin Street Bakery		-	-	-	700	4	5.74%
Texas Youth Commission		-	-	-	337	7	2.76%
Texas Youth Commission		-	-	-	335	9	2.74%
Total		4,405		39.20%	5,298		43.41%

Source: City Economic Development Department.

* Employee number may vary significantly in accordance with seasonal employment.

~ Includes part-time employees.

CITY OF CORSICANA, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration	13.0	11.0	12.0	12.0	11.0	12.0	12.0	12.0	13.5	13.5
Public Safety										
Police	58.0	58.0	58.0	58.0	59.0	59.0	60.0	60.0	60.0	60.0
Judicial	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Fire	38.0	38.0	38.0	38.0	35.0	35.0	35.0	35.0	35.0	35.0
EMS	19.0	19.0	22.0	22.0	22.0	25.0	26.0	28.0	28.0	34.0
Animal Control/Shelter	6.0	6.0	6.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Public Works										
Engineering/IT	7.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	6.5
Streets	17.0	17.0	17.0	17.0	16.0	15.7	15.7	15.7	15.7	15.7
Community Support/P&Z	3.5	6.5	6.5	6.5	4.8	4.8	4.8	4.8	4.8	4.4
Cemetery Admin/Mtc	3.8	3.5	3.5	3.5	0.3	0.3	0.3	0.25	0.25	0.1
Bldg/Equip Mtc	6.0	6.0	7.0	7.0	5.0	4.0	4.0	4.0	4.0	4.0
Cultural and Recreational										
Parks and Recreation	15.0	17.0	17.0	17.0	14.0	13.0	14.0	14.0	12.0	12.0
Library	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Airport										
Sanitation Services	14.8	15.0	15.0	15.6	15.6	15.8	15.8	15.8	15.8	15.8
Utility Operating										
Environmental Svc/Analysis	8.0	8.0	8.0	6.0	6.0	5.3	5.3	5.3	5.3	5.3
Utility System Mtc	23.0	23.0	22.0	16.0	16.0	20.8	20.8	20.8	19.8	19.8
Utility Billing/Collections	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.5	6.5
Water	15.0	15.0	15.0	15.8	15.8	15.2	15.2	15.2	15.2	15.2
Wastewater	12.0	12.0	12.0	12.6	12.6	12.2	12.2	12.2	13.2	13.2
Total	276.1	280.0	284.0	276.0	261.1	266.1	269.1	270.0	269.0	274.0

Source: City Finance Department.

CITY OF CORSICANA, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Reported Crimes (Calendar Year)	1,548	1,417	1,338	1,428	1,341	1,473	1,365	1,290	1,141	1,090
Number of Violations (Citations)	7,226	7,316	7,657	7,642	5,650	6,036	5,906	6,375	5,217	4,743
Judicial										
Municipal Court Fines-Cash	\$ 491,836	\$ 504,537	\$ 601,906	\$ 673,361	\$ 588,144	\$ 506,918	\$ 618,886	\$ 476,987	\$ 468,451	\$ 373,721
Fire										
Fire Calls (Including City and County)	2,588	2,563	2,085	1,485	2,159	2,100	2,094	2,229	2,259	2,255
EMS										
EMS Calls (Including City and County)	5,421	5,688	5,973	5,688	5,733	5,594	5,823	6,110	6,350	6,254
Planning & Zoning										
Building Permits Issued (Units)	238 *	32	16	10	24	24	21	14	28	20
Permit Value	\$ 18,614 *	\$ 4,402	\$ 1,591	\$ 12,798	\$ 6,919	\$ 6,764	\$ 8,161	\$ 2,021	\$ 8,343	\$ 43,175
Streets										
Miles of Streets Maintained	159	159	158	158	161	161	160	160	160	160
Health										
Animals Impounded (Calendar Year)	3,154.0	2,936.0	2,894	2,601	2,806	2,702	2,575	2,344	2,002	1,922
Cultural and Recreational										
Parks										
Parks Maintained	12	12	12	13	13	13	13	13	13	16
Library										
Patrons	89,510	95,422	93,091	85,978	87,839	83,416	86,177	78,434	76,222	76,737
Water										
Number of Water Customers	8,846	8,857	8,808	8,812	8,891	8,847	8,885	9,020	8,891	8,898
Sewer										
Number of Wastewater Customers	7,896	7,929	7,854	7,871	7,945	7,933	7,937	7,986	7,928	7,934

* Total include all permits issued, not just building permits. Data for building permits only is not available.
 Sources: Various government departments.

CITY OF CORSICANA, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	4	4	4	4	4	4	4	4	4	4
Fire Hydrants	752	886	886	893	925	863	916	925	945	941
Streets										
Miles of Streets	159	159	158	158	161	161	160	160	160	160
Cultural and Recreational										
Parks Maintained	12	12	12	13	13	13	13	13	13	16
Library										
Number of Libraries	1	1	1	1	1	1	1	1	1	1
Water										
Water Plant Capacity (million gallons per day)	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25	24.25
Water Storage Capacity (million gallons per day)	13.015	13.015	13.015	13.015	13.015	13.015	13.015	13.015	13.015	13.015
Sewer										
Sewer Plant Capacity (million gallons per day)	9.11	9.11	9.11	9.11	9.11	9.11	9.11	9.11	9.11	9.11

Sources: Various government departments.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS



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

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

We have audited, in accordance with the 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, the financial statements 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 and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Corsicana, Texas' basic financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Corsicana, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Corsicana, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Corsicana, Texas' internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and Members of the City Council
City of Corsicana, Texas
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corsicana, Texas' financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountant

Ennis, Texas
March 24, 2017



*Comprehensive Annual
Financial Report -
2016*