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**CITY OF CORINTH, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2010**



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**CERTIFIED PUBLIC ACCOUNTANTS**  
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

515 E. Waldron St.  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Mayor and Board of Aldermen:  
City of Corinth, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Corinth, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units would have been reported as \$60,214,666, \$19,218,343, \$40,996,323, \$14,671,476, and \$9,576,306, respectively.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Corinth, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof 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 May 23, 2011, on our consideration of the City of Corinth's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 33 – 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Branner Vomstouf & Company, P. A.*

Corinth, Mississippi  
May 23, 2011

**CITY OF CORINTH, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The discussion and analysis of the City of Corinth, Mississippi's, financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

#### FINANCIAL HIGHLIGHTS

- Total net assets increased \$891,798, which represents a 3.04% increase from fiscal year 2009.
- General revenues account for \$10,812,178 in revenue, or 61.08% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,889,258 or 38.92% of total revenues.
- The City had \$16,809,638 in expenses; only \$6,889,258 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,812,178 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,836,786 in revenues and \$9,924,374 in expenditures. The General Fund's fund balance decreased \$141,528 over the prior year.
- Governmental activities capital assets, net of accumulated depreciation, increased by \$2,297,730 due mainly to street improvements. Business-type activities capital assets, net of accumulated depreciation, increased by \$2,722,136, due mainly to the sewer outfall line project.
- Governmental activities long-term debt increased by \$21,705,013 due to new loans. Business-type activities long-term debt increased by \$2,803,645 due to additional advances on the Water Pollution Control Revolving Loan Fund.

#### OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the City that are principally supported by property and sales taxes (governmental activities) and sewer and solid waste charges (business-type activities). The governmental activities of the City include general government, public safety, public service, culture and recreation, and interest on long-term liabilities.

**CITY OF CORINTH, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the 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 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 the City's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the City's operations.

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 City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 11 and 13, respectively.

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 all major funds.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Proprietary Funds. Proprietary funds are used to account for the same functions reported as business-type activities in the government-wide financial statements, only in more detail. The City uses proprietary funds to account for the operations of the sewer system and solid waste system.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in separate Statements of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 17 and 18.

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 beginning on page 19 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process.

The City adopts an annual operating budget for all governmental and proprietary funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 33-35 of this report.

**CITY OF CORINTH, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$30,266,599 as of September 30, 2010.

The largest portion of the City's net assets (47.02%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens.

The City's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2010 and 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 37,431,094	\$ 13,363,887	\$ 7,096,688	\$ 6,400,052	\$ 44,527,782	\$ 19,763,939
Capital Assets, Net	6,842,565	4,544,835	29,836,118	27,113,982	36,678,683	31,658,817
Total Assets	<u>44,273,659</u>	<u>17,908,722</u>	<u>36,932,806</u>	<u>33,514,034</u>	<u>81,206,465</u>	<u>51,422,756</u>
Other Liabilities	6,585,220	2,453,560	253,154	31,561	6,838,374	2,485,121
Long-Term Liabilities	27,248,523	5,543,510	16,822,969	14,019,324	44,071,492	19,562,834
Total Liabilities	<u>33,833,743</u>	<u>7,997,070</u>	<u>17,076,123</u>	<u>14,050,885</u>	<u>50,909,866</u>	<u>22,047,955</u>
Net Assets						
Invested in Capital Assets, Net	1,156,703	1,674,835	13,074,639	13,143,876	14,231,342	14,818,711
Restricted	3,303,799	1,387,517	134,157	248,906	3,437,956	1,636,423
Unrestricted	5,979,414	6,849,300	6,617,887	6,070,367	12,597,301	12,919,667
Total Net Assets	<u>\$ 10,439,916</u>	<u>\$ 9,911,652</u>	<u>\$ 19,826,683</u>	<u>\$ 19,463,149</u>	<u>\$ 30,266,599</u>	<u>\$ 29,374,801</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The acquisition of \$18,432,567 in notes receivable from the Corinth Utility Commission. See Note 3 for additional information.
- The principal retirement of \$325,000 of long-term debt in the governmental activities and \$856,655 in the business-type activities.
- The acquisition of \$22,030,013 in long-term debt (see Note 5) in the governmental activities and \$3,660,300 in the business-type activities.
- The acquisition of \$2,541,838 in infrastructure improvements, mobile equipment, and furniture and equipment, net of depreciation, in the governmental activities.
- The acquisition of \$3,983,037 in equipment and sewer line improvements, net of depreciation, in the business-type activities.

Changes in net assets. The City's total revenues for the fiscal year ended September 30, 2010, were \$17,701,436. The total cost of all programs and services was \$16,809,638. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2010 and 2009.

**CITY OF CORINTH, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues	\$ 2,529,319	\$ 1,834,013	\$ 4,359,939	\$ 4,370,083	\$ 6,889,258	\$ 6,204,096
General Revenues	10,722,110	10,718,199	90,068	122,592	10,812,178	10,840,791
Transfers	-	15,053	-	(15,053)	-	-
<b>Total Revenues</b>	<b>13,251,429</b>	<b>12,567,265</b>	<b>4,450,007</b>	<b>4,477,622</b>	<b>17,701,436</b>	<b>17,044,887</b>
<b>Expenses</b>						
General Government	1,923,826	1,912,436	-	-	1,923,826	1,912,436
Public Safety	5,825,287	5,632,827	-	-	5,825,287	5,632,827
Public Service	3,032,744	1,714,983	-	-	3,032,744	1,714,983
Culture and Recreation	1,680,045	1,870,428	-	-	1,680,045	1,870,428
Sewer	-	-	2,369,294	2,349,572	2,369,294	2,349,572
Solid Waste	-	-	1,395,774	1,177,966	1,395,774	1,177,966
Interest on Long-Term Liabilities	261,263	135,722	321,405	346,554	582,668	482,276
<b>Total Expenses</b>	<b>12,723,165</b>	<b>11,266,396</b>	<b>4,086,473</b>	<b>3,874,092</b>	<b>16,809,638</b>	<b>15,140,488</b>
<b>Increase in Net Assets</b>	<b>\$ 528,264</b>	<b>\$ 1,300,869</b>	<b>\$ 363,534</b>	<b>\$ 603,530</b>	<b>\$ 891,798</b>	<b>\$ 1,904,399</b>

Governmental activities. The following table presents the cost of five major City functional activities: general government, public safety, public service, culture and recreation, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2010		2009	
	Expenses	Net (Expenses)	Expenses	Net (Expenses)
		Revenue		Revenue
General Government	\$ 1,923,826	\$ (1,923,826)	\$ 1,912,436	\$ (1,912,436)
Public Safety	5,825,287	(4,881,148)	5,632,827	(4,973,151)
Public Service	3,032,744	(1,754,449)	1,714,983	(796,104)
Culture and Recreation	1,680,045	(1,373,160)	1,870,428	(1,614,970)
Interest on Long-Term Liabilities	261,263	(261,263)	135,722	(135,722)
<b>Total Expenses</b>	<b>\$ 12,723,165</b>	<b>\$ (10,193,846)</b>	<b>\$ 11,266,396</b>	<b>\$ (9,432,383)</b>

The net cost of governmental activities, \$10,193,846 was financed by general revenue, which is made up of primarily property taxes of \$3,332,064 and sales taxes of \$6,391,510.

Investment earnings accounted for \$128,705 of funding in the governmental activities.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on current 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 the City's net resources available for spending at the end of the fiscal year.

**CITY OF CORINTH, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

The financial performance of the City's governmental activities as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$30,766,227, an increase of \$19,973,528. \$29,202,661 or 94.92% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$1,563,566 or 5.08% is reserved or designated to indicate that it is not available for spending because it has been committed for specific programs.

The General Fund is the principal operating fund of the City. The decrease in fund balance in the General Fund for the fiscal year was \$141,528, or 2.47%.

Proprietary Funds. The focus of the City's proprietary funds is the same as is provided in the government-wide financial statements, only in more detail. Unrestricted net assets of the Sewer System Enterprise Fund at year-end amounted to \$6,043,695. The increase in net assets amounted to \$180,475. Unrestricted net assets of the Sanitation Enterprise Fund at year-end amounted to \$574,192. The increase in net assets amounted to \$183,059.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised the annual operating budget for the General Fund to adjust line items between functions and increase budgeted expenditures based on revised revenue estimates.

Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and each major special revenue fund are provided in this report as required supplementary information.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2010, the City's total capital assets were \$50,914,152, including land, buildings, construction in progress, infrastructure, and equipment. This amount represents an increase of \$6,400,275 from the previous year, due primarily to street infrastructure improvements and the sewer line outfall project. Total accumulated depreciation as of September 30, 2010, was \$14,235,469, and total depreciation expense for the year was \$1,493,442, resulting in total net capital assets of \$36,678,683.

Additional information of the City's capital assets can be found in the Notes 1 and 4 of this report.

Debt Administration. At September 30, 2010, the City had \$44,071,492 in long-term debt outstanding, of which \$1,331,922 is due within one year. This represents an increase of \$24,508,658 as a result of new debt and scheduled repayments.

Additional information of the City's long-term debt can be found in the Notes 1 and 5 of this report.

#### CURRENT ISSUES

The City of Corinth, Mississippi is financially stable.

The City has committed itself to financial excellence for many years. In addition, the City system of financial planning, budgeting and internal financial controls are well regarded. The City plans to continue its sound fiscal management to meet the challenges of the future.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Mayor's Office of the City of Corinth, Mississippi, 300 Childs Street, Corinth, MS 38834.

**CITY OF CORINTH, MISSISSIPPI**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash in Bank	\$ 8,766,256	\$ 6,477,854	\$ 15,244,110
Accounts Receivable, Net	4,577,252	622,509	5,199,761
Property Taxes Receivable	2,094,493	-	2,094,493
Fines Receivable, Net of Allowance for Doubtful Accounts	165,213	-	165,213
Interfund Receivable (Payable)	4,000	(4,000)	-
Prepaid Expenses	1,206,886	-	1,206,886
Note Receivable	20,557,856	-	20,557,856
Capitalized Bond Issue Cost, Net	59,138	325	59,463
Capital Assets Not Being Depreciated	2,448,235	3,693,203	6,141,438
Capital Assets, Net of Accumulated Depreciation	4,394,330	26,142,915	30,537,245
<b>Total Assets</b>	<b>44,273,659</b>	<b>36,932,806</b>	<b>81,206,465</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	4,490,727	283,154	4,773,881
Deferred Revenue	2,094,493	-	2,094,493
Compensated Absences	568,475	61,490	629,965
Long Term Liabilities:			
Due Within One Year - Capital Related	445,000	886,922	1,331,922
Due Beyond One Year - Capital Related	5,300,000	15,874,557	21,174,557
Due Beyond One Year - Non-Capital Related	20,935,048	-	20,935,048
<b>Total Liabilities</b>	<b>33,833,743</b>	<b>17,106,123</b>	<b>50,939,866</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,156,703	13,074,639	14,231,342
Restricted Net Assets:			
Expendable:			
Debt Service	978,317	134,157	1,112,474
Capital Improvements	440,546	-	440,546
Public Safety	247,828	-	247,828
Culture & Recreation	1,637,108	-	1,637,108
Unrestricted	5,979,414	6,617,887	12,597,301
<b>Total Net Assets</b>	<b>\$ 10,439,916</b>	<b>\$ 19,826,683</b>	<b>\$ 30,266,599</b>

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

**CITY OF CORINTH, MISSISSIPPI  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 1,923,826	\$ -	\$ -	\$ -	\$ (1,923,826)	\$ -	\$ (1,923,826)
Public Safety	5,825,287	643,437	112,697	188,005	(4,881,148)	-	(4,881,148)
Public Service	3,032,744	-	226,653	1,051,642	(1,754,449)	-	(1,754,449)
Culture and Recreation	1,680,045	-	306,885	-	(1,373,160)	-	(1,373,160)
Interest on Long-Term Liabilities	261,263	-	-	-	(261,263)	-	(261,263)
<b>Total Governmental Activities</b>	<b>12,723,165</b>	<b>643,437</b>	<b>646,235</b>	<b>1,239,647</b>	<b>(10,193,846)</b>	<b>-</b>	<b>(10,193,846)</b>
<b>Business-Type Activities</b>							
Sewer	2,369,294	2,790,105	-	-	-	420,811	420,811
Solid Waste	1,395,774	1,569,834	-	-	-	174,060	174,060
Interest on Long-Term Liabilities	321,405	-	-	-	-	(321,405)	(321,405)
<b>Total Business-Type Activities</b>	<b>4,086,473</b>	<b>4,359,939</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273,466</b>	<b>273,466</b>
<b>Total Government</b>	<b>\$ 16,809,638</b>	<b>\$ 5,003,376</b>	<b>\$ 646,235</b>	<b>\$ 1,239,647</b>	<b>(10,193,846)</b>	<b>273,466</b>	<b>(9,920,380)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property					3,332,064	-	3,332,064
Sales					6,391,510	-	6,391,510
Franchise					347,422	-	347,422
Gasoline					13,775	-	13,775
Pro-Rata Road					143,565	-	143,565
Other Permits and Taxes					142,701	-	142,701
Non-Restricted Grants					7,294	-	7,294
Investment Earnings					128,705	88,076	216,781
Other					215,074	1,992	217,066
<b>Total General Revenues</b>					<b>10,722,110</b>	<b>90,068</b>	<b>10,812,178</b>
<b>Change in Net Assets</b>					<b>528,264</b>	<b>363,534</b>	<b>891,798</b>
<b>Net Assets, Beginning</b>					<b>9,911,652</b>	<b>19,463,149</b>	<b>29,374,801</b>
<b>Net Assets, Ending</b>					<b>\$ 10,439,916</b>	<b>\$ 19,826,683</b>	<b>\$ 30,266,599</b>

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

**CITY OF CORINTH, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	Major Funds					Total Governmental Funds
	General	Gas & Water Surface Water Project	Corinth/Alcorn Jail Project	Infrastructure Bond	Other Governmental Funds	
<u>Assets</u>						
Cash	\$ 5,182,516	\$ -	\$ -	\$ 651,649	\$ 2,932,091	\$ 8,766,256
Property Taxes Receivable	1,538,692	-	-	-	555,801	2,094,493
Intergovernmental Receivables	456,089	3,939,152	-	-	182,011	4,577,252
Fines Receivable, Net	165,213	-	-	-	-	165,213
Prepaid Expense	25,006	-	1,181,880	-	-	1,206,886
Note Receivable	-	20,557,856	-	-	-	20,557,856
Due from Sewer Enterprise Fund	4,000	-	-	-	-	4,000
<b>Total Assets</b>	<b>\$ 7,371,516</b>	<b>\$ 24,497,008</b>	<b>\$ 1,181,880</b>	<b>\$ 651,649</b>	<b>\$ 3,669,903</b>	<b>\$ 37,371,956</b>
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 67,908	\$ 3,939,152	\$ -	\$ 211,103	\$ 127,860	\$ 4,346,023
Unearned Revenue	1,703,905	-	-	-	555,801	2,259,706
<b>Total Liabilities</b>	<b>1,771,813</b>	<b>3,939,152</b>	<b>-</b>	<b>211,103</b>	<b>683,661</b>	<b>6,605,729</b>
<u>Fund Balances</u>						
<u>Reserved for</u>						
Capital Improvements	-	-	-	440,546	-	440,546
Debt Service	-	-	-	-	1,123,020	1,123,020
<u>Unreserved</u>						
General Funds	5,599,703	-	-	-	-	5,599,703
Special Revenue Funds	-	20,557,856	1,181,880	-	1,863,222	23,602,958
<b>Total Fund Balances</b>	<b>5,599,703</b>	<b>20,557,856</b>	<b>1,181,880</b>	<b>440,546</b>	<b>2,986,242</b>	<b>30,766,227</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,371,516</b>	<b>\$ 24,497,008</b>	<b>\$ 1,181,880</b>	<b>\$ 651,649</b>	<b>\$ 3,669,903</b>	<b>\$ 37,371,956</b>

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

**CITY OF CORINTH, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	Amount
Total Fund Balances - Governmental Funds	\$ 30,766,227
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Certain assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	165,213
2. Capital assets are used in governmental activities but are not financial resources, and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,034,077. (Note 4)	6,842,565
3. Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds. (Note 5)	(27,248,523)
4. Discounts on debt issuance are recorded as other financing uses in the governmental funds; however, they are recorded as an asset and amortized in the government-wide statements.	59,138
5. Accrued interest is not due and payable in the current period and therefore, is not reported in the funds.	(144,704)
Total Net Assets - Governmental Activities	\$ 10,439,916

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

**CITY OF CORINTH, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds					Total Governmental Funds
	General	Gas & Water Surface Water Project	Corinth/Alcorn Jail Project	Infrastructure Bond	Other Governmental Funds	
<b>REVENUES:</b>						
Taxes	\$ 2,285,810	\$ -	\$ -	\$ -	\$ 593,278	\$ 2,879,088
Licenses and Permits	490,123	-	-	-	-	490,123
Intergovernmental	6,132,507	-	-	-	2,760,053	8,892,560
Charges for Services	23,664	-	-	-	-	23,664
Fines and Forfeits	619,773	-	-	-	-	619,773
Other	284,909	-	-	23,118	38,194	346,221
Total Revenues	<u>9,836,786</u>	<u>-</u>	<u>-</u>	<u>23,118</u>	<u>3,391,525</u>	<u>13,251,429</u>
<b>EXPENDITURES:</b>						
Current						
General Government	1,863,985	-	-	-	-	1,863,985
Public Safety	5,640,353	-	-	-	83,493	5,723,846
Public Service	2,031,361	-	-	762,730	135,574	2,929,665
Culture and Recreation	202,750	-	-	-	1,477,295	1,680,045
Capital Outlay	185,925	-	-	745,562	1,610,350	2,541,837
Debt Service:						
Principal	-	-	-	-	325,000	325,000
Interest and Other Charges	-	-	-	61,442	161,841	223,283
Total Expenditures	<u>9,924,374</u>	<u>-</u>	<u>-</u>	<u>1,569,734</u>	<u>3,793,553</u>	<u>15,287,661</u>
Excess of Revenues Over (Under) Expenditures	<u>(87,588)</u>	<u>-</u>	<u>-</u>	<u>(1,546,616)</u>	<u>(402,028)</u>	<u>(2,036,232)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds of loans	-	18,432,567	-	-	377,193	18,809,760
Proceeds of general obligation bonds	-	-	-	3,200,000	-	3,200,000
Operating Transfers In	2,798	-	1,181,880	-	87,696	1,272,374
Operating Transfers Out	(56,738)	-	-	(1,212,838)	(2,798)	(1,272,374)
Total Other Financing Sources (Uses)	<u>(53,940)</u>	<u>18,432,567</u>	<u>1,181,880</u>	<u>1,987,162</u>	<u>462,091</u>	<u>22,009,760</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(141,528)</u>	<u>18,432,567</u>	<u>1,181,880</u>	<u>440,546</u>	<u>60,063</u>	<u>19,973,528</u>
Fund Balance, Beginning of Year	<u>5,741,231</u>	<u>2,125,289</u>	<u>-</u>	<u>-</u>	<u>2,926,179</u>	<u>10,792,699</u>
Fund Balance, End of Year	<u>\$ 5,599,703</u>	<u>\$ 20,557,856</u>	<u>\$ 1,181,880</u>	<u>\$ 440,546</u>	<u>\$ 2,986,242</u>	<u>\$ 30,766,227</u>

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

**CITY OF CORINTH, MISSISSIPPI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 19,973,528
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$2,541,838 and the depreciation expense amounted to \$238,000. (Note 4)	2,303,838
2. Governmental funds report proceeds from the disposal of assets while governmental activities report net gain or loss.	(6,108)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	325,000
4. Governmental funds report long-term debt proceeds as other sources, while governmental activities in the government wide statements report long-term debt proceeds as an increase in liabilities.	(22,009,759)
5. Increase in fines receivable is recorded as an adjustment to income.	-
6. Increase in accrued interest payable is recorded as an adjustment to interest expense.	(97,119)
7. Discounts on debt issuances are recorded as an other financing use in the governmental funds; however, they are recorded as an asset and amortized in the government-wide statements.	59,138
8. Increase in compensated absences is reported as an adjustment to various functions.	(20,254)
Change in Net Assets	\$ 528,264

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

**CITY OF CORINTH, MISSISSIPPI**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash in Bank	\$ 5,871,155	\$ 472,542	\$ 6,343,697
Accounts Receivable (Net of Allowance)	493,453	129,056	622,509
Total Current Assets	<u>6,364,608</u>	<u>601,598</u>	<u>6,966,206</u>
<b>Noncurrent Assets</b>			
Restricted Assets: Cash	134,157	-	134,157
Capitalized Bond Issue Cost, Net	325	-	325
Construction in Progress	3,693,203	-	3,693,203
Capital Assets, Net of Accumulated Depreciation	25,693,006	449,909	26,142,915
Total Noncurrent Assets	<u>29,520,691</u>	<u>449,909</u>	<u>29,970,600</u>
Total Assets	<u>35,885,299</u>	<u>1,051,507</u>	<u>36,936,806</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	254,974	467	255,441
Accrued Interest Payable	27,568	145	27,713
Due to General Fund	4,000	-	4,000
Long-Term Liabilities, Due Within One Year	865,854	21,068	886,922
Total Current Liabilities	<u>1,152,396</u>	<u>21,680</u>	<u>1,174,076</u>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	34,696	26,794	61,490
Long-Term Liabilities, Due Beyond One Year	15,832,190	42,367	15,874,557
Total Noncurrent Liabilities	<u>15,866,886</u>	<u>69,161</u>	<u>15,936,047</u>
Total Liabilities	<u>17,019,282</u>	<u>90,841</u>	<u>17,110,123</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	12,688,165	386,474	13,074,639
Restricted for: Bond Reserve Requirements	134,157	-	134,157
Unrestricted	6,043,695	574,192	6,617,887
Total Net Assets	<u>\$ 18,866,017</u>	<u>\$ 960,666</u>	<u>\$ 19,826,683</u>

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

**CITY OF CORINTH, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
Operating Revenues:			
Charges for Services	\$ 2,790,105	\$ 1,569,834	\$ 4,359,939
Total Operating Revenues	<u>2,790,105</u>	<u>1,569,834</u>	<u>4,359,939</u>
Operating Expenses:			
Salaries and Benefits	593,849	567,474	1,161,323
Materials and Supplies	196,322	194,478	390,800
Repairs and Maintenance	161,727	-	161,727
Other Operating Expenses	262,454	533,322	795,776
Depreciation and Amortization	1,154,942	100,500	1,255,442
Total Operating Expenses	<u>2,369,294</u>	<u>1,395,774</u>	<u>3,765,068</u>
Operating Income	<u>420,811</u>	<u>174,060</u>	<u>594,871</u>
Nonoperating Revenues (Expenses):			
Other	-	1,992	1,992
Interest Income	78,663	9,413	88,076
Interest Expense	(318,999)	(2,406)	(321,405)
Total Nonoperating Revenues (Expenses)	<u>(240,336)</u>	<u>8,999</u>	<u>(231,337)</u>
Income Before Contributions and Transfers	180,475	183,059	363,534
Contributions and Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	180,475	183,059	363,534
Net Assets, Beginning of Year	<u>18,685,542</u>	<u>777,607</u>	<u>19,463,149</u>
Net Assets, End of Year	<u>\$ 18,866,017</u>	<u>\$ 960,666</u>	<u>\$ 19,826,683</u>

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

**CITY OF CORINTH, MISSISSIPPI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business - Type Activities - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	\$ 2,526,760	\$ 1,571,823	\$ 4,098,583
Cash Paid to Suppliers and Employees	(950,592)	(1,285,866)	(2,236,458)
Net Cash Provided by Operating Activities	<u>1,576,168</u>	<u>285,957</u>	<u>1,862,125</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(3,695,994)	(287,043)	(3,983,037)
Loan Proceeds	3,648,029	-	3,648,029
Principal Payments on Long-Term Debt	(836,268)	(20,387)	(856,655)
Interest Paid	(318,914)	(2,452)	(321,366)
Net Cash Used by Capital and Related Financing Activities	<u>(1,203,147)</u>	<u>(309,882)</u>	<u>(1,513,029)</u>
Cash Flows from Investing Activities:			
Other Income	-	1,992	1,992
Interest Revenue Received	78,663	9,413	88,076
Cash Provided by Investing Activities	<u>78,663</u>	<u>11,405</u>	<u>90,068</u>
Net Increase in Cash	451,684	(12,520)	439,164
Cash and Cash Equivalents at Beginning of Year	<u>5,553,628</u>	<u>485,062</u>	<u>6,038,690</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,005,312</u>	<u>\$ 472,542</u>	<u>\$ 6,477,854</u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income	<u>\$ 420,811</u>	<u>\$ 174,060</u>	<u>\$ 594,871</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	1,154,942	100,500	1,255,442
Loss on Disposal of Capital Assets	3,975	1,484	5,459
Accounts Receivable	(263,348)	1,989	(261,359)
Accounts Payable and Accrued Expenses	254,974	467	255,441
Compensated Absences Payable	4,814	7,457	12,271
Total Adjustments	<u>1,155,357</u>	<u>111,897</u>	<u>1,267,254</u>
Net Cash Provided by Operating Activities	<u>\$ 1,576,168</u>	<u>\$ 285,957</u>	<u>\$ 1,862,125</u>

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

**CITY OF CORINTH, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2010**

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash in Bank	\$ 23,175	\$ 82,151
Total Assets	23,175	82,151
 <b>LIABILITIES</b>		
Amount Held for Others	-	82,151
Total Liabilities	-	\$ 82,151
 <b>NET ASSETS</b>		
Held in Trust	\$ 23,175	

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

**CITY OF CORINTH, MISSISSIPPI  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Private-Purpose Trust Fund
ADDITIONS:	
Interest Income	\$ 327
Lot Sales	200
Total Revenues	527
DEDUCTIONS:	
Other	1,740
Changes in Net Assets	(1,213)
Net Assets, Beginning of Year	24,388
Net Assets, End of Year	\$ 23,175

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

**CITY OF CORINTH, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

1. Summary of Significant Accounting Policies

Except as described below under “A. Financial Reporting Entity”, the accompanying financial statements of the City of Corinth, Mississippi, have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

The City of Corinth was incorporated March, 1855, and operates under an Aldermen-Mayor form of government. The city’s major operations include public safety (fire and police protection), public service (street and drainage services), culture and recreation, and general government. In addition, the City owns and operates a sewer system and solid waste system.

A. Financial Reporting Entity

These financial statements present the City’s primary government only. Management has chosen to omit from these financial statements the following component units, which have a significant operational or financial relationship with the City. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Corinth, Mississippi, and the changes in its financial position and its cash flows, where applicable, as of and for the year ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

Corinth Utility Commission

Corinth Library Commission

B. Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information for the primary government.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the primary government as a whole. They include all funds of the primary government except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities rely to a significant extent on fees and charges for support. Governmental and business-type activities are reported separately.

The Statement of Net Assets presents the financial condition of the city by activity type at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City’s activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or service offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the City with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each function is self-balancing or draws from the general revenues of the city.

Fund Financial Statements:

Fund financial statements of the primary government are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, business-type and fiduciary. An emphasis is placed on major funds within governmental and business-type categories.

**CITY OF CORINTH, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of charges for services and state and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is reported when due.

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Gas and Water Surface Project – This special revenue fund is used to account for the proceeds of a loan which is being used to aid the Corinth Utility Commission in an expansion project, and the eventual repayment of the loan.

Corinth/Alcorn Jail Fund – This special revenue fund is used to account for the payment to Alcorn County for the City’s share of the new justice complex and the eventual receipt of the property.

Infrastructure Bond Fund – This capital project fund is used to account for the proceeds of a bond issue for various capital projects.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the City reports the following fund types and funds, when applicable:

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted for specific expenditure purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

FIDUCIARY FUNDS

Private-Purpose Trust Funds – Private-purpose trust funds are used to report all trust arrangements, other than those reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

PROPRIETARY FUNDS

Sewer System Fund – This fund accounts for the activities of the City’s sewer systems operations.

Sanitation Enterprise Fund – This fund accounts for the activities of the City’s solid waste operations.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Governmental activities capital assets, other than infrastructure assets, are defined by the government as assets with an estimated useful life greater than one year, an initial, individual cost greater than \$5,000 for furniture and equipment; \$25,000 for building improvements and improvements other than buildings; and \$50,000 for buildings. These capitalization thresholds are consistent with the suggested thresholds in the *Mississippi Municipal Audit and Accounting Guide*, issued by the Mississippi Office of the State Auditor. Business-type activities capital assets are defined as assets with an initial cost greater than \$500 and an estimated useful life greater than one year.

As allowable under GASB 34 for Phase III governments, the City has elected to report only prospectively the cost of general infrastructure assets.

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair market value on the date donated.

Depreciation is calculated on the straight-line basis using the following useful lives.

Land	N/A
Buildings	40 years
Building Improvements	20 years
Improvements other than Buildings	20 years
Infrastructure	20 years
Furniture and Equipment	3 – 10 years
Sewer System Infrastructure	50 years

E. Long-Term Liabilities

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. 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 the 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.

**CITY OF CORINTH, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

1. Summary of Significant Accounting Policies (continued)

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration of the City funds.

G. Cash and Other Deposits

The City deposits excess funds in the financial institutions selected by the City board. State statutes specify how these depositories are to be selected.

Cash consists of amounts on deposit in demand accounts. Other deposits consist of certificates of deposit and other highly liquid investments. Cash and other deposits are valued at cost.

H. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This allowance is estimated by analyzing the allowance for doubtful accounts percentage of receivables from prior years.

I. Compensated Absences

Employees of the City accumulate sick and personal leave at a minimum amount as required by state law or at a greater amount provided by City policy. The City pays for unused personal leave for employees as provided by City policy for each department.

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements.

J. Statement of Cash Flows

For the purpose of cash flows, the Enterprise Funds consider all liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

K. Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**CITY OF CORINTH, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

1. Summary of Significant Accounting Policies (continued)

K. Equity Classifications (continued)

Fund Financial Statements:

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 use for a specific purpose.

L. Inter-fund Transactions and Balances

During the course of normal operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental funds balance sheet. These interfund balances are eliminated in the Statement of Net Assets.

M. Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year in September, levies property taxes for the ensuing fiscal year which begins October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

Section 35-57-1 et seq., Mississippi Code 1972, requires that the City levy and collect all taxes for and on behalf of the municipal separate school district. Section 39-3-7, Mississippi Code 1972, authorized the City to levy and collect a tax not in excess of three mills for the support of any public library system located within the municipality. Ad valorem taxes collected and settled in accordance with the above-noted statutory authorities are not recognized as revenues and expenditures of the City.

N. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in the Governmental Funds when measurable and available. However, the “available” criterion applies for certain federal grants and shared revenues when the expenditure is made because the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

2. Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$15,349,436, and the bank balance was \$16,007,768.

3. Note Receivable

Note Receivable consists of advances to the Corinth Utility Commission for the purpose of upgrading the Commission's water storage, treatment, and distribution facilities. This funding is provided for by loans from the State of Mississippi Department of Health (MDH) (see Note 5 on long-term liabilities). No formal, signed agreement between the City and the Commission exists for the repayment of this note receivable. However, the Commission has adopted a resolution pledging and committing revenue funds received to repay these advances in the exact amount of the loan payable repayment schedule. See Notes 5 and 13 for additional information regarding these loans from MDH.

4. Capital Assets

The following is a summary of changes in governmental activities capital assets during the fiscal year:

	Balance 10/1/09	Additions	Retirements	Completed Construction	Balance 9/30/2010
<u>Governmental Activities</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 449,644	\$ -	\$ -	\$ -	\$ 449,644
Construction in progress	583,582	2,355,913	-	(940,904)	1,998,591
Total non-depreciable capital assets	1,033,226	2,355,913	-	(940,904)	2,448,235
<u>Depreciable capital assets:</u>					
Buildings	3,317,797	-	-	-	3,317,797
Infrastructure - Streets	1,309,301	-	-	940,904	2,250,205
Mobile equipment	2,585,802	97,109	56,253	-	2,626,658
Furniture and equipment	192,931	88,816	48,000	-	233,747
Total depreciable capital assets	7,405,831	185,925	104,253	940,904	8,428,407
<u>Less accumulated depreciation</u>					
Buildings	1,484,443	50,232	-	-	1,534,675
Infrastructure - streets	182,655	78,756	-	-	261,411
Mobile equipment	2,124,941	93,032	50,625	-	2,167,348
Furniture and equipment	102,183	15,980	47,520	-	70,643
Total accumulated depreciation	3,894,222	238,000	98,145	-	4,034,077
Total depreciable capital assets, net	3,511,609	(52,075)	6,108	940,904	4,394,330
Total Governmental activities capital assets, net	\$ 4,544,835	\$ 2,303,838	\$ 6,108	\$ -	\$ 6,842,565

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

4. Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 55,698
Public Safety	79,065
Public Service	<u>103,237</u>
Total governmental activities depreciation expense	<u><u>\$ 238,000</u></u>

Commitments on construction contracts at September 30, 2010, are as follows:

Cardinal Drive Improvements	\$ 208,441
Fire Station #2	1,800
Droke Road Improvements	<u>594,652</u>
Total	<u><u>\$ 804,893</u></u>

The following is a summary of changes in business-type activities capital assets during the fiscal year:

	Balance 10/1/09	Additions	Retirements	Completed Construction	Balance 9/30/10
<u>Business-type Activities</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 6,500	\$ 11,000	\$ -	\$ -	\$ 17,500
Construction in progress	24,674	3,651,029	-	-	3,675,703
Total non-depreciable capital assets	<u>31,174</u>	<u>3,662,029</u>	<u>-</u>	<u>-</u>	<u>3,693,203</u>
<u>Depreciable capital assets:</u>					
Sewer plant and buildings	34,424,707	-	-	-	34,424,707
Mobile equipment	1,084,649	293,708	20,347	-	1,358,010
Furniture and equipment	534,290	27,300	-	-	561,590
Total depreciable capital assets	<u>36,043,646</u>	<u>321,008</u>	<u>20,347</u>	<u>-</u>	<u>36,344,307</u>
<u>Less accumulated depreciation</u>					
Sewer plant and buildings	7,921,602	1,099,745	-	-	9,021,347
Mobile equipment	742,752	117,528	14,888	-	845,392
Furniture and equipment	296,484	38,169	-	-	334,653
Total accumulated depreciation	<u>8,960,838</u>	<u>1,255,442</u>	<u>14,888</u>	<u>-</u>	<u>10,201,392</u>
Total depreciable capital assets, net	<u>27,082,808</u>	<u>(934,434)</u>	<u>5,459</u>	<u>-</u>	<u>26,142,915</u>
Total Business-type activities capital assets, net	<u><u>\$ 27,113,982</u></u>	<u><u>\$ 2,727,595</u></u>	<u><u>\$ 5,459</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,836,118</u></u>

Depreciation expense was charged to the following business-type functions:

Sewer	\$ 1,154,942
Solid Waste	<u>100,500</u>
Total business-type activities depreciation expense	<u><u>\$ 1,255,442</u></u>

**CITY OF CORINTH, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

5. Long-Term Debt

The following is a summary of changes in long-term debt of the City's governmental activities for the year ended September 30, 2010:

	Balance 10/1/09	Additions	Reductions	Balance 9/30/10	Amounts due within one year
A. General Obligation					
Bonds Payable	\$ 2,870,000	\$ 3,200,000	\$ 325,000	\$ 5,745,000	\$ 445,000
B. Other Loans Payable	2,125,289	18,809,759	-	20,935,048	-
C. Compensated Absences					
Payable	548,221	20,254	-	568,475	-
Total	<u>\$ 5,543,510</u>	<u>\$ 22,030,013</u>	<u>\$ 325,000</u>	<u>\$ 27,248,523</u>	<u>\$ 445,000</u>

A. General Obligation Bonds Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1996	4.1 - 5.4%	3/1/1996	3/1/2011	\$ 295,000	\$ 30,000
Series 1998	4.3 - 5.7%	4/1/1999	4/1/2018	2,500,000	1,310,000
Series 2001	4.0 - 5.7%	7/18/2001	7/1/2016	2,500,000	1,205,000
Series 2009	3.3 - 4.7%	12/28/2009	12/1/2029	3,200,000	3,200,000
				<u>\$ 8,495,000</u>	<u>\$ 5,745,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 445,000	\$ 297,309	\$ 742,309
2012	435,000	213,881	648,881
2013	455,000	194,550	649,550
2014	480,000	174,177	654,177
2015	500,000	152,817	652,817
2016 - 2020	1,470,000	489,017	1,959,017
2021 - 2025	865,000	302,410	1,167,410
2026 - 2030	1,095,000	114,863	1,209,863
Total	<u>\$ 5,745,000</u>	<u>\$ 1,939,024</u>	<u>\$ 7,684,024</u>

The general obligation bonds were issued to provide funds for the construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the City.

This debt will be retired from the Municipal Bond and Interest Fund.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

5. Long-Term Debt (continued)

B. Other Loans Payable

Other loans payable consists the following:

Advances, in the amount of \$377,192, through September 30, 2010, through the Mississippi Development Authority CAP loan program. The loan, of up to \$600,000, is being used to construct a new fire station. The interest rate is 3.00% and repayment terms, based on the final loan amount of \$411,265 (determined subsequent to year-end), are as follows: Payments of \$2,281 per month for a period of 240 months beginning December 1, 2010. See Note 13 for additional information regarding this loan.

Advances, in the amount of \$11,880,605, through September 30, 2010, from a State of Mississippi Department of Health "Drinking Water Systems Improvements Revolving Loan Fund" (DWSIRLF) loan (#DWI-H280064-04-0). The loan, of up to \$24,751,500, is being used to aid the Corinth Utility Commission in upgrading its water system with a new Surface Water Treatment Plant. The interest rate is 1.95% and repayment terms, based on the total loan amount, are preliminarily as follows: Payments of \$125,919 per month for a period of 237 months, to begin in March, 2012. The monthly payments will be withheld from the City's sales tax reimbursements. All amounts are shown as long-term until the actual, final amortization schedule is established. See Note 13 for additional information regarding this loan.

Advances, in the amount of \$8,677,251, through September 30, 2010, from a State of Mississippi Department of Health "Drinking Water Systems Improvements Revolving Loan Fund" (DWSIRLF) loan (#DWI-H280064-05-0). The loan, of up to \$9,547,000, of which \$2,136,750 is American Recovery and Reinvestment Act (ARRA) funding (which will be forgiven upon successful completion of the project within the ARRA guidelines) is being used to aid the Corinth Utility Commission in upgrading its water system with new transmission and distribution lines. The interest rate is 1.95% and repayment terms, based on the total loan amount, are preliminarily as follows: Payments of \$38,308 per month for a period of 237 months, to begin in June, 2011. The monthly payments will be withheld from the City's sales tax reimbursements. All amounts are shown as long-term until the actual, final amortization schedule is established. See Note 13 for additional information regarding this loan.

The following is a summary of changes in long-term debt of the City's business-type activities for the year ended September 30, 2010:

	Balance 10/1/09	Additions	Reductions	Balance 9/30/10	Amounts due within one year
A. Revenue Bonds Payable	\$ 220,000	\$ -	\$ 105,000	\$ 115,000	\$ 115,000
B. Other Loans Payable	13,666,283	3,648,029	731,268	16,583,044	750,854
C. Capital Lease Payable	83,822	-	20,387	63,435	21,068
D. Compensated Absences Payable	49,219	12,271	-	61,490	-
Total	<u>\$ 14,019,324</u>	<u>\$ 3,660,300</u>	<u>\$ 856,655</u>	<u>\$ 16,822,969</u>	<u>\$ 886,922</u>

A. Revenue Bonds Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Sewer System Refunding Revenue Bonds, Series 1994	2.6 - 5.5%	2/1/1994	11/1/2010	\$ 5,210,000	\$ 115,000
				<u>\$ 5,210,000</u>	<u>\$ 115,000</u>

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

5. Long-Term Debt (continued)

A. Revenue Bonds Payable (continued).

The following is a schedule by years of the total payments due on this debt:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 115,000	\$ 3,162	\$ 118,162

This debt will be retired from the Sewer System Enterprise Fund.

The Sewer System Refunding Revenue Bonds, Series 1994, are special obligations of the City of Corinth, Mississippi, payable both as to principal and interest solely from and are secured by a lien on and a pledge of a portion of the net revenues, as collected, to be derived from operation of the City's sewer system. These bonds do not constitute an indebtedness of general obligation of the City and are not payable from funds raised or to be raised by taxation.

B. Other Loans Payable.

Other loans payable consists of two loans from the Mississippi Department of Environmental Quality State Revolving Loan Fund. Payments for these loans are withheld from sales tax payments due to the City.

Other loans payable also consists of advances, in the amount of \$3,648,029, through September 30, 2010, from a State of Mississippi Department of Environmental Quality "Water Pollution Control Revolving Loan Fund" (WPCRLF) loan SRF-C280855-04-0-ARSR. The loan, of up to \$6,571,000, of which \$5,000,000 is American Recovery and Reinvestment Act (ARRA) funding (which will be forgiven upon successful completion of the project within the ARRA guidelines) is being used for the construction of a sewer treatment plant outfall line. The rate of interest is 1.75%, and will begin to accrue on the last construction contract completion date as established in the initial loan agreement or one year after the date established in the initial loan agreement for issuance of the notice to proceed on the earliest construction contract, whichever occurs first. Interest accrued prior to initiation of the repayment process will be added to the final allowable project costs to determine the principal amount to be repaid. The monthly payment is estimated to be \$7,845 for 237 months. See Note 13 for additional information regarding this loan.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Revolving Loan Fund Loan Payable	4.50%	10/18/1995	11/1/2017	\$ 3,433,800	\$ 1,619,677
State Revolving Loan Fund Loan Payable	2.00%	10/6/2006	12/1/2027	12,655,057	11,315,338
State Revolving Loan Fund Loan Payable	1.75%	*	*	3,648,029	3,648,029
				<u>\$ 19,736,886</u>	<u>\$ 16,583,044</u>

\*Pending finalized loan documents upon project completion.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

5. Long-Term Debt (continued)

B. Other Loans Payable (continued).

The following is a schedule by years of the total payments due on this debt, excluding loan #SRF-C280855-04-0-ARSR which has no established amortization schedule at September 30, 2010:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 750,854	\$ 290,115	\$ 1,040,969
2012	771,056	269,913	1,040,969
2013	791,897	249,072	1,040,969
2014	813,402	227,567	1,040,969
2015	835,595	205,374	1,040,969
2016-2020	3,738,119	716,404	4,454,523
2021-2025	3,527,855	352,892	3,880,747
2026-2028	1,706,237	40,100	1,746,337
Total	<u>\$ 12,935,015</u>	<u>\$ 2,351,437</u>	<u>\$ 15,286,452</u>

This debt will be retired from the Sewer System Enterprise Fund.

C. Capital Leases Payable

The City has entered into various lease agreements to finance the acquisition of various equipment. These leases qualify as capital leases for accounting purposes. The following is a summary by years of the total payments required by the lease agreements:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 21,068	\$ 1,771	\$ 22,839
2012	21,772	1,067	22,839
2013	20,595	340	20,935
Total	<u>\$ 63,435</u>	<u>\$ 3,178</u>	<u>\$ 66,613</u>

Compensated Absences Payable.

As more fully explained in Note 1(I), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

6. No Commitment Debt

No commitment debt is repaid by the entities for whom the debt was issued and includes debt that either bears the city's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the city other than possibly an agreement to assist creditors in exercising their rights in the event of default. The City of Corinth and Alcorn County issued this debt on a basis of 45% city and 55% county. Because a default may adversely affect the city's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

	Balance at 9/30/10	City Share
Hospital Revenue Refunding Bonds, Series 1998	\$ 10,115,000	\$ 4,551,750
Hospital Revenue Refunding Bonds, Series 2009	35,000,000	15,750,000
Hospital Revenue Refunding Bonds, Series 2006B	3,400,000	1,530,000
Total	<u>\$ 48,515,000</u>	<u>\$ 21,831,750</u>

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

7. Property Taxes

The millage rate for the City for October 1, 2009, through September 30, 2010, was 95.0 mills, broken down as follows:

School: Public School Purposes	43.00	Mills
School: School Three Mill Notes	3.00	Mills
School: General Obligation Bonds	12.00	Mills
School: Vo-Tech Fund	1.20	Mills
General Revenue and General Improvement	28.30	Mills
Library	1.50	Mills
Parks and Playgrounds	2.00	Mills
Municipal bond and Interest	4.00	Mills
Total	95.00	Mills

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

8. Joint Ventures

The City of Corinth is a participant with Alcorn County in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Airport. The joint venture was created to provide an airport for the area, and is governed by a five member board of commissioners appointed as follows: Alcorn County, two; City of Corinth, two; jointly, one. The City contributed \$185,369, including expenditures from grants, to support the operation of this joint venture during the year ended September 30, 2010. Complete financial statements for the Corinth-Alcorn County Airport can be obtained from the Corinth-Alcorn County Airport, 56 County Road 613, Corinth, MS 38834.

The City of Corinth is a participant with Alcorn County in a joint venture to operate the Siege and Battle of Corinth Commission. The joint venture was created to promote tourism, and is governed by a five member Board appointed as follows: Alcorn County, two; City of Corinth, two; jointly, one. Complete financial statements for the Siege and Battle of Corinth Commission can be obtained from Siege and Battle of Corinth Commission, P.O. Box 45, Corinth, MS 38835.

The City of Corinth is a participant with Alcorn County in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Magnolia Regional Health Center. The joint venture was created to provide a community hospital for the area, and is governed by a five member board of directors, two appointed by the county board of supervisors, two appointed by the city and one jointly appointed. Complete financial statements for the Magnolia Regional Health Center can be obtained from Magnolia Regional Health Center, 611 Alcorn Drive, Corinth, MS 38834.

The City of Corinth is a participant with Alcorn County in a joint venture, authorized by Section 55-9-1, Miss. Code Ann. (1972), to operate the Corinth-Alcorn County Recreation Commission. The joint venture was created to provide recreational opportunities for the area and is governed by a five member board. Each entity appoints two of the five board members, and the fifth is jointly appointed. The City contributed \$431,225 to support the operation of this joint venture during the year ended September 30, 2010. Complete financial statements for the Corinth-Alcorn County Recreation Commission can be obtained from Corinth-Alcorn County Recreation Commission, P.O. Box 1372, Corinth, MS 38835.

The City of Corinth is a participant with Alcorn County in a joint venture, established by local and private legislation (Senate Bill 3219), 1997 Session, to operate the Corinth Area Convention and Visitors Bureau. The joint venture was created to promote tourism and is governed by a seven member board of directors. Each entity appoints one board member, the Corinth Area Restaurant Association appoints three board members and the Corinth Area Hotel-Motel-Inn-Bed and Breakfast Association appoints three board members. The joint venture is funded with one-half of a 2 percent sales tax on motel and food and beverage sales within the City of Corinth. Complete financial statements for the Corinth Area Convention and Visitors Bureau can be obtained from Corinth Area Convention and Visitors Bureau, P.O. Box 2158, Corinth, MS 38835.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

8. Joint Ventures (Continued)

The City of Corinth is a participant with Alcorn County in a joint venture, established by local and private legislation (Senate Bill 3219), 1997 Session, to operate the Crossroads Arena. The joint venture was created to operate an arena for various events and is governed by a seven member board of directors. Each entity appoints three board members, and the seventh is jointly appointed. The City contributed \$70,000 to support the operation of this joint venture during the year ended September 30, 2010. Complete financial statements for the Crossroads Arena can be obtained from Crossroads Arena, 2800 Harper Road, Corinth, MS 38834.

9. Defined Benefit Pension Plan

**Plan Description.** The City of Corinth contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary from October 1, 2009, through June 30, 2010, and 9.00% from July 1, 2010, through September 30, 2010, and the City of Corinth is required to contribute at an actuarially determined rate. The employer's rate for the fiscal year ended September 30, 2010, was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Corinth's contributions to PERS for the years ending September 30, 2010, 2009, and 2008, were \$676,042, \$654,066, and \$623,588, respectively, equal to the required contributions for each year.

10. Commitments and Contingencies

**Litigation -** The City of Corinth is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate outcome or liability, if any, of the City with respect to the various proceedings. However, according to the City's legal counsel, the City has no known pending or threatened litigation, claims or assessments at September 30, 2010.

**Federal Grants -** The City participates in numerous federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. Accordingly, no provision for any liability that may result has been recognized in the City's financial statements.

See Note 4 for commitments on construction contracts.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for the items below, the City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Effective October 1, 2009, the City's employee health insurance program was established on a self-insured basis, up to a specified limit of \$35,000. The program is administered by an outside third party, including the processing, investigating, and payment of claims. Settled claims have not exceeded commercial insurance coverage since the program began. No liability was recorded at September 30, 2010, to cover estimated incurred, but not reported (IBNR) insurance claims payable for the program, due to the fact the program was discontinued subsequent to year end, and sufficient evidence was obtained before the issuance of the financial statements, to determine such liability was immaterial to the financial statements.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

12. Deficit Fund Balances

The CDBG Fund had a deficit fund balance at September 30, 2010, in the amount of \$21,714. This deficit fund balance could have been eliminated with a transfer and/or short-term advance from the General Fund.

13. Subsequent Events

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management has evaluated the activity of the city through May 23, 2011, (the date the financial statements were available to be issued) and concluded that the following subsequent events have occurred that would require disclosure in the notes to the financial statements.

Advances on DWSIRLF loan number DWI-H0064-04-0 subsequent to September 30, 2010, through May 23, 2011, amounted to \$6,053,627.

Advances on DWSIRLF loan number DWI-H0064-05-0 subsequent to September 30, 2010, through May 23, 2011, amounted to \$1,086,681. Subsequent to year-end, this project was completed, and \$2,136,750 of this loan was forgiven, which represents ARRA funding. Also subsequent to year-end and upon completion of the project, the City received approval from the Mississippi Department of Health (MDH) to transfer this loan to Corinth Utility Commission. The Corinth Utility Commission signed a new note dated April 5, 2011, with MDH for this debt, thereby relieving the City of its liability.

Advances on WPCRLF loan number SRF-C-28055-04-0-ARSR subsequent to September 30, 2010, through May 23, 2011, amounted to \$240,590. Subsequent to year-end, this project was completed, and \$3,870,996 of this loan was forgiven, which represents ARRA funding. Also, the remaining balance of \$17,623 was repaid.

Advances on the MDA CAP loan subsequent to September 30, 2010, through May 23, 2011, amounted to \$34,073. Subsequent to year end, this project was completed, and the following is a schedule by years of the total payments on this debt.

Year Ending September 30,	Principal	Interest	Total
2011	\$ 12,669	\$ 10,140	\$ 22,809
2012	15,626	11,744	27,370
2013	16,102	11,268	27,370
2014	16,591	10,779	27,370
2015	17,096	10,274	27,370
2016-2020	93,603	43,249	136,852
2021-2025	108,731	28,121	136,852
2026-2030	126,304	10,548	136,852
2031	4,543	18	4,561
Total	<u>\$ 411,265</u>	<u>\$ 136,141</u>	<u>\$ 547,406</u>

**CITY OF CORINTH, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**NON-GAAP BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Taxes	\$ 2,466,000	\$ 2,447,000	\$ 2,456,646	\$ (19,000)	\$ 9,646
Licenses and Permits	461,500	494,500	490,124	33,000	(4,376)
Intergovernmental	5,915,675	5,837,814	5,865,346	(77,861)	27,532
Charges for Services	27,000	27,000	23,664	-	(3,336)
Fines and Forfeitures	514,000	573,524	578,078	59,524	4,554
Other	249,300	268,775	263,559	19,475	(5,216)
Total Revenues	<u>9,633,475</u>	<u>9,648,613</u>	<u>9,677,417</u>	<u>15,138</u>	<u>28,804</u>
Expenditures					
Current:					
General Government	2,193,625	2,141,213	1,811,044	52,412	330,169
Public Safety	5,693,044	5,745,320	5,604,424	(52,276)	140,896
Public Service	1,987,500	2,099,200	2,007,594	(111,700)	91,606
Culture and Recreation	215,750	215,750	202,750	-	13,000
Capital Outlay	215,000	337,170	248,336	(122,170)	88,834
Debt Service	70,800	-	-	70,800	-
Total Expenditures	<u>10,375,719</u>	<u>10,538,653</u>	<u>9,874,148</u>	<u>(162,934)</u>	<u>664,505</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(742,244)</u>	<u>(890,040)</u>	<u>(196,731)</u>	<u>(147,796)</u>	<u>693,309</u>
Other Financing Sources (Uses)					
Proceeds of Loans	600,000	-	-	(600,000)	-
Operating Transfers, Net	<u>(990,317)</u>	<u>(200,000)</u>	<u>(158,666)</u>	<u>790,317</u>	<u>41,334</u>
Total Other Financing Sources (Uses)	<u>(390,317)</u>	<u>(200,000)</u>	<u>(158,666)</u>	<u>190,317</u>	<u>41,334</u>
Net Change in Fund Balance	(1,132,561)	(1,090,040)	(355,397)	42,521	734,643
Fund Balance, Beginning of Year	<u>5,736,709</u>	<u>5,736,709</u>	<u>5,736,709</u>	-	-
Fund Balance, End of Year	<u>\$ 4,604,148</u>	<u>\$ 4,646,669</u>	<u>\$ 5,381,312</u>	<u>\$ 42,521</u>	<u>\$ 734,643</u>

The notes to the required supplementary information are an integral part of this statement.

**CITY OF CORINTH, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GAS & WATER SURFACE WATER PROJECT FUND**  
**NON-GAAP BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Other Financing Sources (Uses)					
Proceeds of Loan	\$ 16,400,000	\$ 19,400,000	\$ 14,493,414	\$ 3,000,000	\$ (4,906,586)
Total Other Financing Sources (Uses)	16,400,000	19,400,000	14,493,414	3,000,000	(4,906,586)
Net Change in Fund Balance	16,400,000	19,400,000	14,493,414	3,000,000	(4,906,586)
Fund Balance, Beginning of Year	2,125,289	2,125,289	2,125,289	-	-
Fund Balance, End of Year	\$ 18,525,289	\$ 21,525,289	\$ 16,618,703	\$ 3,000,000	\$ (4,906,586)

**CITY OF CORINTH, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE FOR THE CORINTH/ALCORN JAIL FUND**  
**NON-GAAP BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Other	\$ -	\$ 158	\$ -	\$ 158	\$ (158)
Total Revenue	-	158	-	158	(158)
Other Financing Sources (Uses)					
Transfers In	-	1,181,880	1,181,880	1,181,880	-
Total Other Financing Sources (Uses)	-	1,181,880	1,181,880	1,181,880	-
Net Change in Fund Balance	-	1,182,038	1,181,880	1,182,038	(158)
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ 1,182,038	\$ 1,181,880	\$ 1,182,038	\$ (158)

The notes to the required supplementary information are an integral part of this statement.

**CITY OF CORINTH, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTRY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2010**

**BUDGETARY COMPARISON SCHEDULE**

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on a NON-GAAP basis (cash), variances between the original budget and final budget, and variances between the final budget and actual data. A budgetary comparison is presented for the general fund and each major special revenue fund, consistent with accounting principles generally accepted in the United States of America.

2. Budget Adoption and Amendments

The budget is adopted by the Board of Alderman. Amendments can be made on the approved of the Board. For further information, see Note 2 to the financial statements.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. Formal budgetary integration is employed as a management control device during the year for the Governmental Funds.
6. The City's budget is prepared principally on the cash basis of accounting.

The following schedule reconciles the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

	Net Change in Fund Balance
	General Fund
Budget (Cash Basis)	\$ (355,397)
Net adjustments for Revenue Accruals	159,369
Net adjustments for Expenditure Accruals	(50,226)
Net adjustments for Transfers	104,726
GAAP Basis	\$ (141,528)

**CITY OF CORINTH, MISSISSIPPI  
COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	Fire Protection Fund	Library Fund	Park and Playground Fund	Corinth Neighborhood Project Fund	Tourism Construction Fund	Tourism Budget Fund	ARRA Alcorn/Fulton Drive Fund	CDBG Fund	ARRA 2009SBB 91959 Fund	Municipal B & I Fund	Total Other Governmental
<u>Assets</u>											
Cash	\$ 247,828	\$ 359,988	\$ 155,678	\$ -	\$ 1,019,058	\$ 15,980	\$ -	\$ 15,697	\$ -	\$ 1,117,862	\$ 2,932,091
Receivables	-	89,047	118,730	-	41,698	41,698	-	90,449	-	356,190	737,812
<b>Total Assets</b>	<b>\$ 247,828</b>	<b>\$ 449,035</b>	<b>\$ 274,408</b>	<b>\$ -</b>	<b>\$ 1,060,756</b>	<b>\$ 57,678</b>	<b>\$ -</b>	<b>\$ 106,146</b>	<b>\$ -</b>	<b>\$ 1,474,052</b>	<b>\$ 3,669,903</b>
<u>Liabilities and Fund Balance</u>											
<u>Liabilities</u>											
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,860	\$ -	\$ -	\$ 127,860
Unearned Revenue	-	87,758	117,011	-	-	-	-	-	-	351,032	555,801
<b>Total Liabilities</b>	<b>-</b>	<b>87,758</b>	<b>117,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,860</b>	<b>-</b>	<b>351,032</b>	<b>683,661</b>
<u>Fund Balances:</u>											
<u>Reserved for</u>											
Debt Service	-	-	-	-	-	-	-	-	-	1,123,020	1,123,020
Federal and State Programs	247,828	-	-	-	-	-	-	-	-	-	247,828
Undesignated	-	361,277	157,397	-	1,060,756	57,678	-	(21,714)	-	-	1,615,394
<b>Total Fund Balance</b>	<b>247,828</b>	<b>361,277</b>	<b>157,397</b>	<b>-</b>	<b>1,060,756</b>	<b>57,678</b>	<b>-</b>	<b>(21,714)</b>	<b>-</b>	<b>1,123,020</b>	<b>2,986,242</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 247,828</b>	<b>\$ 449,035</b>	<b>\$ 274,408</b>	<b>\$ -</b>	<b>\$ 1,060,756</b>	<b>\$ 57,678</b>	<b>\$ -</b>	<b>\$ 106,146</b>	<b>\$ -</b>	<b>\$ 1,474,052</b>	<b>\$ 3,669,903</b>

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

**CITY OF CORINTH, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Fire Protection Fund	Library Fund	Park and Playground Fund	Corinth Neighborhood Project	Tourism Construction Fund	Tourism Budget Fund	ARRA Alcorn/Fulton Drive Fund	CDBG Fund	ARRA 2009SBB 91959 Fund	Municipal B & I Fund	Total Other Governmental
<b>Revenues</b>											
Taxes	\$ -	\$ 118,310	\$ 157,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317,225	\$ 593,278
Intergovernmental	74,101	8,608	319,797	6,524	490,035	490,035	609,333	686,795	51,154	23,671	2,760,053
Other	5,232	4,287	2,302	147	9,203	240	-	422	-	16,361	38,194
<b>Total Revenues</b>	<b>79,333</b>	<b>131,205</b>	<b>479,842</b>	<b>6,671</b>	<b>499,238</b>	<b>490,275</b>	<b>609,333</b>	<b>687,217</b>	<b>51,154</b>	<b>357,257</b>	<b>3,391,525</b>
<b>Expenditures</b>											
<b>Current</b>											
Public Safety	17,339	-	-	-	-	-	-	-	66,154	-	83,493
Public Service	-	-	-	10,262	-	-	-	125,312	-	-	135,574
Culture and Recreation	-	118,700	431,225	-	440,370	487,000	-	-	-	-	1,477,295
Capital Outlay	-	-	-	-	-	-	630,670	979,680	-	-	1,610,350
<b>Debt Service:</b>											
Principal	-	-	-	-	-	-	-	-	-	325,000	325,000
Interest and Other Charges	-	-	-	-	-	-	-	-	-	161,841	161,841
<b>Total Expenditures</b>	<b>17,339</b>	<b>118,700</b>	<b>431,225</b>	<b>10,262</b>	<b>440,370</b>	<b>487,000</b>	<b>630,670</b>	<b>1,104,992</b>	<b>66,154</b>	<b>486,841</b>	<b>3,793,553</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>61,994</b>	<b>12,505</b>	<b>48,617</b>	<b>(3,591)</b>	<b>58,868</b>	<b>3,275</b>	<b>(21,337)</b>	<b>(417,775)</b>	<b>(15,000)</b>	<b>(129,584)</b>	<b>(402,028)</b>
<b>Other Financing Sources(Uses)</b>											
Proceeds of Loans	-	-	-	-	-	-	-	377,193	-	-	377,193
Operating Transfers In(Out)	104	-	-	(2,798)	-	-	21,337	41,634	15,000	9,621	84,898
<b>Total Other Financing Sources (Uses)</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>(2,798)</b>	<b>-</b>	<b>-</b>	<b>21,337</b>	<b>418,827</b>	<b>15,000</b>	<b>9,621</b>	<b>462,091</b>
<b>Excess of Revenues and Other Sources over (under) Expenditures and Other Uses</b>	<b>62,098</b>	<b>12,505</b>	<b>48,617</b>	<b>(6,389)</b>	<b>58,868</b>	<b>3,275</b>	<b>-</b>	<b>1,052</b>	<b>-</b>	<b>(119,963)</b>	<b>60,063</b>
<b>Fund Balance, Beginning of Year</b>	<b>185,730</b>	<b>348,772</b>	<b>108,780</b>	<b>6,389</b>	<b>1,001,888</b>	<b>54,403</b>	<b>-</b>	<b>(22,766)</b>	<b>-</b>	<b>1,242,983</b>	<b>2,926,179</b>
<b>Fund Balance, End of Year</b>	<b>\$ 247,828</b>	<b>\$ 361,277</b>	<b>\$ 157,397</b>	<b>\$ -</b>	<b>\$ 1,060,756</b>	<b>\$ 57,678</b>	<b>\$ -</b>	<b>\$ (21,714)</b>	<b>\$ -</b>	<b>\$ 1,123,020</b>	<b>\$ 2,986,242</b>

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

**CITY OF CORINTH, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Direct Grants			
Community Capacity Development Office	16.595		\$ 808
ARRA - Edward Byrne Memorial Justice Assistance Program	16.804		36,154
Passed-through MS Dept. of Public Safety			
Community Prosecution and Project Safe Neighborhood	16.609	06PS2071	5,716
Total U.S. Department of Justice			<u>42,678</u>
<u>U.S. Department of Homeland Security</u>			
Direct Grants			
Hazard Mitigation Grant Program	97.039		68,920
Passed-through MS Emergency Management Agency			
Public Assistance Grant Program	97.036		29,984
Total U.S. Department of Homeland Security			<u>98,904</u>
<u>U.S. Environmental Protection Agency</u>			
Passed-through the MS Dept. of Health			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280064-05-0	2,136,750
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280064-05-0	4,016,723
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280064-04-0	6,326,888
Total Capitalization Grants for Drinking Water State Revolving Funds			<u>12,480,361</u>
Passed-through the MS Dept. of Environmental Quality			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-855-04-ARSR	3,648,029
Total U.S. Environmental Protection Agency			<u>16,128,390</u>
<u>U.S. Department of Agriculture</u>			
Direct grants			
Community Facilities Loans and Grants	10.766		<u>188,005</u>
<u>U.S. Department of Transportation</u>			
Direct Grants			
Airport Improvement Program	20.106		<u>93,899</u>
Passed-through MS Dept. of Transportation			
ARRA - Highway Planning and Construction	20.205	ARRA STP-0120-00(15)	519,333
Highway Planning and Construction	20.205	STP-0120-00(15)	90,000
Highway Planning and Construction	20.205	STP-0120-00(12)	126,173
Highway Planning and Construction	20.205	STP-9037-00(001)	89,430
Total Highway Planning and Construction			<u>824,936</u>
Total U.S. Department of Transportation			<u>918,835</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through MS Development Authority			
Community Development Block Grant - State's Program	14.228	1124-07-155-ED-0	161,962
Community Development Block Grant - State's Program	14.228	1115-98-155-EM-01	25,900
Total Community Development Block Grant - State's Program			<u>187,862</u>
Total U.S. Department of Housing and Urban Development			<u>187,862</u>
Total for All Federal Awards			<u>\$ 17,564,674</u>

Notes

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out, as applicable.
3. The balance outstanding as of September 30, 2010, of loans received under CFDA #66.458 was \$16,583,044
4. The balance outstanding as of September 30, 2010, of loans received under CFDA #66.468 was \$20,557,856

**CITY OF CORINTH, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2010**

Name	Position	Company	Bond
Jerry Latch	Mayor	Western Surety Company	\$ 100,000
Vickie Roach	City Clerk/Tax Collector	Western Surety Company	\$ 100,000
Bill Plaxico	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Joe Vann	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Chip Wood	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Mike Hopkins	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
David Roberts	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Steve Hill	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
John C. Ross	City Judge	Western Surety Company	\$ 50,000
Debbie Hendrix	Deputy City Clerk	Western Surety Company	\$ 100,000
Debbie Hendrix	Deputy Tax Collector	Western Surety Company	\$ 100,000
Trina Killough	Deputy Tax Collector	Western Surety Company	\$ 100,000
Brandy Smith	Deputy City Clerk	Western Surety Company	\$ 100,000
Alicia Barnett	Accounts Payable Clerk	Western Surety Company	\$ 100,000
Phillip Verdung	Building Inspector	Western Surety Company	\$ 25,000
David Lancaster	Chief of Police	Western Surety Company	\$ 50,000
Diane Johnson	Court Clerk	Western Surety Company	\$ 100,000
Ginger Seawright	Deputy Court Clerk	Western Surety Company	\$ 100,000
Missy Wilbanks	Deputy Court Clerk	Western Surety Company	\$ 100,000
Sharon Graham	Deputy Court Clerk	Western Surety Company	\$ 100,000

**CITY OF CORINTH, MISSISSIPPI**

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Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

515 E. Waldron Street  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

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

To the Mayor and Board of Aldermen  
City of Corinth, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated May 23, 2011. The auditors' report on the financial statements is modified to reflect that the financial statements do not include financial data of the City's component units. 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 Corinth, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

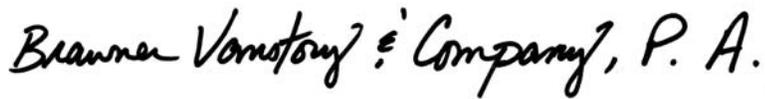
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Finding 2010-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

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

The City of Corinth, Mississippi's response to the finding indentified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Corinth, Mississippi's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the mayor and, board of aldermen, others within the entity, 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.



*Brauner Vomstouf & Company, P. A.*

Corinth, Mississippi  
May 23, 2011



**CERTIFIED PUBLIC ACCOUNTANTS**  
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

515 E. Waldron Street  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

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

To the Mayor and Board of Aldermen  
City of Corinth, Mississippi

Compliance

We have audited the City of Corinth, Mississippi's, compliance 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, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying Schedule of Findings and Questioned Costs occurred. An audit includes examining on a test basis, evidence about the City's 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's compliance with those requirements.

In our opinion, the City of Corinth, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City of Corinth, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the compliance referred to above. In planning and performing our audit, we considered the City's 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 internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the mayor and board of aldermen, others within the entity, 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.

*Branmer Vanostroy & Company, P. A.*

Corinth, Mississippi  
May 23, 2011



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Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
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515 E. Waldron Street  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Mayor and Board of Aldermen  
City of Corinth, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated May 23, 2011. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the City's component units. 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.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed the following instance of noncompliance with state laws and regulations.

### Finding MS2010-1

The Municipal Compliance Questionnaire was completed and presented to an administration made up of a new mayor and four new aldermen for review and approval in November 2010. The questionnaire was approved. However, the board later rescinded that approval. Therefore, the City has not approved the fiscal year ended September 30, 2010, Municipal Compliance Questionnaire, as required by State statutes.

### Recommendation

We recommend the City take the necessary actions to comply with state statutes in completing and approving the annual Municipal Compliance Questionnaire. In cases where a significant change in administration is eminent, the questionnaire should be completed and approved before the new administration takes office.

### City of Corinth, Mississippi's Response

Due to the City's election schedule and year-end close, the window of opportunity for approval was very limited. The City, in the future will make every effort to accomplish compliance.

This report is intended solely for the information and use of the mayor, board of aldermen, management, 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.

*Brawner Vanstory & Company, P. A.*

Corinth, Mississippi  
May 23, 2011

**CITY OF CORINTH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2010**

Section 1: Summary of Auditors' Results

Financial Statements:

- |    |                                                                                        |               |
|----|----------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditors' report issued on the financial statements:                           |               |
|    | Governmental Activities                                                                | Unqualified   |
|    | Business-Type Activities                                                               | Unqualified   |
|    | General Fund                                                                           | Unqualified   |
|    | Aggregate Remaining Fund Information                                                   | Unqualified   |
|    | Aggregate Discretely Presented Component Units                                         | Adverse       |
| 2. | Material noncompliance relating to the financial statements?                           | No            |
| 3. | Internal control over financial reporting:                                             |               |
|    | a. Material weakness identified?                                                       | Yes           |
|    | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |

Federal Awards:

- |     |                                                                                                                                                                                                                                   |               |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4.  | Type of auditors' report issued on compliance for major federal programs:                                                                                                                                                         | Unqualified   |
| 5.  | Internal control over major programs:                                                                                                                                                                                             |               |
|     | a. Material weakness identified?                                                                                                                                                                                                  | No            |
|     | b. Significant deficiency identified that is not considered to be a material weakness?                                                                                                                                            | None Reported |
| 6.  | Any audit finding reported as required by Section __.510 (a) of OMB Circular A-133?                                                                                                                                               | No            |
| 7.  | Federal programs identified as major programs:                                                                                                                                                                                    |               |
|     | a. ARRA - Capitalization Grants for Drinking Water State Revolving Funds, CFDA # 66.468                                                                                                                                           |               |
|     | b. Capitalization Grants for Drinking Water State Revolving Funds, CFDA # 66.468                                                                                                                                                  |               |
|     | c. ARRA - Capitalization Grants for Clean Water State Revolving Funds, CFDA # 66.458                                                                                                                                              |               |
|     | d. Capitalization Grants for Clean Water State Revolving Funds, CFDA # 66.458                                                                                                                                                     |               |
|     | e. ARRA - Highway Planning and Construction, CFDA # 20.205                                                                                                                                                                        |               |
|     | f. Highway Planning and Construction, CFDA # 20.205                                                                                                                                                                               |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:                                                                                                                                                      | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?                                                                                                                                                                                          | No            |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No            |

**CITY OF CORINTH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2010**

Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following finding related to the financial statements that are required to be reported under Government Auditing Standards.

**Significant Deficiency that is also a Material Weakness**

Finding 2010-1

*Condition:* During our testing of fine revenue collections in the municipal court clerk's office, we noted discrepancies between actual deposits and their supporting documentation. It appears that funds were removed from daily deposits prior to them being taken to the bank. We also noted deposits slips had been altered without explanation.

*Criteria:* Appropriate internal controls require review and matching of stamped deposits slips to daily cash receipt reports by personnel other than those preparing the deposits and with physical custody of cash.

*Cause:* This is a result of a failure to review stamped deposits and match them to the supporting documentation.

*Effect:* Under current conditions, the potential exists for persons to remove material sums of cash without being detected in a timely manner by employees in the normal course of performing their assigned functions.

*Recommendation:* We recommend the City implement proper segregation of duties over the custody and recording of transactions and proper review and oversight by management.

*Views of Responsible Officials and Planned Corrective Action:* The City agrees with the finding and the recommended procedures are being implemented.

Section 3: Findings and Questioned Costs for Federal Awards

The results of our tests did not disclose any findings and questioned costs related to the federal awards.