



CITY OF CORSICANA, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2004**

CITY OF CORSICANA, TEXAS

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INTRODUCTORY SECTION

December 29, 2005

To the Citizens of the City of Corsicana:

The annual financial report of the City of Corsicana for the year ended September 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The annual financial report is presented in three sections; Introductory, Financial and Statistical. The introductory section includes this transmittal letter, the City's organizational chart and the list of principal City officials. The financial section includes the general purpose financial statements and the individual and combining fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

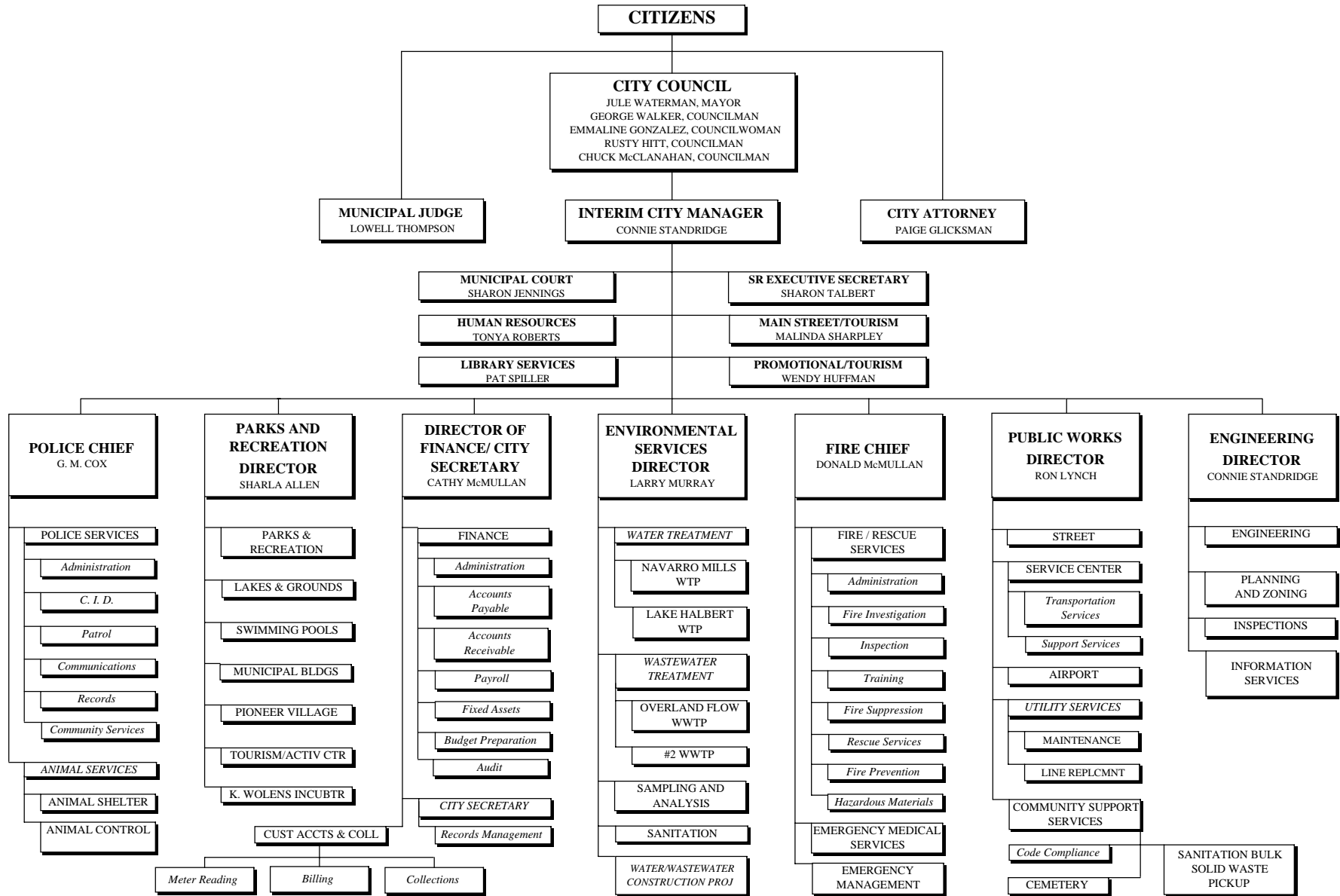
The City of Corsicana, with a population of approximately 25,000 is located in north central Texas, 53 miles south of Dallas and 54 miles east of Waco. The City has a diversified economic base comprised of agri-business, industry and mineral production.

The City has designated an area as an ENTERPRISE ZONE pursuant to the Texas Enterprise Zone Act and provided tax incentives and assistance to induce investment from private resources in productive business enterprises to locate in a severely distressed area of the City, and to provide employment to residents of the area. The City continues to implement inducements to locate and expand business in Corsicana through the Texas Capital Fund.

Sincerely,

Cathy McMullan
Director of Finance

CITY OF CORSICANA ORGANIZATIONAL CHART



CITY OF CORSICANA, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2004

ELECTED OFFICIALS

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

CITY STAFF

Interim City Manager	Connie Standridge
Director of Finance/City Secretary	Cathy McMullan
Police Chief	G. M. Cox
Fire Chief	Donald McMullan
Public Works Director	Ron Lynch
Director of Environmental Services	Larry Murray
Director of Engineering Services	Connie Standridge
Parks and Recreation Director	Sharla Allen
Library Director	Pat Spiller
Planning Manager	Sherri Warren
Main Street Project Facilitator	Malinda Sharpley
Promotion Advertisement/Tourism Facilitator	Wendy Huffman
Inspections Manager	David Tipton
Human Resources Manager	Stephanie Carroll

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City Commissioners
City of Corsicana, Texas

Members of the City Commissioners:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Corsicana, Texas, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Corsicana, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Corsicana, Texas, as of September 30, 2004, and the respective changes in financial position, and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2004, on our consideration of the City of Corsicana, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corsicana, Texas' basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the City of Corsicana, Texas. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

December 29, 2004

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As management of the City of Corsicana, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Corsicana exceeded its liabilities as of September 30, 2004, by \$37,306,897 (net assets). Of this amount, \$843,872 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$223,039.
- At the close of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$1,690,476. Of this amount, \$1,531,771 represents unreserved fund balances available for use within the City's fund designation and fiscal policies.
- As of September 30, 2004, the unreserved, undesignated fund balance for the General Fund was \$1,113,526.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Corsicana's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements, which begin on page 11 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City of Corsicana's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works, and Community Services. The business-type activities of the City include Utility Operations (Water and Sewer), Sanitation, and EMS (Emergency Medical Services).

The government-wide financial statements include not only the City of Corsicana itself (known as the primary government), but also a legally separate Tax Increment Investment Zone (TIRZ) Development for which the City of Corsicana is financially accountable. Financial information for this component unit is reported as a blended presentation in the financial information presented

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Corsicana, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 14 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City maintains one type of proprietary fund, the Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for the Utility Operations Fund, Sanitation Fund, and the EMS (Emergency Medical Services) Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements, which begin on page 20 of this report, provide separate information for the Utility Operations, Sanitation and EMS Enterprise Funds since they are considered to be major funds of the City.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. These funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for nonmajor funds are presented immediately following the notes to the financial statements beginning on page 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Corsicana, net assets exceeded liabilities by \$37,306,897 as of September 30, 2004.

The largest portion of the City's net assets \$29,867,266 reflects its investments in capital assets (e.g., land, building, equipment, improvements, and construction in progress), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CORSICANA'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 4,166,803	\$ 4,956,441	\$ 9,957,530	\$ 12,173,335	\$ 14,124,333	\$ 17,129,776
Capital assets	12,265,633	12,197,606	61,034,867	61,217,175	73,300,500	73,414,781
Total assets	<u>16,432,436</u>	<u>17,154,047</u>	<u>70,992,397</u>	<u>73,390,510</u>	<u>87,424,833</u>	<u>90,544,557</u>
Other liabilities	1,672,639	1,645,145	4,037,888	1,647,992	5,710,527	3,293,137
Long-term liabilities	8,191,656	8,969,420	36,215,753	41,198,142	44,407,409	50,167,562
Total liabilities	<u>9,864,295</u>	<u>10,614,565</u>	<u>40,253,641</u>	<u>42,846,134</u>	<u>50,117,936</u>	<u>53,460,699</u>
Net assets:						
Invested in capital assets, net of related debt	4,626,914	3,654,656	25,240,352	20,779,968	29,867,266	24,434,624
Restricted	749,216	1,478,739	5,846,543	1,320,862	6,595,759	2,799,601
Unrestricted	<u>1,192,011</u>	<u>1,406,087</u>	<u>(348,139)</u>	<u>8,443,546</u>	<u>843,872</u>	<u>9,849,633</u>
Total net assets	<u>\$ 6,568,141</u>	<u>\$ 6,539,482</u>	<u>\$ 30,738,756</u>	<u>\$ 30,544,376</u>	<u>\$ 37,306,897</u>	<u>\$ 37,083,858</u>

A portion of the City's net assets, \$6,595,759, represents resources that are subject to external restriction on how they may be used. The remaining balance, \$843,872, of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2004. Governmental activities increased the City of Corsicana's net assets by \$28,659, accounting for approximately 13% of the total growth in net assets. Business-type activities increased the City's net assets by \$194,380, accounting for approximately 87% of the total growth in net assets.

CITY OF CORSICANA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 769,451	\$ 847,157	\$ 15,491,661	\$ 15,131,035	\$ 16,261,112	\$ 15,978,192
Operating grants and contributions	265,487	297,795	-	-	265,487	297,795
Capital grants and contributions	-	148,601	-	-	-	148,601
General revenues:						
Ad valorem taxes	5,054,960	4,775,173	-	-	5,054,960	4,775,173
Sales taxes	4,143,163	3,757,585	-	-	4,143,163	3,757,585
Franchise taxes	1,901,848	2,550,607	-	-	1,901,848	2,550,607
Other taxes	220,225	234,578	-	-	220,225	234,578
Investment earnings	33,916	39,532	87,159	171,091	121,075	210,623
Miscellaneous	434,660	441,583	127,817	-	562,477	441,583
Total revenues	<u>12,823,710</u>	<u>13,092,611</u>	<u>15,706,637</u>	<u>15,302,126</u>	<u>28,530,347</u>	<u>28,394,737</u>
Expenses:						
General government	3,201,891	2,850,476	-	-	3,201,891	2,850,476
Public safety	6,185,214	5,783,804	-	-	6,185,214	5,783,804
Public works	2,155,190	2,188,432	-	-	2,155,190	2,188,432
Community services	2,306,801	2,076,096	-	-	2,306,801	2,076,096
Interest on long-term debt	367,144	485,351	-	-	367,144	485,351
Utility operations	-	-	9,264,155	8,998,724	9,264,155	8,998,724
Sanitation	-	-	2,047,417	2,572,922	2,047,417	2,572,922
Emergency medical services	-	-	2,779,496	2,583,308	2,779,496	2,583,308
Total expenses	<u>14,216,240</u>	<u>13,384,159</u>	<u>14,091,068</u>	<u>14,154,954</u>	<u>28,307,308</u>	<u>27,539,113</u>
Increases in net assets before transfers	(1,392,530)	(291,548)	1,615,569	1,147,172	223,039	855,624
Transfers	<u>1,421,189</u>	<u>1,362,378</u>	<u>(1,421,189)</u>	<u>(1,362,378)</u>	<u>-</u>	<u>-</u>
Change in net assets	28,659	1,070,830	194,380	(215,206)	223,039	855,624
Net assets - beginning	6,539,482	5,468,652	30,544,376	27,438,515	37,083,858	32,907,167
Prior period adjustment	-	-	-	3,321,067	-	3,321,067
Net assets - ending	<u>\$ 6,568,141</u>	<u>\$ 6,539,482</u>	<u>\$ 30,738,756</u>	<u>\$ 30,544,376</u>	<u>\$ 37,306,897</u>	<u>\$ 37,083,858</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City of Corsicana's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Corsicana's governmental funds reported combined ending fund balances of \$1,690,476. Approximately 91% of this total fund balance constitutes an unreserved fund balance. The remainder of the fund balance \$158,705 is reserved to indicate that is not available for new spending because it has already been committed to pay for encumbrances or debt service or to provide for other items. Refer to page 14 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City originally budgeted for a \$130,075 increase in fund balance. The actual increase to fund balance for the General Fund was \$561,654 for fiscal year 2004. The main reason for the greater than expected addition to fund balance is the increase in property tax revenues and sales tax revenues.

Proprietary Funds – The City's proprietary fund statements, beginning on page 20 of this report, provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets are \$266,460 for the Utility Operations Fund, \$(593,424) for the Sanitation Fund, and \$(21,175) for the EMS Fund. These proprietary funds experienced changes in total net assets during the year of \$(249,747), \$275,778, and \$168,349, respectively. The decrease in the Utility Operations Fund was due to the wet conditions during the summer months. This above average rainfall decreased the need for water in the hottest part of the year. The increase in the Sanitation Fund was due to increased sanitation usage and a decrease in interest expense.

Governmental Activities – Governmental activities increased the City's net assets by \$28,659, thereby accounting for 13% of the total growth in the net assets.

Business-type Activities – Business-type activities increased the City's net assets by \$194,380, accounting for the other 87% of the total growth in net assets.

General Fund Budgetary Highlights – Refer to the General Fund Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual on pages 17 – 19 of this report for a detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2004.

CAPITAL ASSETS

The City of Corsicana's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounts to \$73,300,500 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements other than buildings, infrastructure and construction work in progress. Major capital asset events occurring during the current fiscal year related primarily to water and sewer infrastructure projects, machinery and equipment, and other improvements.

CITY OF CORSICANA'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 3,500,599	\$ 3,500,599	\$ 3,880,735	\$ 3,866,837	\$ 7,381,334	\$ 7,367,436
Buildings and improvements	16,137,964	15,875,817	6,688,209	6,803,516	22,826,173	22,679,333
Machinery and equipment	5,174,339	4,475,378	17,635,933	59,273,654	22,810,272	63,749,032
Waterworks and wastewater system	-	-	59,755,970	16,743,129	59,755,970	16,743,129
Construction in progress	1,560,291	1,382,036	242,000	242,000	1,802,291	1,624,036
Less: accumulated depreciation	(14,107,560)	(13,036,224)	(27,167,978)	(25,711,961)	(41,275,538)	(38,748,185)
Total capital assets	<u>\$ 12,265,633</u>	<u>\$ 12,197,606</u>	<u>\$ 61,034,869</u>	<u>\$ 61,217,175</u>	<u>\$ 73,300,502</u>	<u>\$ 73,414,781</u>

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Corsicana had total bonded debt of \$44,590,000. Of this amount, \$14,575,000 represents bonded debt backed by the full faith and credit of the government and \$30,015,000 represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

CITY OF CORSICANA'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation	\$ 3,395,598	\$ 3,669,837	\$ -	\$ -	\$ 3,395,598	\$ 3,669,837
Revenue bonds payable	-	-	30,015,000	31,561,000	30,015,000	31,561,000
Certificates of obligation	<u>3,430,000</u>	<u>3,680,000</u>	<u>7,749,402</u>	<u>8,235,163</u>	<u>11,179,402</u>	<u>11,915,163</u>
	<u>\$ 6,825,598</u>	<u>\$ 7,349,837</u>	<u>\$ 37,764,402</u>	<u>\$ 39,796,163</u>	<u>\$ 44,590,000</u>	<u>\$ 47,146,000</u>

During the fiscal year, the City issued \$1,890,000 in General Obligation Refunding Bonds and \$129,000 in Revenue Bonds.

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

	<u>Moody's</u>	<u>Standard and Poor's</u>
Tax Bonds	BAaa1	BBB+
Revenue Bonds	Baa1	BBB

In addition, various bond issues are rated Aaa by Moody's and AAA by S & P as a result of a policy of insurance executed at the time the bonds were sold. Additional information on the City of Corsicana's long term-debt can be found on pages 44 – 45 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The General Fund budget (including transfers in) for fiscal year 2005 is based on a projected revenue growth of 3.75% compared to the fiscal year 2004 adopted budget due to anticipated growth. Approximately 33% of General Fund revenues are sales taxes. Property taxes are budgeted in FY 2005, makes up about 34% of budgeted revenues.

The City's budget has been impacted by an increase in economic growth and sales tax receipts increased in FY 2004. This revenue source is the most volatile but due to new economic indicators, the City is expecting a .42% increase in sales tax for FY 2005 as compared to FY 2004.

Expenditures remained fairly level with the prior year. Departments were asked to hold increases in operational expenses to a minimum, which resulted in only a 5.84% increase over the previous year's amended budget. The budget includes funding for a 4% salary increase for all employees.

There is no rate increase in the 2005 budget for the Water and Sewer Fund. A firm has been engaged to begin a rate study in October 2004. This was prompted by the revenue loss experienced in FY 2004.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Cathy McMullan, Director of Finance, (email: cmcmullan@ci.corsicana.tx.us) at 200 N. 12th Street, Corsicana, Texas 75110, or call (903) 654-4815.

**BASIC
FINANCIAL STATEMENTS**

CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,326,295	\$ 1,040,866	\$ 2,367,161
Receivables (net of allowances for uncollectibles)			
Accounts	1,110,360	2,474,832	3,585,192
Taxes	1,383,322	-	1,383,322
Due from other governments	94,718	-	94,718
Internal balances	140,434	(140,434)	-
Deferred charges	100,360	734,723	835,083
Inventories	9,428	-	9,428
Prepays	1,886	1,000	2,886
Restricted cash and investments	-	5,846,543	5,846,543
Capital assets, net of accumulated depreciation:			
Land	3,500,599	3,880,735	7,381,334
Buildings and improvements	5,143,999	549,809	5,693,808
Waterworks and wastewater system	-	44,804,539	44,804,539
Machinery and equipment	2,060,744	11,557,784	13,618,528
Construction work in progress	1,560,291	242,000	1,802,291
Total assets	16,432,436	70,992,397	87,424,833
LIABILITIES			
Accounts payable	531,087	348,800	879,887
Accrued liabilities	457,515	216,938	674,453
Unearned revenue	684,037	40,858	724,895
Due to state	-	50,107	50,107
Liabilities payable from restricted assets	-	760,871	760,871
Noncurrent liabilities:			
Due within one year	1,197,111	2,620,314	3,817,425
Due in more than one year	6,994,545	36,215,753	43,210,298
Total liabilities	9,864,295	40,253,641	50,117,936
NET ASSETS			
Invested in capital assets, net of related debt	4,626,914	25,240,352	29,867,266
Restricted for:			
Construction	491,152	-	491,152
Debt service	258,064	5,846,543	6,104,607
Unrestricted	1,192,011	(348,139)	843,872
Total net assets	\$ 6,568,141	\$ 30,738,756	\$ 37,306,897

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

CITY OF CORSICANA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 3,201,891	\$ 450,416	\$ 25,370	\$ -
Public safety	6,185,214	39,646	184,709	-
Public works	2,155,190	193,162	-	-
Community services	2,306,801	86,227	55,408	-
Interest on long-term debt	367,144	-	-	-
Total governmental activities	<u>14,216,240</u>	<u>769,451</u>	<u>265,487</u>	<u>-</u>
Business-type activities:				
Utility operations	9,264,155	9,942,683	-	-
Sanitation	2,047,417	2,712,650	-	-
Emergency medical services	2,779,496	2,836,328	-	-
Total business-type activities	<u>14,091,068</u>	<u>15,491,661</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 28,307,308</u>	<u>\$ 16,261,112</u>	<u>\$ 265,487</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales taxes				
Franchise taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(2,726,105)	\$ -	\$(2,726,105)
(5,960,859)	-	(5,960,859)
(1,962,028)	-	(1,962,028)
(2,165,166)	-	(2,165,166)
(367,144)	-	(367,144)
<u>(13,181,302)</u>	<u>-</u>	<u>(13,181,302)</u>
-	678,528	678,528
-	665,233	665,233
-	56,832	56,832
<u>-</u>	<u>1,400,593</u>	<u>1,400,593</u>
<u>(13,181,302)</u>	<u>1,400,593</u>	<u>(11,780,709)</u>
4,081,842	-	4,081,842
973,118	-	973,118
4,143,163	-	4,143,163
1,901,848	-	1,901,848
220,225	-	220,225
33,916	87,159	121,075
434,660	127,817	562,477
<u>1,421,189</u>	<u>(1,421,189)</u>	<u>-</u>
<u>13,209,961</u>	<u>(1,206,213)</u>	<u>12,003,748</u>
28,659	194,380	223,039
<u>6,539,482</u>	<u>30,544,376</u>	<u>37,083,858</u>
<u>\$ 6,568,141</u>	<u>\$ 30,738,756</u>	<u>\$ 37,306,897</u>

CITY OF CORSICANA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 74,680	\$ 1,251,615	\$ 1,326,295
Receivables (net of allowances for uncollectibles)			
Taxes	1,225,723	157,599	1,383,322
Accounts	71,403	753,845	825,248
Intergovernmental	-	94,718	94,718
Inventory	9,428	-	9,428
Prepays	1,886	-	1,886
Due from other funds	786,832	2,719	789,551
Total assets	\$ 2,169,952	\$ 2,260,496	\$ 4,430,448
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 312,851	\$ 218,236	\$ 531,087
Accrued liabilities	402,734	35,516	438,250
Due to other funds	2,719	646,398	649,117
Deferred revenue	338,122	783,396	1,121,518
Total liabilities	1,056,426	1,683,546	2,739,972
Fund balances:			
Reserved for:			
Debt service	-	158,705	158,705
Unreserved, reported in:			
General fund			
Undesignated	1,113,526	-	1,113,526
Special revenue funds	-	(72,907)	(72,907)
Capital projects fund			
Undesignated	-	491,152	491,152
Total fund balances	1,113,526	576,950	1,690,476
Total liabilities and fund balances	\$ 2,169,952	\$ 2,260,496	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,265,633
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	722,593
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,110,561)
Net assets of governmental activities	\$ 6,568,141

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

CITY OF CORSICANA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 10,694,532	\$ 1,084,790	\$ 11,779,322
Occupancy tax	-	202,326	202,326
Licenses and permits	202,372	-	202,372
Investment earnings	8,104	25,811	33,915
Fines and penalties	415,073	22,532	437,605
Charges for services	89,433	22,103	111,536
Contributions/donations	1,115	142,385	143,500
Intergovernmental	3,768	185,057	188,825
Miscellaneous	108,405	458,567	566,972
Total revenues	<u>11,522,802</u>	<u>2,143,571</u>	<u>13,666,373</u>
EXPENDITURES			
Current:			
General government	2,264,369	307,509	2,571,878
Public safety	6,042,939	34,435	6,077,374
Public works	1,832,621	275,681	2,108,302
Community and cultural	1,445,043	539,992	1,985,035
Capital outlay	68,906	1,031,329	1,100,235
Debt service:			
Principal	449,111	724,496	1,173,607
Interest and fiscal charges	17,786	435,802	453,588
Total expenditures	<u>12,120,775</u>	<u>3,349,244</u>	<u>15,470,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(597,973)</u>	<u>(1,205,673)</u>	<u>(1,803,646)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,562,706	491,780	2,054,486
Transfers out	(403,079)	(230,218)	(633,297)
Capital-related debt issued	-	2,159,376	2,159,376
Payment to bond escrow agent	-	(1,832,483)	(1,832,483)
Total other financing sources and uses	<u>1,159,627</u>	<u>588,455</u>	<u>1,748,082</u>
NET CHANGE IN FUND BALANCES	561,654	(617,218)	(55,564)
FUND BALANCES, BEGINNING	<u>551,872</u>	<u>1,194,168</u>	<u>1,746,040</u>
FUND BALANCES, ENDING	<u>\$ 1,113,526</u>	<u>\$ 576,950</u>	<u>\$ 1,690,476</u>

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

CITY OF CORSICANA, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the Statement of Activities (pages 12 - 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$(55,564)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	68,027
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(842,663)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	904,231
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(<u>45,372</u>)
Change in net assets of governmental activities (pages 12 - 13)	\$ <u><u>28,659</u></u>

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

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,887,104	\$ 4,494,457	\$ 4,486,069	\$(8,388)
Interest and penalty on taxes	78,000	143,000	145,553	2,553
Sales	4,072,653	4,072,653	4,143,163	70,510
Franchise	1,826,645	1,896,149	1,901,848	5,699
Mixed beverage	20,000	20,000	17,899	(2,101)
Total taxes	<u>9,884,402</u>	<u>10,626,259</u>	<u>10,694,532</u>	<u>68,273</u>
Licenses and permits:				
Electrical	24,960	44,019	39,435	(4,584)
Building	92,600	69,993	69,934	(59)
Plumbing	29,450	24,887	25,014	127
Mechanical	5,800	11,430	10,337	(1,093)
Other	62,110	60,650	57,652	(2,998)
Total licenses and permits	<u>214,920</u>	<u>210,979</u>	<u>202,372</u>	<u>(8,607)</u>
Interest	<u>3,640</u>	<u>7,725</u>	<u>8,104</u>	<u>379</u>
Total interest	<u>3,640</u>	<u>7,725</u>	<u>8,104</u>	<u>379</u>
Fines and penalties:				
Court	445,000	419,500	404,217	(15,283)
Library	12,500	10,950	10,681	(269)
Other	3,010	250	175	(75)
Total fines and penalties	<u>460,510</u>	<u>430,700</u>	<u>415,073</u>	<u>(15,627)</u>
Charges for services:				
Concession	3,800	1,929	1,929	-
Building rental	45,615	46,533	46,533	-
Rental	14,240	9,781	9,721	(60)
EMS	90,000	-	-	-
Other	31,250	31,250	31,250	-
Total charges for services	<u>184,905</u>	<u>89,493</u>	<u>89,433</u>	<u>(60)</u>
Intergovernmental	-	1,025	1,115	90
Grant	10,307	9,207	3,768	(5,439)
Miscellaneous	<u>47,960</u>	<u>83,100</u>	<u>108,405</u>	<u>25,305</u>
Total revenues	<u>10,806,644</u>	<u>11,458,488</u>	<u>11,522,802</u>	<u>64,314</u>

(continued)

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

(Continued)

YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Personnel services	\$ 897,396	\$ 776,613	\$ 771,922	\$ 4,691
Materials and supplies	56,567	53,073	49,306	3,767
Services	295,492	430,531	413,099	17,432
Maintenance	13,800	16,100	20,256	(4,156)
Sundry	100	55,000	54,999	1
Total general government	<u>1,263,355</u>	<u>1,331,317</u>	<u>1,309,582</u>	<u>21,735</u>
Public safety:				
Personnel services	5,600,658	5,540,506	5,555,647	(15,141)
Materials and supplies	218,440	219,669	210,672	8,997
Services	190,850	149,967	148,483	1,484
Maintenance	116,600	136,727	128,137	8,590
Capital expenditures	10,550	8,288	20,851	(12,563)
Total public safety	<u>6,137,098</u>	<u>6,055,157</u>	<u>6,063,790</u>	<u>(8,633)</u>
Public health:				
Personnel services	67,031	60,650	59,747	903
Materials and supplies	5,150	7,641	6,002	1,639
Services	40,500	44,005	43,533	472
Maintenance	4,400	2,900	1,826	1,074
Total public health	<u>117,081</u>	<u>115,196</u>	<u>111,108</u>	<u>4,088</u>
Public works:				
Personnel services	1,165,008	1,116,856	1,147,732	(30,876)
Materials and supplies	81,139	102,636	107,433	(4,797)
Services	363,573	328,451	318,037	10,414
Maintenance	155,700	230,483	259,419	(28,936)
Capital expenditures	4,500	-	-	-
Total public works	<u>1,769,920</u>	<u>1,778,426</u>	<u>1,832,621</u>	<u>(54,195)</u>
Community and cultural:				
Personnel services	930,959	939,788	945,381	(5,593)
Materials and supplies	140,250	143,442	143,567	(125)
Services	144,700	137,449	139,381	(1,932)
Maintenance	182,500	198,958	216,714	(17,756)
Capital expenditures	35,409	48,071	48,055	16
Total community and cultural	<u>1,433,818</u>	<u>1,467,708</u>	<u>1,493,098</u>	<u>(25,390)</u>

(continued)

CITY OF CORSICANA, TEXAS

GENERAL FUND

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

(Continued)

YEAR ENDED SEPTEMBER 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Other governmental:				
Personnel services	\$ 258,142	\$ 263,349	\$ 265,118	\$(1,769)
Materials and supplies	48,780	48,671	46,686	1,985
Services	109,550	105,925	114,174	(8,249)
Maintenance	<u>66,636</u>	<u>71,475</u>	<u>72,307</u>	<u>(832)</u>
Total other governmental	<u>483,108</u>	<u>489,420</u>	<u>498,285</u>	<u>(8,865)</u>
Nondepartmental:				
Personnel services	60,305	85,437	89,340	(3,903)
Materials and supplies	-	800	1,415	(615)
Services	219,560	251,266	248,928	2,338
Sundry	<u>-</u>	<u>5,411</u>	<u>5,711</u>	<u>(300)</u>
Total nondepartmental	<u>279,865</u>	<u>342,914</u>	<u>345,394</u>	<u>(2,480)</u>
Debt service:				
Principal	376,044	441,385	449,111	(7,726)
Interest and fiscal charges	<u>107,415</u>	<u>17,644</u>	<u>17,786</u>	<u>(142)</u>
Total debt service	<u>483,459</u>	<u>459,029</u>	<u>466,897</u>	<u>(10,348)</u>
Total expenditures	<u>11,967,704</u>	<u>12,039,167</u>	<u>12,120,775</u>	<u>(81,608)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,161,060)</u>	<u>(580,679)</u>	<u>(597,973)</u>	<u>(17,294)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,556,135	1,550,289	1,562,706	12,417
Operating transfers out	<u>(265,000)</u>	<u>(401,494)</u>	<u>(403,079)</u>	<u>(1,585)</u>
Total other financing sources (uses)	<u>1,291,135</u>	<u>1,148,795</u>	<u>1,159,627</u>	<u>10,832</u>
NET CHANGE IN FUND BALANCE	130,075	568,116	561,654	(6,462)
FUND BALANCE, BEGINNING	<u>551,872</u>	<u>551,872</u>	<u>551,872</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 681,947</u>	<u>\$ 568,116</u>	<u>\$ 1,113,526</u>	<u>\$ 545,410</u>

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

CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2004

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	
ASSETS				
Current assets:				
Cash and investments	\$ 633,326	\$ 407,340	\$ 200	\$ 1,040,866
Accounts receivable, net of allowances	1,403,664	120,052	951,116	2,474,832
Due from other funds	683,917	-	-	683,917
Deferred charges	684,468	50,255	-	734,723
Prepays	1,000	-	-	1,000
Total current assets	3,406,375	577,647	951,316	4,935,338
Noncurrent assets:				
Restricted cash and investments	5,607,884	238,659	-	5,846,543
Capital assets:				
Land	3,662,177	218,558	-	3,880,735
Buildings	6,545,098	143,111	-	6,688,209
Waterworks and wastewater system	57,122,823	2,633,147	-	59,755,970
Machinery and equipment	11,162,548	5,922,711	550,674	17,635,933
Construction in progress	-	242,000	-	242,000
Less accumulated depreciation:				
Buildings	(6,050,319)	(88,081)	-	(6,138,400)
Waterworks and wastewater system	(13,044,105)	(1,907,326)	-	(14,951,431)
Machinery and equipment	(3,271,348)	(2,744,905)	(61,896)	(6,078,149)
Total capital assets	56,126,874	4,419,215	488,778	61,034,867
Total noncurrent assets	61,734,758	4,657,874	488,778	66,881,410
Total assets	65,141,133	5,235,521	1,440,094	71,816,748
LIABILITIES				
Current liabilities:				
Accounts payable	244,245	97,986	6,569	348,800
Accrued liabilities	148,082	27,455	41,401	216,938
Deferred revenue	-	-	40,858	40,858
Due to other funds	-	-	824,351	824,351
Due to state	-	50,107	-	50,107
Capital leases payable	-	119,543	58,307	177,850
Revenue bonds payable	2,075,000	367,464	-	2,442,464
Total current liabilities	2,467,327	662,555	971,486	4,101,368

(continued)

CITY OF CORSICANA, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2004

	Business-type Activities - Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
LIABILITIES (Continued)				
Current liabilities payable from restricted assets:				
Customer deposits	\$ 272,764	\$ -	\$ -	\$ 272,764
Landfill closure liability	-	488,107	-	488,107
Total current liabilities payable from restricted assets	272,764	488,107	-	760,871
Noncurrent liabilities:				
Capital leases payable	191,640	15,719	265,218	472,577
Compensated absences	191,382	12,155	1,005	204,542
Revenue bonds payable	33,660,000	1,661,938	-	35,321,938
Deferred interest payable	208,442	8,254	-	216,696
Total noncurrent liabilities	34,251,464	1,698,066	266,223	36,215,753
Total liabilities	36,991,555	2,848,728	1,237,709	41,077,992
NET ASSETS				
Invested in capital assets, net of related debt	22,275,234	2,741,558	223,560	25,240,352
Restricted for debt service	5,607,884	238,659	-	5,846,543
Unrestricted:				
Unreserved	266,460	(593,424)	(21,175)	(348,139)
Total net assets	\$ 28,149,578	\$ 2,386,793	\$ 202,385	\$ 30,738,756

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

CITY OF CORSICANA, TEXAS

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

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Funds			Totals
	Utility Operations	Sanitation	Emergency Medical Services	
OPERATING REVENUES				
Water sales	\$ 6,300,349	\$ -	\$ -	\$ 6,300,349
Sewer charges	3,037,381	-	-	3,037,381
Tap fees	71,230	-	-	71,230
Other charges	533,723	43,459	77,353	654,535
Garbage collection fees	-	838,151	-	838,151
Landfill	-	1,831,040	-	1,831,040
Emergency medical services	-	-	2,758,975	2,758,975
Total operating revenues	<u>9,942,683</u>	<u>2,712,650</u>	<u>2,836,328</u>	<u>15,491,661</u>
OPERATING EXPENSES				
Costs of sales and services	5,138,818	1,759,150	2,778,379	9,676,347
Administration	782,800	28,300	-	811,100
Depreciation	1,356,050	172,219	1,117	1,529,386
Total operating expenses	<u>7,277,668</u>	<u>1,959,669</u>	<u>2,779,496</u>	<u>12,016,833</u>
OPERATING INCOME	<u>2,665,015</u>	<u>752,981</u>	<u>56,832</u>	<u>3,474,828</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment revenue	77,512	9,647	-	87,159
Interest expense	(1,986,487)	(87,748)	-	(2,074,235)
Total nonoperating revenues (expenses)	<u>(1,908,975)</u>	<u>(78,101)</u>	<u>-</u>	<u>(1,987,076)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>756,040</u>	<u>674,880</u>	<u>56,832</u>	<u>1,487,752</u>
CONTRIBUTIONS	127,817	-	-	127,817
TRANSFERS IN	-	-	225,217	225,217
TRANSFERS OUT	(1,133,604)	(399,102)	(113,700)	(1,646,406)
CHANGES IN NET ASSETS	(249,747)	275,778	168,349	194,380
TOTAL NET ASSETS, BEGINNING	<u>28,399,325</u>	<u>2,111,015</u>	<u>34,036</u>	<u>30,544,376</u>
TOTAL NET ASSETS, ENDING	<u>\$ 28,149,578</u>	<u>\$ 2,386,793</u>	<u>\$ 202,385</u>	<u>\$ 30,738,756</u>

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

CITY OF CORSICANA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,701,391	\$ 2,677,343	\$ 2,654,721	\$ 15,033,455
Cash paid to suppliers for goods and services	(2,606,699)	(1,147,066)	(1,229,763)	(4,983,528)
Cash paid to employees for services	(2,297,652)	(862,254)	(1,354,679)	(4,514,585)
Net cash provided by operating activities	<u>4,797,040</u>	<u>668,023</u>	<u>70,279</u>	<u>5,535,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions	127,817	-	-	127,817
Transfers in	-	-	225,217	225,217
Transfers out	(1,133,604)	(399,102)	(113,700)	(1,646,406)
Net cash provided (used) for noncapital financing activities	<u>(1,005,787)</u>	<u>(399,102)</u>	<u>111,517</u>	<u>(1,293,372)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,088,878)	(284,699)	(125,218)	(1,498,795)
Disposal of fixed assets	-	151,717	-	151,717
Principal paid on debt	(1,696,990)	(602,042)	(56,378)	(2,355,410)
Interest paid on debt	(1,986,487)	(87,748)	-	(2,074,235)
Net cash used for capital and related financing activities	<u>(4,772,355)</u>	<u>(822,772)</u>	<u>(181,596)</u>	<u>(5,776,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>77,512</u>	<u>9,647</u>	-	<u>87,159</u>
Net cash provided by investing activities	<u>77,512</u>	<u>9,647</u>	-	<u>87,159</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(903,590)	(544,204)	200	(1,447,594)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>7,144,800</u>	<u>1,190,203</u>	-	<u>8,335,003</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 6,241,210</u>	<u>\$ 645,999</u>	<u>\$ 200</u>	<u>\$ 6,887,409</u>

(continued)

CITY OF CORSICANA, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Funds			
	Utility Operations	Sanitation	Emergency Medical Services	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income	\$ 2,665,015	\$ 752,981	\$ 56,832	\$ 3,474,828
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,356,050	172,219	1,117	1,529,386
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	(241,161)	(35,307)	(281,476)	(557,944)
Due from other funds	1,834,802	-	-	1,834,802
Prepays	(1,000)	1,375	-	375
Due from other governments	170,040	11,211	-	181,251
Deferred charges	55,256	21,566	-	76,822
Increase (decrease) in liabilities:				
Accounts payable	(84,317)	(209,761)	(2,976)	(297,054)
Accrued liabilities	32,819	6,237	9,218	48,274
Deferred revenue	-	-	(1,696)	(1,696)
Due to other funds	(996,124)	(60,116)	289,145	(767,095)
Due to other governments	-	5,462	-	5,462
Compensated absences payable	25,583	2,045	115	27,743
Customer deposits	14,034	-	-	14,034
Other liabilities	(33,957)	111	-	(33,846)
Net cash provided by operations	<u>\$ 4,797,040</u>	<u>\$ 668,023</u>	<u>\$ 70,279</u>	<u>\$ 5,535,342</u>

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

CITY OF CORSICANA, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004

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

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

CITY OF CORSICANA, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Corsicana, Texas (the City) was incorporated July 11, 1848, while the City's Home Rule Charter was adopted in 1996. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, water and wastewater services.

The City's accounting and reporting policies relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments, which include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following represent the significant accounting and reporting policies and practices used by the City.

A. Reporting Entity

The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is able either to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and has determined that there are none.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(continued)

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

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

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City has the following major governmental fund:

The **General Fund** – is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Utility Operating Fund** – is used to account for water and wastewater operations that are intended to be self-supporting through user charges.

The **Sanitation Fund** – is used to account for sanitation operations that are intended to be self-supporting through user charges.

The **EMS Operating Fund** – is used to account for emergency medical service operations that are intended to be self-supporting through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Operating Fund, Sanitation Fund, and EMS Operating Fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers as cash equivalents, cash, certificates of deposit, investment securities with a maturity of three months or less at date of purchase, and money market accounts.

Statutes authorize the City to invest in obligations of U. S. Treasury or its agencies and instrumentalities, obligations of the state or its agencies, other investments guaranteed by the U. S. Treasury or the state of Texas, or investments rated by a national rating company at "A" or better. The City is also authorized to invest in fully collateralized repurchase agreements, local government investment pools, and in certificates of deposit issued by banks domiciled in Texas that are FDIC insured or have securities (of aforementioned quality) pledged to secure these deposits.

2. Investments

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

(continued)

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

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

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is based on historical collection rate percentages.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Navarro County Central Appraisal District (“CAD”) establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the CAD. The Navarro County Tax Assessor performs billing and collection of tax levies/Collector’s office.

The maximum tax rate permitted by the State of Texas is \$2.50 per \$100 of assessed valuation, and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2003, levy was \$.5995 (\$.4841 for general government and \$.1154 for debt service) per \$100 of assessed valuation.

During the year ended September 30, 2004, 97% of the current tax levy (October 1, 2003) was collected. At September 30, 2004, the delinquent property taxes receivable totaled \$397,791 in the General Fund and \$116,893 in the Debt Service Fund. The City recognizes penalties and interest due on delinquent taxes receivable as a component of delinquent taxes receivable. The additional receivable is treated as deferred revenue until available.

(continued)

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

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

3. Receivables and Payables (Continued)

The Texas Property Tax Code requires all property to be assessed on the basis of 100% of appraised value. The value of property must be reviewed at least every five years.

Under the Property Tax Code, if the effective tax rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements and revaluations, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Equipment	3 - 10
Improvements	10 - 40

5. Compensated Absences

Accumulated unpaid compensated absences for vacation and sick leave are accrued when incurred. For business-type activities, the accruals are reported as liabilities and expenses for the year incurred. For governmental activities, the liability is not recorded in the fund financial statements, but only in the government-wide financial statements since payment of this liability will not be made with expendable available resources.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. As of September 30, 2004, bond premiums or discounts are immaterial to the basic financial statements. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for the use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$8,110,561 difference are as follows:

General and certifications of obligation	\$ 6,825,598
Note payable	440,551
Accrued interest payable	19,265
Compensated absences	452,577
Capital lease obligations	472,930
Bond issuance costs	(100,360)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>8,110,561</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$68,027 difference are as follows:

Capital outlay	\$ 980,295
Depreciation expense	(912,268)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>68,027</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$904,231 difference are as follows:

Debt issued or incurred:	
General and certificates of obligation	\$(1,890,000)
Capital lease obligations	(269,376)
Principal repayments	<u>3,063,607</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 904,231</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$93,564 difference are as follows:

Compensated absences	\$(74,299)
Accrued interest	<u>28,927</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(45,372)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds except the Capital Projects Fund, which adopts a project length budget. The City adopts a non-appropriation budget for the Proprietary Fund Types on a working capital basis. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control is the total approved budget for each department. The City Manager may transfer funds within department categories without Council approval up to \$500 per line item account provided such transfers do not exceed \$1,500 per fiscal year for any individual department and provided that no amounts shall be transferred from or to any capital outlay item accounts. Council must approve all transfers from one department to another or from one fund to another. The final amended budget is used in this report. Appropriations lapse at the end of the year.

The City of Corsicana has complied with all budget requirements for the year ended September 30, 2004. Several supplemental budget appropriations were made for the year ended September 30, 2004.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Substantially all cash, cash equivalents and investments are maintained in consolidated cash and investment accounts. Interest income relating to consolidated cash, cash equivalents and investments is allocated to the individual funds monthly based on each fund's prorate share of total consolidated cash, cash equivalents and investments.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act. The investments of the City are in compliance with the Council's investment policies. Section 105.034 of the Local Government Code of Texas Codes Annotated authorizes the City to invest in:

- a. Obligations of the United States or its agencies or instrumentalities;
- b. Direct obligations of the State of Texas or its agencies;
- c. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
- d. Obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

At year-end the carrying value of the City's investments (which approximates fair value) was as follows:

	<u>Carrying Value</u>
Investments not subject to categorization:	
Investment in TexStar	\$ <u>7,384,068</u>
	\$ <u>7,384,068</u>

Credit Risk Categorization for Deposits

At September 30, 2004, the City's carrying amount of deposits was \$825,411 and the bank balance was \$366,082. Of the City's bank balance, \$100,000 was covered by FDIC insurance, \$266,082 was collateralized by government securities held in the pledging institution's trust department in the City's name. The City also had \$4,285 in various petty cash accounts at various City departments. The City's bank balance is classified as to credit risk by three categories described below:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

The City's bank balance of deposits at September 30, 2004, is summarized below:

	<u>Category</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bank balance of deposits	\$ <u>100,000</u>	\$ <u>266,082</u>	\$ <u>-</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Credit Risk Categorization for Deposits (Continued)

State law provides that collateral pledged as security for bank deposits must have a fair value of not less than the amount of the deposits and must consist of (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the States of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

Credit Risk Categorization for Temporary Investments

At September 30, 2004, the City's U. S. government and agency securities were insured or registered, or securities held by the City's agent in the City's name. Investment balances in public investment pools are not evidenced by underlying securities that exist in physical or book entry form and, therefore, are not subject to credit risk categorization.

Public Funds Investment Pools

The public funds investment pools noted previously were created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas government Code, Chapter 2256. The primary objective of these pools is to maintain the safety of principal, while providing participating government entities with the highest possible rate of return for invested funds. Participants own pro rata interests in the underlying assets of the fund in which they participate. A participant's sole source of payment from its investments in the pools is the market value of such assets.

Pursuant to investment agreements approved by each participant with each pool, the business and affairs of the pools are required to be managed by each pool's Board of Trustees (the Board). The Board consists of members, representing entities that have adopted the investment agreements. The duties of the Boards include, but are not limited to, adopting investment policies, appointing investment officers, overseeing the selection of investment managers, custodian banks, investment consultants, and other service providers, monitoring compliance with the pools' investment policy, monitoring performance, and revising the investment policies to reflect changing conditions affecting the pools or the needs of the participants.

Pursuant to Section 2256.016(g) of the Investment Act, these pools have established advisory boards composed of participants and other knowledgeable individuals. The purpose of the advisory boards shall be to gather and exchange information from participants and non-participants relating to the pools' operations.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Restricted Cash and Investment

As of September 30, 2004, the City held restricted cash and investment of \$5,846,543 for the following purposes:

Enterprise Fund:	
Construction	\$ 2,661,977
Debt service	510,583
Bonds	2,230,156
Held by Trinity River Authority	<u>443,827</u>
 Total Enterprise Fund	 <u>5,846,543</u>
 Total Restricted Cash and Investment	 <u>\$ 5,846,543</u>

Receivables

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

	<u>General</u>	<u>Utility Operations</u>	<u>Sanitation</u>	<u>Emergency Medical Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 397,791	\$ -	\$ -	\$ -	\$ 116,893	\$ 514,684
Franchise fees, sales and use tax	887,601	-	-	-	58,240	945,841
Accounts	71,403	1,716,212	185,704	1,224,593	753,845	3,951,757
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,718</u>	<u>94,718</u>
Gross receivables	1,356,795	1,716,212	185,704	1,224,593	1,023,696	5,507,000
Less: allowance for uncollectibles	<u>59,669</u>	<u>312,548</u>	<u>65,652</u>	<u>274,709</u>	<u>17,534</u>	<u>730,112</u>
Net total receivables	<u>\$ 1,297,126</u>	<u>\$ 1,403,664</u>	<u>\$ 120,052</u>	<u>\$ 949,884</u>	<u>\$ 1,006,162</u>	<u>\$ 4,776,888</u>

(continued)

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

Receivables (Continued)

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent property taxes receivable	\$ 338,122	\$ -
Total General Fund	<u>338,122</u>	<u>-</u>
Other Governmental Funds		
Delinquent property taxes receivable	99,359	-
Intergovernmental	-	683,868
Miscellaneous	-	169
Total Other Governmental Funds	<u>99,359</u>	<u>684,037</u>
Total Governmental Funds	<u>\$ 437,481</u>	<u>\$ 684,037</u>
Enterprise Fund		
Emergency Medical Services		
Ambulance subscription fees	\$ -	\$ 40,858
Total Emergency Medical Services	<u>-</u>	<u>40,858</u>
Total Enterprise Funds	<u>\$ -</u>	<u>\$ 40,858</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2004, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,500,599	\$ -	\$ -	\$ 3,500,599
Construction in progress	1,382,036	178,255	-	1,560,291
Total assets not being depreciated	<u>4,882,635</u>	<u>178,255</u>	<u>-</u>	<u>5,060,890</u>
Capital assets, being depreciated:				
Buildings and improvements	15,875,817	262,147	-	16,137,964
Machinery and equipment	4,475,378	539,893	(159,068)	5,174,339
Total capital assets being depreciated	<u>20,351,195</u>	<u>802,040</u>	<u>(159,068)</u>	<u>21,312,303</u>
Less accumulated depreciation:				
Buildings and improvements	10,376,103	617,862	-	10,993,965
Machinery and equipment	2,660,121	294,406	(159,068)	3,113,595
Total accumulated depreciation	<u>13,036,224</u>	<u>912,268</u>	<u>(159,068)</u>	<u>14,107,560</u>
Total capital assets being depreciated, net	<u>7,314,971</u>	<u>(110,228)</u>	<u>-</u>	<u>7,204,743</u>
Governmental activities capital assets, net	<u>\$ 12,197,606</u>	<u>\$ 68,027</u>	<u>\$ -</u>	<u>\$ 12,265,633</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,866,837	\$ 13,898	\$ -	\$ 3,880,735
Construction in progress	242,000	-	-	242,000
Total assets not being depreciated	<u>4,108,837</u>	<u>13,898</u>	<u>-</u>	<u>4,122,735</u>
Capital assets, being depreciated:				
Buildings	6,803,516	7,949	123,256	6,688,209
Waterworks and wastewater system	59,273,654	482,316	-	59,755,970
Machinery and equipment	16,743,129	1,147,692	254,888	17,635,933
Total capital assets being depreciated	<u>82,820,299</u>	<u>1,637,957</u>	<u>378,144</u>	<u>84,080,112</u>
Less accumulated depreciation:				
Buildings	6,053,503	158,396	73,499	6,138,400
Waterworks and wastewater system	14,390,839	560,591	-	14,951,430
Machinery and equipment	5,267,619	812,444	1,915	6,078,148
Total accumulated depreciation	<u>25,711,961</u>	<u>1,531,431</u>	<u>75,414</u>	<u>27,167,978</u>
Total capital assets being depreciated, net	<u>57,108,338</u>	<u>106,526</u>	<u>302,730</u>	<u>56,912,134</u>
Business-type activities capital assets, net	<u>\$ 61,217,175</u>	<u>\$ 120,424</u>	<u>\$ 302,730</u>	<u>\$ 61,034,869</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 583,852
Public safety	36,491
Public works	9,123
Community and cultural	<u>282,802</u>
Total depreciation expense - governmental activities	<u>\$ 912,268</u>
Business-type activities:	
Water and wastewater, sanitation and EMS	<u>\$ 1,637,957</u>
Total depreciation expense	<u>\$ 2,550,225</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2004, is as follows:

Due to/from other funds:

	<u>Due from</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Emergency Medical Services</u>	
Due to:				
Governmental:				
General	\$ -	\$ 646,398	\$ 140,434	\$ 786,832
Nonmajor - governmental funds	2,719	-	-	2,719
Business-type:				
Utility operations	<u>-</u>	<u>-</u>	<u>683,917</u>	<u>683,917</u>
Total Transfers	<u>\$ 2,719</u>	<u>\$ 646,398</u>	<u>\$ 824,351</u>	<u>\$ 1,473,468</u>

This balance resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

(continued)

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

Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers:

	<u>Transfers in</u>			<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Emergency Medical Services</u>	
Transfers out:				
Governmental:				
General	\$ -	\$ 303,079	\$ 100,000	\$ 403,079
Nonmajor - governmental funds	30,000	75,001	125,217	230,218
Business-type:				
Utility operations	1,133,604	-	-	1,133,604
Sanitation	399,102	-	-	399,102
Emergency Medical Services	-	113,700	-	113,700
Total Transfers	<u>\$ 1,562,706</u>	<u>\$ 491,780</u>	<u>\$ 225,217</u>	<u>\$ 2,279,703</u>

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2004, was as follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2004</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$ 3,669,837	\$ 1,890,000	\$ 2,164,239	\$ 3,395,598	\$ 477,536
Certificates of obligation	3,680,000	-	250,000	3,430,000	195,000
Capital leases payable	652,562	269,376	449,008	472,930	334,120
Line of credit	540,551	-	100,000	440,551	100,000
Compensated absences	378,278	325,310	251,011	452,577	90,455
Total governmental activities	<u>8,921,228</u>	<u>2,484,686</u>	<u>3,214,258</u>	<u>8,191,656</u>	<u>1,197,111</u>
<u>Business-type activities</u>					
Revenue bonds	31,561,000	129,000	1,675,000	30,015,000	1,755,000
Certificates of obligation	8,235,163	-	485,761	7,749,402	687,464
Capital leases payable	974,076	172,224	495,873	650,427	177,850
Compensated absences	176,799	75,741	47,998	204,542	40,908
Total business-type activities	<u>40,947,038</u>	<u>376,965</u>	<u>2,704,632</u>	<u>38,619,371</u>	<u>2,661,222</u>
Total	<u>\$ 49,868,266</u>	<u>\$ 2,861,651</u>	<u>\$ 5,918,890</u>	<u>\$ 46,811,027</u>	<u>\$ 3,858,333</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities (Continued)

Capital Leases

The government has acquired certain fixed assets for governmental activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital lease obligations	\$ <u>472,930</u>	\$ <u>650,427</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2005	\$ 342,392	\$ 318,917
2006	117,196	135,507
2007	23,442	83,506
2008	-	68,315
2009	-	68,315
2010-2013	<u>-</u>	<u>11,146</u>
Total minimum lease payments	483,030	685,706
Less: amount representing interest	<u>(10,100)</u>	<u>(35,279)</u>
Present value of minimum lease payments	\$ <u>472,930</u>	\$ <u>650,427</u>

(continued)

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

Long-term Liabilities (Continued)

Bonds Payable

Governmental activities long-term liabilities at September 30, 2004, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
General Obligation Bonds:			
Series 1995 General Obligation Bonds	1,335,000	5.0% to 7.0%	\$ 60,000
Series 2001 General Obligation Refunding Bonds	1,560,000	3.5% to 4.0%	1,045,000
Series 2002 General Obligation Refunding Bonds	481,377	3.0% to 3.75%	400,598
Series 2004 General Obligation Refunding Bonds	1,890,000	2.0% to 3.3%	<u>1,890,000</u>
Total General Obligation Bonds			<u>3,395,598</u>
Certificates of Obligation:			
Series 2001 Combination Tax and Revenue Certificates of Obligation	2,000,000	3.5% to 4.0%	1,525,000
Series 2002 Combination Tax and Revenue Certificates of Obligation	2,105,000	4.25% to 5.125%	<u>1,905,000</u>
Total Certificates of Obligation			<u>3,430,000</u>
			<u>\$ 6,825,598</u>

The funds utilized for the repayment of long-term liabilities for governmental activities are the Debt Service Fund.

Business-type activities long-term liabilities at September 30, 2004, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
1996 Waterworks and Sewer System Revenue Refunding Bonds	\$ 3,065,000	3.6% to 4.8%	\$ 1,095,000
Series 1997-A Waterworks and Sewer System Revenue Refunding Bonds	6,835,000	3.8% to 5.75%	4,445,000
Series 1997-B Waterworks and Sewer System Revenue Refunding Bonds	1,345,000	6.8% to 7.5%	330,000
Series 1997-C Waterworks and Sewer System Revenue Refunding Bonds	10,075,000	3.0% to 4.75%	7,490,000
Series 1997-D Waterworks and Sewer System Revenue Refunding Bonds	1,700,000	4.25% to 5.75%	1,285,000
Series 1999 Waterworks and Sewer System Revenue Refunding Bonds	10,865,000	3.0% to 4.6%	9,285,000
Series 1999-A Waterworks and Sewer System Revenue Refunding Bonds	6,700,000	5.1% to 7.0%	6,085,000
Series 2002 Refunding General Obligation Bonds	2,438,623	3.0% to 3.75%	2,029,402
Series 2002-A Certificates of Obligation	5,855,000	3.0% to 3.75%	<u>5,720,000</u>
			<u>\$ 37,764,402</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Liabilities (Continued)

The annual debt service requirements to be paid on governmental activities long-term debt outstanding at September 30, 2004, are as follows:

<u>September 30,</u>	General Obligation Bonds and Certificates of Obligation			Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 672,536	\$ 284,237	\$ 956,773	\$ 100,000	\$ 27,214	\$ 127,214
2006	691,658	259,970	951,628	100,000	21,031	121,031
2007	717,482	234,037	951,519	100,000	14,848	114,848
2008	851,051	203,344	1,054,395	100,000	11,146	111,146
2009	882,699	129,105	1,011,804	40,551	2,433	42,984
2010-2014	1,955,172	102,319	2,057,491	-	-	-
2015-2019	650,000	73,114	723,114	-	-	-
2020-2024	405,000	88,849	493,849	-	-	-
	<u>\$ 6,825,598</u>	<u>\$ 1,374,975</u>	<u>\$ 8,200,573</u>	<u>\$ 440,551</u>	<u>\$ 76,672</u>	<u>\$ 517,223</u>

The annual debt service requirements to be paid on business-type activities long-term debt outstanding at September 30, 2004, are as follows:

<u>September 30,</u>	Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 2,442,464	\$ 1,764,033	\$ 4,206,497
2006	2,528,342	1,658,924	4,187,266
2007	2,402,518	1,548,219	3,950,737
2008	1,888,949	1,458,933	3,347,882
2009	1,957,301	1,379,196	3,336,497
2010-2014	9,744,828	6,061,991	15,806,819
2015-2019	10,500,000	3,723,540	14,223,540
2020-2024	5,800,000	1,174,389	6,974,389
2025-2029	500,000	79,460	579,460
	<u>\$ 37,764,402</u>	<u>\$ 18,848,685</u>	<u>\$ 56,613,087</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement Systems

Texas Municipal Retirement System (TMRS)

Plan Description

The City provides pension benefits for all of its full-time employees, except for firefighters which are covered by a separate plan, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to Texas Municipal Retirement System, P. O. Box 149153, Austin, Texas 78714-9153.

Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for services rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members may retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Retirement Systems (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contributions

The contribution rate for the employees is 5%, and the City matching percent is currently 2 to 1, both as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year in which the rate goes into effect. (i.e. December 31, 2003 valuation is effective for rates beginning January 2005.)

Schedule of Actuarial Liabilities and Funding Progress

Actual valuation date	12/31/03	12/31/02	12/31/01
Actuarial value of assets	\$ 13,472,002	\$ 12,171,581	\$ 11,111,518
Actuarial accrued liability	17,751,138	15,926,562	14,567,254
Percentage funded	75.9%	76.4%	76.3%
Unfunded (over-funded)			
actuarial accrued liability (UAAL)	4,279,136	3,754,981	3,455,736
Annual covered payroll	6,912,356	6,761,585	6,383,644
UAAL as a percentage of covered payroll	61.9%	55.5%	54.1%
Net pension obligation (NPO) at the beginning of period	-	-	-
Annual Pension Cost:			
Annual required contribution (ARC)	810,319	731,503	644,881
Contributions made	810,319	751,503	644,881
Increase in NPO	-	-	-
NPO at the end of period	-	-	-

The actuarial value of assets was market-related rolling 25 years.

(continued)

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

Employee Retirement Systems (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contributions (Continued)

Actuarial Assumptions

Actuarial Cost Method	-	Unit Credit
Amortization Method	-	Level percent of Payroll
Remaining Amortization Period	-	25 Years - Open Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	8%
Projected Salary Increases	-	None
Includes Inflation At	-	None
Cost-of-Living Adjustments	-	None

Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Corsicana Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$488,107 reported to date based on the use of 20.16 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,421,472 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The City expects to close the landfill in the year 2029. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is in compliance with these requirements, and, at September 30, 2004, investments of \$408,548 fair value are held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Contingent Liabilities

The City is involved in various litigation in the normal course of operations. While the results of any litigation contains an element of uncertainty, the City's management believes that the amount of any liability and costs which might result, would not have a material adverse affect on the general purpose financial statements.

The City participates in a number of federal award programs. Although the City's programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through September 30, 2004, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004

	Special Revenue			
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures
ASSETS				
Assets:				
Cash	\$ 11,337	\$ 52,963	\$ 23,544	\$ 12,596
Receivables, (net):				
Taxes	55,364	-	-	-
Accounts	-		212	-
Intergovernmental	-	5,648	-	-
Due from other funds	-	-	-	-
	<u>\$ 66,701</u>	<u>\$ 58,611</u>	<u>\$ 23,756</u>	<u>\$ 12,596</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 35,065	\$ 921	\$ 1,055	\$ 720
Accrued payroll	31,450	-	4,066	-
Due to other funds	-	-	-	-
Deferred revenue	-	169	-	-
Total liabilities	<u>66,515</u>	<u>1,090</u>	<u>5,121</u>	<u>720</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved, reported in:				
Special revenue	186	57,521	18,635	11,876
Capital projects	-	-	-	-
Total fund balances	<u>186</u>	<u>57,521</u>	<u>18,635</u>	<u>11,876</u>
Total liabilities and fund balances	<u>\$ 66,701</u>	<u>\$ 58,611</u>	<u>\$ 23,756</u>	<u>\$ 12,596</u>

Special Revenue

<u>Parks/ Recreation Special Revenue</u>	<u>Parks/ Recreation Events</u>	<u>Library Grants and Contributions</u>	<u>Economic Development Grants (TRVCIF)</u>	<u>City/County Economic Development</u>	<u>Police Special Revenue</u>	<u>Summer Recreation Programs</u>	<u>Fire Special Revenue</u>
\$ 80,879	\$ 9,179	\$ 10,939	\$ 88,313	\$ 65,014	\$ 35,645	\$ 6,547	\$ 7,970
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>80,879</u>	<u>9,179</u>	<u>10,939</u>	<u>88,313</u>	<u>65,014</u>	<u>35,645</u>	<u>6,547</u>	<u>7,970</u>
\$ 7,205	\$ -	\$ 780	\$ -	\$ 35,000	\$ 497	\$ -	\$ 915
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>7,205</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>35,000</u>	<u>497</u>	<u>-</u>	<u>915</u>
-	-	-	-	-	-	-	-
73,674	9,179	10,159	88,313	30,014	35,148	6,547	7,055
-	-	-	-	-	-	-	-
<u>73,674</u>	<u>9,179</u>	<u>10,159</u>	<u>88,313</u>	<u>30,014</u>	<u>35,148</u>	<u>6,547</u>	<u>7,055</u>
<u>\$ 80,879</u>	<u>\$ 9,179</u>	<u>\$ 10,939</u>	<u>\$ 88,313</u>	<u>\$ 65,014</u>	<u>\$ 35,645</u>	<u>\$ 6,547</u>	<u>\$ 7,970</u>

(continued)

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2004

	Special Revenue			
	Palace Theater	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
ASSETS				
Assets:				
Cash	\$ -	\$ 8,653	\$ 19,431	\$ -
Receivables, (net):				
Taxes	-	-	-	-
Accounts	7,438	-	-	-
Intergovernmental	-	-	75,440	13,630
Due from other funds	-	-	-	-
	<u>\$ 7,438</u>	<u>\$ 8,653</u>	<u>\$ 94,871</u>	<u>\$ 13,630</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,352	\$ -	\$ 94,729	\$ -
Accrued payroll	-	-	-	-
Due to other funds	6,086	-	-	13,630
Deferred revenue	-	-	-	-
Total liabilities	<u>7,438</u>	<u>-</u>	<u>94,729</u>	<u>13,630</u>
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved, reported in:				
Special revenue	-	8,653	142	-
Capital projects	-	-	-	-
Total fund balances	<u>-</u>	<u>8,653</u>	<u>142</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,438</u>	<u>\$ 8,653</u>	<u>\$ 94,871</u>	<u>\$ 13,630</u>

Activity Tourism Center	Special Revenue					
	Tax Increment Financing District	Court Technology	Court Building Security	2002 Local Law Enforcement Grant	2003 Local Law Enforcement Grant	EMS Equipment Replacement
\$ 70,786	\$ -	\$ 3,535	\$ 33,193	\$ 2,056	\$ 2,438	\$ 45,324
-	2,876	-	-	-	-	-
-	675,280	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 70,786</u>	<u>\$ 678,156</u>	<u>\$ 3,535</u>	<u>\$ 33,193</u>	<u>\$ 2,056</u>	<u>\$ 2,438</u>	<u>\$ 45,324</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,056	\$ 404	\$ -
-	-	-	-	-	-	-
-	579,169	-	-	-	-	-
-	683,868	-	-	-	-	-
-	1,263,037	-	-	2,056	404	-
-	-	-	-	-	-	-
70,786	(584,881)	3,535	33,193	-	2,034	45,324
-	-	-	-	-	-	-
<u>70,786</u>	<u>(584,881)</u>	<u>3,535</u>	<u>33,193</u>	<u>-</u>	<u>2,034</u>	<u>45,324</u>
<u>\$ 70,786</u>	<u>\$ 678,156</u>	<u>\$ 3,535</u>	<u>\$ 33,193</u>	<u>\$ 2,056</u>	<u>\$ 2,438</u>	<u>\$ 45,324</u>

(continued)

CITY OF CORSICANA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2004

	<u>Debt Service</u>	<u>Capital Projects</u>		
	Interest and Redemption Tax Supported Bonds G.O.	<u>2001-02 Capital Purchases</u>	<u>2001 CO Construction</u>	<u>2002/2003 Capital Purchases</u>
ASSETS				
Assets:				
Cash	\$ 150,333	\$ -	\$ 165,234	\$ -
Receivables, (net):				
Taxes	99,359	-	-	-
Accounts	5,653	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	<u>2,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 258,064</u>	<u>\$ -</u>	<u>\$ 165,234</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 13,379	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>99,359</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>99,359</u>	<u>-</u>	<u>13,379</u>	<u>-</u>
Fund balances:				
Reserved for:				
Debt service	158,705	-	-	-
Unreserved, reported in:				
Special revenue	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>151,855</u>	<u>-</u>
Total fund balances	<u>158,705</u>	<u>-</u>	<u>151,855</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 258,064</u>	<u>\$ -</u>	<u>\$ 165,234</u>	<u>\$ -</u>

Capital Projects

<u>2003/2004 Capital Purchases</u>	<u>2002-B CO Construction</u>	<u>Totals</u>
\$ -	\$ 345,706	\$ 1,251,615
-	-	157,599
65,262	-	753,845
-	-	94,718
<u>-</u>	<u>-</u>	<u>2,719</u>
<u>\$ 65,262</u>	<u>\$ 345,706</u>	<u>\$ 2,260,496</u>
\$ 17,929	\$ 6,229	\$ 218,236
-	-	35,516
47,513	-	646,398
-	-	783,396
<u>65,442</u>	<u>6,229</u>	<u>1,683,546</u>
-	-	158,705
-	-	(72,907)
<u>(180)</u>	<u>339,477</u>	<u>491,152</u>
<u>(180)</u>	<u>339,477</u>	<u>576,950</u>
<u>\$ 65,262</u>	<u>\$ 345,706</u>	<u>\$ 2,260,496</u>

CITY OF CORSICANA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue			
	Hotel Occupancy Tax	Airport	Cemetery	Forfeitures
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Occupancy tax	202,326	-	-	-
Interest income	975	11	11	5
Fines and fees	-	-	-	1,238
Charges for services	-	20,990	614	-
Contributions/donations	-	-	-	-
Intergovernmental	-	21,602	-	-
Miscellaneous	140,406	32,023	29,750	-
Total revenues	343,707	74,626	30,375	1,243
EXPENDITURES				
Current:				
General government	-	65,476	-	-
Public safety	-	-	-	2,684
Public works	-	-	135,324	-
Culture and recreation	399,292	-	-	-
Capital outlay	178,255	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	577,547	65,476	135,324	2,684
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(233,840)	9,150	(104,949)	(1,441)
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	-	100,000	-
Transfers out	(10,000)	-	-	-
Proceeds from issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	165,000	-	100,000	-
NET CHANGE IN FUND BALANCES	(68,840)	9,150	(4,949)	(1,441)
FUND BALANCES, BEGINNING	69,026	48,371	23,584	13,317
FUND BALANCES, ENDING	\$ 186	\$ 57,521	\$ 18,635	\$ 11,876

Special Revenue

Parks/ Recreation Special Revenue	Parks/ Recreation Events	Library Grants and Contributions	Economic Development Grants (TRVCIF)	City/County Economic Development	Police Special Revenue	Summer Recreation Programs	Fire Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
18	3	3	1,121	13	35	5	3
-	-	-	-	-	-	-	-
-	-	-	-	-	-	499	-
108,084	4,225	5,218	-	-	22,808	-	2,050
-	-	3,604	-	-	-	-	747
-	-	-	-	-	50	-	-
<u>108,102</u>	<u>4,228</u>	<u>8,825</u>	<u>1,121</u>	<u>13</u>	<u>22,893</u>	<u>504</u>	<u>2,800</u>
-	-	-	-	35,000	-	-	-
-	-	-	-	-	14,627	-	2,630
-	-	-	-	-	-	-	-
63,055	10,691	4,911	-	-	-	26,672	-
17,393	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>80,448</u>	<u>10,691</u>	<u>4,911</u>	<u>-</u>	<u>35,000</u>	<u>14,627</u>	<u>26,672</u>	<u>2,630</u>
<u>27,654</u>	<u>(6,463)</u>	<u>3,914</u>	<u>1,121</u>	<u>(34,987)</u>	<u>8,266</u>	<u>(26,168)</u>	<u>170</u>
-	10,000	-	-	65,001	-	25,000	-
-	-	-	(65,001)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(65,001)</u>	<u>65,001</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
27,654	3,537	3,914	(63,880)	30,014	8,266	(1,168)	170
<u>46,020</u>	<u>5,642</u>	<u>6,245</u>	<u>152,193</u>	<u>-</u>	<u>26,882</u>	<u>7,715</u>	<u>6,885</u>
<u>\$ 73,674</u>	<u>\$ 9,179</u>	<u>\$ 10,159</u>	<u>\$ 88,313</u>	<u>\$ 30,014</u>	<u>\$ 35,148</u>	<u>\$ 6,547</u>	<u>\$ 7,055</u>

(continued)

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

NONMAJOR GOVERNMENTAL FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue			
	Palace Theater	Police LEOSE	Homeland Security Grant	CHDO Home Buyer Program
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-
Interest income	-	2	2	-
Fines and fees	-	-	-	-
Charges for services	-	-	-	-
Contributions/donations	-	-	-	-
Intergovernmental	-	4,039	136,541	-
Miscellaneous	11,438	-	-	-
Total revenues	<u>11,438</u>	<u>4,041</u>	<u>136,543</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	2,008	-	-
Public works	-	-	-	-
Culture and recreation	11,143	-	-	-
Capital outlay	-	-	136,401	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>11,143</u>	<u>2,008</u>	<u>136,401</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>295</u>	<u>2,033</u>	<u>142</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	683	-	-	-
Transfers out	-	-	-	-
Proceeds from issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>683</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	978	2,033	142	-
FUND BALANCES, BEGINNING	(978)	6,620	-	-
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 8,653</u>	<u>\$ 142</u>	<u>\$ -</u>

Special Revenue

Activity Tourism Center	Tax Increment Financing District	Court Technology	Court Building Security	2002 Local Law Enforcement Grant	2003 Local Law Enforcement Grant	EMS Equipment Replacement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
237	-	1	8	1	1	8
-	-	11,354	9,940	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,081	13,443	-
-	12,617	-	-	-	-	-
<u>237</u>	<u>12,617</u>	<u>11,355</u>	<u>9,948</u>	<u>5,082</u>	<u>13,444</u>	<u>8</u>
-	2,501	-	-	-	-	-
-	-	-	-	5,082	7,404	-
-	-	-	-	-	-	-
23,235	-	-	993	-	-	-
-	-	-	-	-	5,500	-
-	100,000	12,105	-	-	-	-
-	32,134	404	-	-	-	-
<u>23,235</u>	<u>134,635</u>	<u>12,509</u>	<u>993</u>	<u>5,082</u>	<u>12,904</u>	<u>-</u>
(22,998)	(122,018)	(1,154)	8,955	-	540	8
-	-	-	-	-	1,494	113,700
-	-	-	-	-	-	(125,217)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,494	(11,517)
(22,998)	(122,018)	(1,154)	8,955	-	2,034	(11,509)
<u>93,784</u>	<u>(462,863)</u>	<u>4,689</u>	<u>24,238</u>	<u>-</u>	<u>-</u>	<u>56,833</u>
<u>\$ 70,786</u>	<u>\$(584,881)</u>	<u>\$ 3,535</u>	<u>\$ 33,193</u>	<u>\$ -</u>	<u>\$ 2,034</u>	<u>\$ 45,324</u>

(continued)

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

NONMAJOR GOVERNMENTAL FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2004

	Debt Service	Capital Projects		
	Interest and Redemption Tax Supported Bonds G.O.	2001 CO Construction	2002/2003 Capital Purchases	2003/2004 Capital Purchases
REVENUES				
Taxes	\$ 1,084,790	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-
Interest income	14,344	1,022	895	-
Fines and fees	-	-	-	-
Charges for services	-	-	-	-
Contributions/donations	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	210,644	21,639
Total revenues	1,099,134	1,022	211,539	21,639
EXPENDITURES				
Current:				
General government	-	-	-	26,405
Public safety	-	-	-	-
Public works	-	140,357	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	93,296	13,291	264,790
Debt service:				
Principal	612,391	-	-	-
Interest	403,264	-	-	-
Total expenditures	1,015,655	233,653	13,291	291,195
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	83,479	(232,631)	198,248	(269,556)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	902	-
Transfers out	-	(30,000)	-	-
Proceeds from issuance of debt	1,890,000	-	-	269,376
Payment to bond escrow agent	(1,832,483)	-	-	-
Total other financing sources (uses)	57,517	(30,000)	902	269,376
NET CHANGE IN FUND BALANCES	140,996	(262,631)	199,150	(180)
FUND BALANCES, BEGINNING	17,709	414,486	(199,150)	-
FUND BALANCES, ENDING	\$ 158,705	\$ 151,855	\$ -	\$(180)

Capital Projects

<u>2002-B CO Construction</u>	<u>Totals</u>
\$ -	\$ 1,084,790
-	202,326
7,087	25,811
-	22,532
-	22,103
-	142,385
-	185,057
-	458,567
<u>7,087</u>	<u>2,143,571</u>
178,127	307,509
-	34,435
-	275,681
-	539,992
322,403	1,031,329
-	724,496
-	435,802
<u>500,530</u>	<u>3,349,244</u>
(493,443)	(1,205,673)
-	491,780
-	(230,218)
-	2,159,376
-	(1,832,483)
-	588,455
(493,443)	(617,218)
<u>832,920</u>	<u>1,194,168</u>
<u>\$ 339,477</u>	<u>\$ 576,950</u>

SINGLE AUDIT SECTION



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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Corsicana, Texas, as of and for the year ended September 30, 2004, which collectively comprise the City of Corsicana, Texas' basic financial statements and have issued our report thereon dated December 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Corsicana, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Corsicana, Texas, in a separate letter dated December 29, 2004.

Compliance and Other Matters

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

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

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

December 29, 2004



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Corsicana, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The City of Corsicana, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Corsicana, Texas' management. Our responsibility is to express an opinion on the City of Corsicana, Texas' compliance based on our audit.

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

In our opinion, the City of Corsicana, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the City of Corsicana, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Corsicana, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

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

December 29, 2004

CITY OF CORSICANA, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Office of Rural Community Affairs:			
Community Development Block Grant	14.228	722151	\$ <u>127,817</u>
Total Passed through Office of Rural Community Affairs			<u>127,817</u>
Total U. S. Department of Housing and Urban Development			<u>127,817</u>
<u>U. S. Department of Justice</u>			
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2490	13,443
TEEX Homeland Security	16.007	17560004990	<u>382,039</u>
Total U. S. Department of Justice			<u>395,482</u>
<u>Environmental Protection Agency</u>			
Office of Water			
Passed through Texas Water Development Board:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	60135-199A	<u>130,313</u>
Total Environmental Protection Agency			<u>130,313</u>
Total Federal Expenditures			\$ <u><u>653,612</u></u>

CITY OF CORSICANA, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Corsicana, Texas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CITY OF CORSICANA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The District was not classified as a low-risk auditee in the context of OMB Circular A-133
Major federal program	U. S. Department of Justice: TEEX Homeland Security Grant, CFDA #16.007

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CITY OF CORSICANA, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2004

None

STATISTICAL SECTION

CITY OF CORSICANA, TEXAS

TOP TEN TAXPAYERS

SEPTEMBER 30, 2004

<u>Agency</u>	<u>Market</u>	<u>Taxable</u>
1. Guardian Industrial Corporation	\$ 27,881,140	\$ 27,881,140
2. Russell Stover Candies - Abated	50,710,300	25,355,140
3. Tru-Serv Corp. - Non-abated	22,179,070	22,179,070
4. Pactive Foam	14,076,830	14,076,830
5. Swift Transportation	13,458,916	13,458,916
6. Oncor Electric Delivery Company	11,032,850	11,032,850
7. RMG Corsicana Real	10,201,480	10,201,480
8. Russell Stover Candies	9,539,530	9,539,530
9. Guardian Industries - Abated	19,030,070	9,515,030
10. Wal-Mart Real Estate	8,087,320	8,037,320

CITY OF CORSICANA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(UNAUDITED)

Date of Incorporation	1848
Date of Last Amendment of City Charter	2000
Form of Government	Mayor/Council
Area	22.73 sq. miles
Building Permits	
Permits Issued	262
Estimated Cost	\$26,330,369
Fire Protection:	
Number of Fire Stations	4
Number of Employees	38
Recreation:	
Parks	12 with 625.5 acres
Playgrounds	9
Number of Swimming Pools	2
Municipal Water Plant:	
Number of Meters in Service	9,753
Average Daily Consumption	625 mgd.
Maximum Daily Capacity of Water Production	24.25 mgd.
Number of Gallons Registered Through Master Meters	2,611 m.
Number of Gallons Sold	2,282,516,000 gal.
Number of Fire Hydrants	750
Municipal Employees:	
Full-time	298
Part-time	45.5

Historical Data
Population - City of Corsicana

<u>Year</u>	<u>Population *</u>
1920	11,356
1930	15,202
1940	15,232
1950	19,108
1960	20,344
1970	19,972
1980	21,712
1990	22,911
2000	24,485
2004	25,000 (est.)

* Data provided from Federal Census

CITY OF CORSICANA, TEXAS

TOP TEN EMPLOYERS

SEPTEMBER 30, 2004

<u>Taxpayer's Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
1. Russell Stover's Candies	Manufacturing	1,000
2. Corsicana Independent School District	Government	795
3. Navarro College	Government	784
4. Collin Street Bakery	Manufacturing	500
5. Guardian Industries	Manufacturing	400
6. Navarro Regional Hospital	Medical Services	400
7. Texas Youth Commission	Government	335
8. City of Corsicana	Government	296
9. Navarro County	Government	289
10. Medical Arts Clinic	Medical Services	287