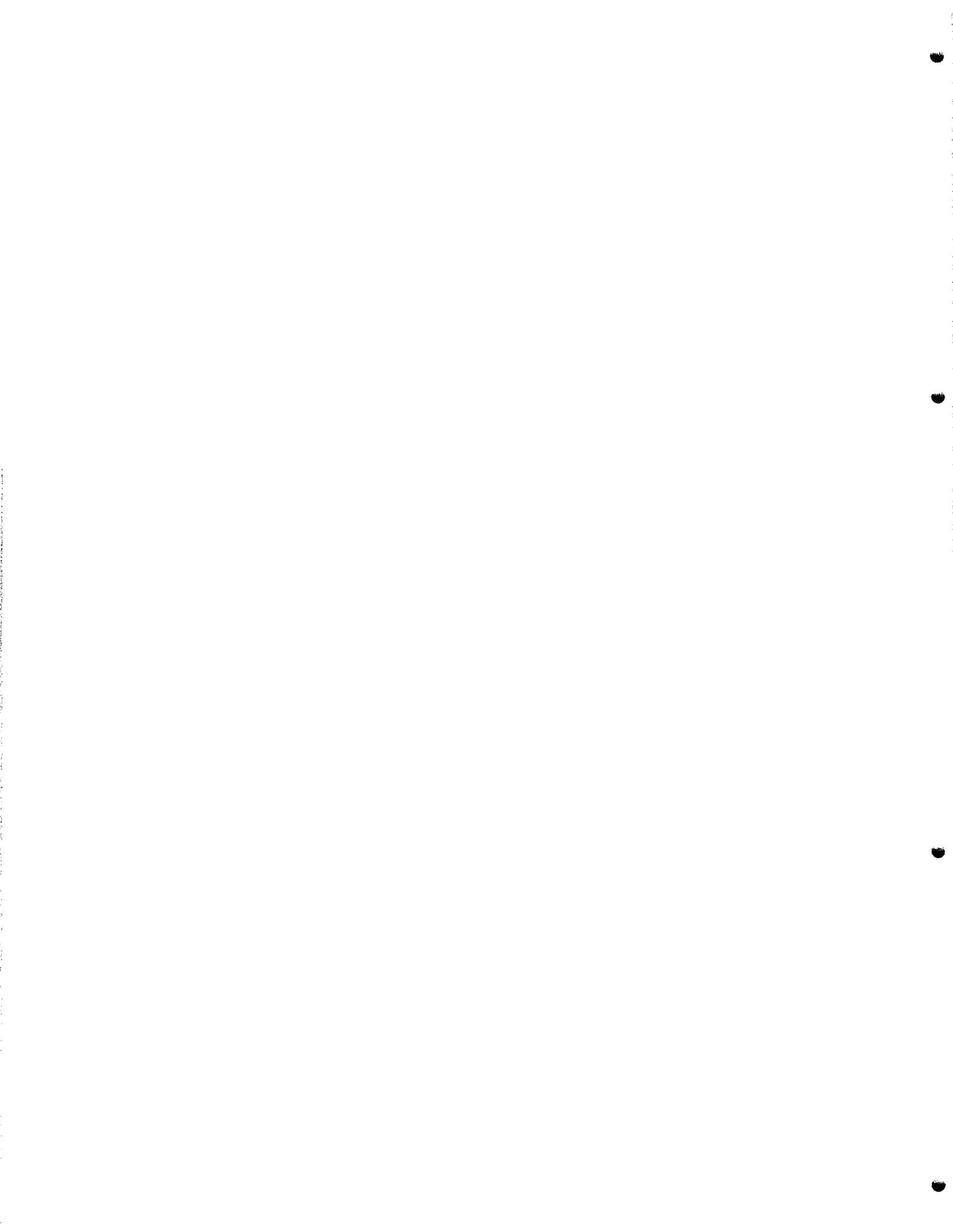




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CITY OF CORINTH, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011

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Lou Ann D. Counce, CPA
Terry E. Cartwright, 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, 2011, 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 \$82,458,376, \$38,236,740, \$44,221,636, \$12,276,334, and \$9,051,021, respectively.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously 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, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously 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, 2011, 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 June 18, 2012, 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brauner, Vanstoy & Co., P.A.

Corinth, Mississippi
June 18, 2012

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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, 2011. 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 \$4,598,811, which represents a 15.19% increase from fiscal year 2010.
- General revenues account for \$10,931,113 in revenue, or 52.61% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,973,611 or 28.75% of total revenues.
- The City had \$16,176,909 in expenses; only \$5,973,611 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,931,113 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,831,580 in revenues and \$9,807,023 in expenditures. The General Fund's fund balance decreased \$81,574 over the prior year.
- Governmental activities capital assets, net of accumulated depreciation, increased by \$1,173,445 due mainly to street improvements. Business-type activities capital assets, net of accumulated depreciation, decreased by \$538,435, due mainly to depreciation.
- Governmental activities long-term debt increased by \$5,035,981 due to new loans. Business-type activities long-term debt decreased by \$4,540,000 due to payment on debt \$651,411 and forgiveness of the Water Pollution Control Loan in the amount of \$3,888,589.
- The City transferred a loan of \$9,547,000 to the Corinth Utility Commission that was payable to the Mississippi Department of Health.

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, 2011**

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, 2011**

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 \$34,867,394 as of September 30, 2011.

The largest portion of the City's net assets (55.32%) 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, 2011 and 2010.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 40,299,722	\$ 37,431,094	\$ 6,699,091	\$ 7,096,688	\$ 46,998,813	\$ 44,527,782
Capital Assets, Net	8,011,965	6,842,565	29,297,684	29,836,118	37,309,649	36,678,683
Total Assets	<u>48,311,687</u>	<u>44,273,659</u>	<u>35,996,775</u>	<u>36,932,806</u>	<u>84,308,462</u>	<u>81,206,465</u>
Other Liabilities	4,794,134	6,585,220	79,461	253,154	4,873,595	6,838,374
Long-Term Liabilities	32,284,504	27,248,523	12,282,969	16,822,969	44,567,473	44,071,492
Total Liabilities	<u>37,078,638</u>	<u>33,833,743</u>	<u>12,362,430</u>	<u>17,076,123</u>	<u>49,441,068</u>	<u>50,909,866</u>
Net Assets						
Invested in Capital Assets, Net	2,218,932	1,156,703	17,069,379	13,074,639	19,288,311	14,231,342
Restricted	2,635,820	3,303,799	-	134,157	2,635,820	3,437,956
Unrestricted	6,378,297	5,979,414	6,564,966	6,617,887	12,943,263	12,597,301
Total Net Assets	<u>\$ 11,233,049</u>	<u>\$ 10,439,916</u>	<u>\$ 23,634,345</u>	<u>\$ 19,826,683</u>	<u>\$ 34,867,394</u>	<u>\$ 30,266,599</u>

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

- The acquisition of \$5,390,071 in notes receivable from the Corinth Utility Commission. See Note 3 for additional information.
- The principal retirement of \$457,810 of long-term debt in the governmental activities and \$885,175 in the business-type activities.
- The refunding of \$2,200,000 of long-term debt and the transferring of a \$9,547,000 loan to the Corinth Utility Commission in the governmental activities.
- The forgiveness of \$3,888,589 of long-term debt in the business-type activities.
- The acquisition of \$14,971,144 in long-term debt (see Note 5) in the governmental activities and \$240,590 in the business-type activities.
- The acquisition of \$1,173,445 in infrastructure improvements, mobile equipment, and furniture and equipment, net of depreciation, in the governmental activities.
- The acquisition of \$842,611 in equipment and sewer line improvements in the business-type activities.

Changes in net assets. The City's total revenues for the fiscal year ended September 30, 2011, were \$20,775,720. The total cost of all programs and services was \$16,176,909. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2011 and 2010.

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues	\$ 1,789,071	\$ 2,529,319	\$ 4,184,540	\$ 4,359,939	\$ 5,973,611	\$ 6,889,258
General Revenues	10,843,268	10,722,110	87,845	90,068	10,931,113	10,812,178
Loan Forgiveness	-	-	3,870,996	-	3,870,996	-
Total Revenues	12,632,339	13,251,429	8,143,381	4,450,007	20,775,720	17,701,436
Expenses						
General Government	2,205,566	1,923,826	-	-	2,205,566	1,923,826
Public Safety	5,659,402	5,825,287	-	-	5,659,402	5,825,287
Public Service	1,918,209	3,032,744	-	-	1,918,209	3,032,744
Culture and Recreation	1,824,609	1,680,045	-	-	1,824,609	1,680,045
Sewer	-	-	2,659,926	2,369,294	2,659,926	2,369,294
Solid Waste	-	-	1,382,205	1,395,774	1,382,205	1,395,774
Interest on Long-Term Liabilities	233,404	261,263	293,588	321,405	526,992	582,668
Total Expenses	11,841,190	12,723,165	4,335,719	4,086,473	16,176,909	16,809,638
Increase in Net Assets	\$ 791,149	\$ 528,264	\$ 3,807,662	\$ 363,534	\$ 4,598,811	\$ 891,798

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.

	2011		2010	
	Net (Expenses)		Net (Expenses)	
	Expenses	Revenue	Expenses	Revenue
General Government	\$ 2,205,566	\$ (2,063,811)	\$ 1,923,826	\$ (1,923,826)
Public Safety	5,659,402	(5,042,263)	5,825,287	(4,881,148)
Public Service	1,918,209	(1,208,107)	3,032,744	(1,754,449)
Culture and Recreation	1,824,609	(1,504,534)	1,680,045	(1,373,160)
Interest on Long-Term Liabilities	233,404	(233,404)	261,263	(261,263)
Total Expenses	\$ 11,841,190	\$ (10,052,119)	\$ 12,723,165	\$ (10,193,846)

The net cost of governmental activities, \$10,052,119 was financed by general revenue, which is made up of primarily property taxes of \$3,405,400 and sales taxes of \$6,353,325.

Investment earnings accounted for \$72,346 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, 2011**

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 \$35,270,672, an increase of \$4,504,445. \$5,466,324 or 15.50% 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 \$29,804,348 or 84.50% 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 \$81,574, or 1.46%.

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 \$5,845,885. The increase in net assets amounted to \$3,589,944. Unrestricted net assets of the Sanitation Enterprise Fund at year-end amounted to \$719,081. The increase in net assets amounted to \$217,718.

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, 2011, the City's total capital assets were \$53,247,883, including land, buildings, construction in progress, infrastructure, and equipment. This amount represents an increase of \$2,333,731 from the previous year, due primarily to street infrastructure improvements and mobile equipment. Total accumulated depreciation as of September 30, 2011, was \$15,938,235, and total depreciation expense for the year was \$1,733,277, resulting in total net capital assets of \$37,309,648.

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, 2011, the City had \$44,552,896 in long-term debt outstanding, of which \$1,293,454 is due within one year. This represents an increase of \$481,404 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, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash in Bank	\$ 7,637,894	\$ 6,349,872	\$ 13,987,766
Accounts Receivable, Net	2,958,188	353,219	3,311,407
Property Taxes Receivable	2,293,626	-	2,293,626
Fines Receivable, Net of Allowance for Doubtful Accounts	174,018	-	174,018
Interfund Receivable (Payable)	4,000	(4,000)	-
Prepaid Expenses	1,181,880	-	1,181,880
Note Receivable	25,947,927	-	25,947,927
Capitalized Bond Issue Cost, Net	102,189	-	102,189
Capital Assets Not Being Depreciated	1,139,980	-	1,139,980
Capital Assets, Net of Accumulated Depreciation	6,871,985	29,297,684	36,169,669
Total Assets	48,311,687	35,996,775	84,308,462
LIABILITIES			
Accounts Payable and Accrued Expenses	2,500,508	79,461	2,579,969
Deferred Revenue	2,293,626	-	2,293,626
Compensated Absences	543,544	54,664	598,208
Long Term Liabilities:			
Due Within One Year - Capital Related	500,626	792,828	1,293,454
Due Beyond One Year - Capital Related	5,292,407	11,435,477	16,727,884
Due Beyond One Year - Non-Capital Related	25,947,927	-	25,947,927
Total Liabilities	37,078,638	12,362,430	49,441,068
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,218,932	17,069,379	19,288,311
Restricted Net Assets:			
Expendable:			
Debt Service	879,693	-	879,693
Public Safety	289,370	-	289,370
Culture & Recreation	1,466,757	-	1,466,757
Unrestricted	6,378,297	6,564,966	12,943,263
Total Net Assets	\$ 11,233,049	\$ 23,634,345	\$ 34,867,394

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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 2,205,566	\$ 141,755	\$ -	\$ -	\$ (2,063,811)	\$ -	\$ (2,063,811)
Public Safety	5,659,402	542,371	74,768	-	(5,042,263)	-	(5,042,263)
Public Service	1,918,209	-	400,894	309,208	(1,208,107)	-	(1,208,107)
Culture and Recreation	1,824,609	-	320,075	-	(1,504,534)	-	(1,504,534)
Interest on Long-Term Liabilities	233,404	-	-	-	(233,404)	-	(233,404)
Total Governmental Activities	11,841,190	684,126	795,737	309,208	(10,052,119)	-	(10,052,119)
Business-Type Activities							
Sewer	2,659,926	2,617,561	-	-	-	(42,365)	(42,365)
Solid Waste	1,382,205	1,566,979	-	-	-	184,774	184,774
Interest on Long-Term Liabilities	293,588	-	-	-	-	(293,588)	(293,588)
Total Business-Type Activities	4,335,719	4,184,540	-	-	-	(151,179)	(151,179)
Total Government	\$ 16,176,909	\$ 4,868,666	\$ 795,737	\$ 309,208	(10,052,119)	(151,179)	(10,203,298)
General Revenues:							
Taxes:							
Property					3,405,400	-	3,405,400
Sales					6,353,325	-	6,353,325
Franchise					520,897	-	520,897
Gasoline					13,710	-	13,710
Pro-Rata Road					144,686	-	144,686
Other Permits and Taxes					123,768	-	123,768
Non-Restricted Grants					7,294	-	7,294
Investment Earnings					72,346	87,845	160,191
Other					201,842	-	201,842
Loan Forgiveness- ARRA					-	3,870,996	3,870,996
Total General Revenues					10,843,268	3,958,841	14,802,109
Change in Net Assets					791,149	3,807,662	4,598,811
Net Assets, Beginning					10,439,916	19,826,683	30,266,599
Prior Period Adjustment					1,984	-	1,984
Net Asset, Beginning - Restated					10,441,900	19,826,683	30,268,583
Net Assets, Ending					\$ 11,233,049	\$ 23,634,345	\$ 34,867,394

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

**CITY OF CORINTH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Major Funds			Total Governmental Funds
	General Fund	Gas & Water Surface Water Project	Other Governmental Funds	
ASSETS:				
Cash	\$ 5,058,299	\$ -	\$ 2,579,595	\$ 7,637,894
Property Taxes Receivable	1,679,839	-	613,787	2,293,626
Intergovernmental Receivables	534,998	2,284,526	138,664	2,958,188
Fines Receivable, Net	174,018	-	-	174,018
Prepaid Expense	-	-	1,181,880	1,181,880
Note Receivable	-	25,947,927	-	25,947,927
Due from Sewer Enterprise Fund	4,000	-	-	4,000
Total Assets	\$ 7,451,154	\$ 28,232,453	\$ 4,513,926	\$ 40,197,533
LIABILITIES AND FUND BALANCES:				
Liabilities				
Accounts Payable	\$ 79,168	\$ 2,284,526	\$ 95,523	\$ 2,459,217
Unearned Revenue	1,853,857	-	613,787	2,467,644
Total Liabilities	1,933,025	2,284,526	709,310	4,926,861
FUND BALANCES:				
Nonspendable				
Prepaid Items	-	-	1,181,880	1,181,880
Restricted for				
Public Safety	-	-	289,370	289,370
Debt Service	-	-	920,984	920,984
Culture and Recreation	-	-	918,414	918,414
Committed to				
Culture and Recreation	-	-	545,773	545,773
Public Works	-	25,947,927	-	25,947,927
Unassigned	5,518,129	-	(51,805)	5,466,324
Total Fund Balances	5,518,129	25,947,927	3,804,616	35,270,672
Total Liabilities and Fund Balances	\$ 7,451,154	\$ 28,232,453	\$ 4,513,926	\$ 40,197,533

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, 2011**

	Amount
Total Fund Balances - Governmental Funds	\$ 35,270,672
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.	174,018
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 \$4,355,797. (Note 4)	8,011,965
3. Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds. (Note 5)	
General Obligation Bonds Payable	(5,380,000)
Bond Premiums	(37,140)
Bond Discounts	22,562
Other Loans Payable	(26,346,382)
Compensated Absences	(543,544)
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.	102,189
5. Accrued interest is not due and payable in the current period and therefore, is not reported in the funds.	(41,291)
Total Net Assets - Governmental Activities	\$ 11,233,049

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, 2011

	Major Funds			Total Governmental Funds
	General Fund	Gas & Water Surface Water Project	Other Governmental Funds	
REVENUES:				
Taxes	\$ 2,171,418	\$ -	\$ 755,327	\$ 2,926,745
Licenses and Permits	644,665	-	-	644,665
Intergovernmental	6,105,531	-	1,997,083	8,102,614
Charges for Services	153,687	-	-	153,687
Fines and Forfeits	530,439	-	-	530,439
Other	225,840	-	24,180	250,020
Total Revenues	<u>9,831,580</u>	<u>-</u>	<u>2,776,590</u>	<u>12,608,170</u>
EXPENDITURES:				
Current				
General Government	2,259,972	-	-	2,259,972
Public Safety	5,622,760	-	3,964	5,626,724
Public Service	1,751,905	-	308,678	2,060,583
Culture and Recreation	-	-	1,824,609	1,824,609
Capital Outlay	172,386	-	904,939	1,077,325
Debt Service:				
Principal	-	-	457,810	457,810
Interest and Other Charges	-	-	288,457	288,457
Total Expenditures	<u>9,807,023</u>	<u>-</u>	<u>3,788,457</u>	<u>13,595,480</u>
Excess of Revenues Over (Under) Expenditures	<u>24,557</u>	<u>-</u>	<u>(1,011,867)</u>	<u>(987,310)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of loans	-	14,937,071	34,073	14,971,144
Refunding bonds issued	-	-	2,280,000	2,280,000
Proceeds from sale of capital assets	21,002	-	-	21,002
Premiums on bonds issued	-	-	37,530	37,530
Loan transfer to gas & water	-	(9,547,000)	-	(9,547,000)
Transfers in	15,400	-	142,533	157,933
Transfers out	(142,533)	-	(15,400)	(157,933)
Payment to bond refunding escrow agent	-	-	(2,248,121)	(2,248,121)
Discount on bonds issued	-	-	(22,800)	(22,800)
Total Other Financing Sources (Uses)	<u>(106,131)</u>	<u>5,390,071</u>	<u>207,815</u>	<u>5,491,755</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(81,574)</u>	<u>5,390,071</u>	<u>(804,052)</u>	<u>4,504,445</u>
Fund Balance, Beginning of Year	<u>5,599,703</u>	<u>20,557,856</u>	<u>4,608,668</u>	<u>30,766,227</u>
Fund Balance, End of Year	<u>\$ 5,518,129</u>	<u>\$ 25,947,927</u>	<u>\$ 3,804,616</u>	<u>\$ 35,270,672</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, 2011**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 4,504,445
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 \$1,525,676 and the depreciation expense amounted to \$352,231. (Note 4)	1,173,445
2. Governmental funds report proceeds from the disposal of assets while governmental activities report net gain or loss.	(6,029)
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 net assets. (Note 5)	457,810
Refunded Bonds Payable are reported as other financing uses in governmental funds, but decreases long-term liabilities in the statement of net assets.	2,200,000
Governmental Funds report long-term debt transferred to other governments as other uses, but the transfer reduces long-term liabilities in the statement of net assets.	9,547,000
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.	(17,251,144)
5. Increase in fines receivable is recorded as an adjustment to income.	8,805
6. Decrease in accrued interest payable is recorded as an adjustment to interest expense.	103,412
7. Issuance costs, premiums, and discounts on debt issuances are recorded as expenditures and other financing use in the governmental funds; however, they are deferred and amortized as expenses in the government-wide statements:	
Bond Premiums	(37,530)
Bond Discount	22,800
Issuance Cost	46,609
8. Increase in compensated absences is reported as an adjustment to various functions.	24,931
9. Decrease in bond issuance cost.	(3,405)
Change in Net Assets	\$ 791,149

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, 2011

	Business-Type - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
ASSETS:			
Current Assets			
Cash in Bank	\$ 5,738,002	\$ 611,870	\$ 6,349,872
Accounts Receivable (Net of Allowance)	222,268	130,951	353,219
Total Current Assets	<u>5,960,270</u>	<u>742,821</u>	<u>6,703,091</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation	28,794,237	503,447	29,297,684
Total Noncurrent Assets	<u>28,794,237</u>	<u>503,447</u>	<u>29,297,684</u>
Total Assets	<u>34,754,507</u>	<u>1,246,268</u>	<u>36,000,775</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	53,408	-	53,408
Accrued Interest Payable	25,908	145	26,053
Due to General Fund	4,000	-	4,000
Long-Term Liabilities, Due Within One Year	771,056	21,772	792,828
Total Current Liabilities	<u>854,372</u>	<u>21,917</u>	<u>876,289</u>
Noncurrent Liabilities			
Compensated Absences Payable	31,069	23,595	54,664
Long-Term Liabilities, Due Beyond One Year	11,413,105	22,372	11,435,477
Total Noncurrent Liabilities	<u>11,444,174</u>	<u>45,967</u>	<u>11,490,141</u>
Total Liabilities	<u>12,298,546</u>	<u>67,884</u>	<u>12,366,430</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	16,610,076	459,303	17,069,379
Unrestricted	5,845,885	719,081	6,564,966
Total Net Assets	<u>\$ 22,455,961</u>	<u>\$ 1,178,384</u>	<u>\$ 23,634,345</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, 2011

	Business-Type Activities - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,617,561	\$ 1,566,979	\$ 4,184,540
Total Operating Revenues	<u>2,617,561</u>	<u>1,566,979</u>	<u>4,184,540</u>
OPERATING EXPENSES:			
Salaries and Benefits	620,520	685,295	1,305,815
Materials and Supplies	205,509	120,629	326,138
Repairs and Maintenance	266,723	-	266,723
Other Operating Expenses	287,742	474,667	762,409
Depreciation and Amortization	1,279,432	101,614	1,381,046
Total Operating Expenses	<u>2,659,926</u>	<u>1,382,205</u>	<u>4,042,131</u>
Operating Income (Loss)	<u>(42,365)</u>	<u>184,774</u>	<u>142,409</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental Revenues	-	28,132	28,132
Loan Forgiveness - ARRA	3,870,996	-	3,870,996
Interest Income	53,256	6,457	59,713
Interest Expense	(291,943)	(1,645)	(293,588)
Total Nonoperating Revenues (Expenses)	<u>3,632,309</u>	<u>32,944</u>	<u>3,665,253</u>
Income Before Contributions and Transfers	3,589,944	217,718	3,807,662
Contributions and Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	3,589,944	217,718	3,807,662
Net Assets, Beginning of Year	<u>18,866,017</u>	<u>960,666</u>	<u>19,826,683</u>
Net Assets, End of Year	<u>\$ 22,455,961</u>	<u>\$ 1,178,384</u>	<u>\$ 23,634,345</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, 2011

	<u>Business - Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Sewer System Fund</u>	<u>Sanitation Enterprise Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	\$ 2,653,441	\$ 1,565,084	\$ 4,218,525
Cash Paid to Suppliers and Employees	(1,350,057)	(1,284,257)	(2,634,314)
Net Cash Provided by Operating Activities	<u>1,303,384</u>	<u>280,827</u>	<u>1,584,211</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(687,460)	(155,152)	(842,612)
Loan Proceeds	240,590	-	240,590
Principal Payments on Long-Term Debt	(4,754,473)	(19,291)	(4,773,764)
Interest Paid	(293,603)	(1,645)	(295,248)
Net Cash Used by Capital and Related Financing Activities	<u>(5,494,946)</u>	<u>(176,088)</u>	<u>(5,671,034)</u>
Cash Flows from Investing Activities:			
Other Income	3,870,996	28,132	3,899,128
Interest Revenue Received	53,256	6,457	59,713
Cash Provided by Investing Activities	<u>3,924,252</u>	<u>34,589</u>	<u>3,958,841</u>
Net Increase (Decrease) in Cash	(267,310)	139,328	(127,982)
Cash and Cash Equivalents at Beginning of Year	6,005,312	472,542	6,477,854
Cash and Cash Equivalents at End of Year	<u>\$ 5,738,002</u>	<u>\$ 611,870</u>	<u>\$ 6,349,872</u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income	\$ (42,365)	\$ 184,774	\$ 142,409
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	1,279,432	101,614	1,381,046
Accounts Receivable	35,880	(1,895)	33,985
Accounts Payable and Accrued Expenses	34,063	(467)	33,596
Compensated Absences Payable	(3,626)	(3,199)	(6,825)
Total Adjustments	<u>1,345,749</u>	<u>96,053</u>	<u>1,441,802</u>
Net Cash Provided by Operating Activities	<u>\$ 1,303,384</u>	<u>\$ 280,827</u>	<u>\$ 1,584,211</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, 2011**

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash in Bank	\$ 24,026	\$ 98,709
Total Assets	24,026	98,709
 LIABILITIES		
Amount Held for Others	-	98,709
Total Liabilities	-	\$ 98,709
 NET ASSETS		
Held in Trust	\$ 24,026	

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, 2011**

	Private-Purpose Trust Fund
ADDITIONS:	
Interest Income	\$ 201
Lot Sales	650
Total Revenues	851
DEDUCTIONS:	
Other	-
Changes in Net Assets	851
Net Assets, Beginning of Year	23,175
Net Assets, End of Year	\$ 24,026

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

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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, 2011, 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, 2011**

I. 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.

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, 2011**

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, 2011**

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, 2011**

1. Summary of Significant Accounting Policies (continued)

K. Equity Classifications (continued)

Governmental Financial Statements:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Board of Alderman – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Board and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. No amounts have been assigned as of September 30, 2011.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

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.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

1. Summary of Significant Accounting Policies (continued)

M. Property Tax Revenues (continued)

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.

P. Implementation of new accounting principles

For the year ending September 30, 2011, the City implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in the Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was classified for better alignment with the needs of preparers and users. Definition of other governmental fund types also have been modified for clarity and consistency.

GASB Statement No. 53 and Statement No. 58 have no reporting implication for the City of Corinth.

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.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

2. Cash and Other Deposits (continued)

The carrying amount of the City's deposits with financial institutions was \$14,110,501, and the bank balance was \$14,545,998.

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 10/1/10	Additions	Retirements	Adjustments/ Completed Construction	Balance 9/30/2011
<u>Governmental Activities</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 449,644	\$ -	\$ -	\$ -	\$ 449,644
Construction in progress	1,998,591	1,247,750	-	(2,556,005)	690,336
Total non-depreciable capital assets	2,448,235	1,247,750	-	(2,556,005)	1,139,980
<u>Depreciable capital assets:</u>					
Buildings	3,317,797	-	-	631,554	3,949,351
Infrastructure - Streets	2,250,205	-	-	1,924,451	4,174,656
Mobile equipment	2,626,658	104,603	54,395	19,839	2,696,705
Furniture and equipment	233,747	173,323	-	-	407,070
Total depreciable capital assets	8,428,407	277,926	54,395	2,575,844	11,227,782
<u>Less accumulated depreciation</u>					
Buildings	1,534,675	62,863	-	-	1,597,538
Infrastructure - streets	261,411	146,113	-	-	407,524
Mobile equipment	2,167,348	78,443	48,366	17,855	2,215,280
Furniture and equipment	70,643	64,812	-	-	135,455
Total accumulated depreciation	4,034,077	352,231	48,366	17,855	4,355,797
Total depreciable capital assets, net	4,394,330	(74,305)	6,029	2,557,989	6,871,985
Total Governmental activities capital assets, net	\$ 6,842,565	\$ 1,173,445	\$ 6,029	\$ 1,984	\$ 8,011,965

Adjustment was made to capital assets to add assets omitted in prior years of \$1,984 net.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

4. Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 101,964
Public Safety	73,906
Public Service	<u>176,361</u>
Total governmental activities depreciation expense	<u>\$ 352,231</u>

Commitments on construction contracts at September 30, 2011, are as follows:

Cardinal Drive Improvements	\$ 8,245
Oakland School Bridge	<u>738</u>
Total	<u>\$ 8,983</u>

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

	Balance 10/1/10	Additions	Retirements	Completed Construction	Balance 9/30/11
<u>Business-type Activities</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 17,500	\$ -	\$ -	\$ -	\$ 17,500
Construction in progress	<u>3,675,703</u>	<u>224,350</u>	<u>-</u>	<u>(3,900,053)</u>	<u>-</u>
Total non-depreciable capital assets	<u>3,693,203</u>	<u>224,350</u>	<u>-</u>	<u>(3,900,053)</u>	<u>17,500</u>
<u>Depreciable capital assets:</u>					
Sewer plant and buildings	34,424,707	-	-	3,900,053	38,324,760
Mobile equipment	1,358,010	601,419	-	-	1,959,429
Furniture and equipment	<u>561,590</u>	<u>16,842</u>	<u>-</u>	<u>-</u>	<u>578,432</u>
Total depreciable capital assets	<u>36,344,307</u>	<u>618,261</u>	<u>-</u>	<u>3,900,053</u>	<u>40,862,621</u>
<u>Less accumulated depreciation</u>					
Sewer plant and buildings	9,021,347	1,177,177	-	-	10,198,524
Mobile equipment	845,392	163,465	-	-	1,008,857
Furniture and equipment	<u>334,653</u>	<u>40,404</u>	<u>-</u>	<u>-</u>	<u>375,057</u>
Total accumulated depreciation	<u>10,201,392</u>	<u>1,381,046</u>	<u>-</u>	<u>-</u>	<u>11,582,438</u>
Total depreciable capital assets, net	<u>26,142,915</u>	<u>(762,785)</u>	<u>-</u>	<u>3,900,053</u>	<u>29,280,183</u>
Total Business-type activities capital assets, net	<u>\$ 29,836,118</u>	<u>\$ (538,435)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,297,683</u>

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

Sewer	\$ 1,279,432
Solid Waste	<u>101,614</u>
Total business-type activities depreciation expense	<u>\$ 1,381,046</u>

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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, 2011:

	Balance 10/1/10	Additions	Reductions	Balance 9/30/11	Amounts due within one year
A. General Obligation					
Bonds Payable	\$ 5,745,000	\$ 2,280,000	\$ 2,645,000	\$ 5,380,000	\$ 485,000
Add: Bond Premiums	-	37,530	390	37,140	-
Less: Bond Discounts	-	(22,800)	(238)	(22,562)	-
B. Other Loans Payable	20,935,048	14,971,144	9,559,810	26,346,382	15,626
C. Compensated Absences Payable	568,475	-	24,931	543,544	-
Total	<u>\$ 27,248,523</u>	<u>\$ 17,265,874</u>	<u>\$ 12,229,893</u>	<u>\$ 32,284,504</u>	<u>\$ 500,626</u>

A. General Obligation Bonds Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2011	2.0 - 2.5%	9/6/2011	4/1/2018	2,280,000	2,280,000
Series 2009	3.3 - 4.7%	12/28/2009	12/1/2029	3,200,000	3,100,000
				<u>\$ 5,480,000</u>	<u>\$ 5,380,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 485,000	\$ 147,597	\$ 632,597
2013	480,000	154,965	634,965
2014	500,000	142,278	642,278
2015	510,000	129,055	639,055
2016	530,000	115,445	645,445
2017 - 2021	1,070,000	425,243	1,495,243
2022 - 2026	910,000	270,337	1,180,337
2027 - 2030	895,000	74,697	969,697
Total	<u>\$ 5,380,000</u>	<u>\$ 1,459,617</u>	<u>\$ 6,839,617</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.

Current Refunding – On September 6, 2011, the City issued \$2,280,000 in general obligation refunding bonds with an interest rate of 2.0% - 2.5% to refund \$2,200,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
General Obligation Bonds, Series 1998	4.70%	1,175,000
General Obligation Bonds, Series 2001	4.00%	1,025,000

The City refunded the above bonds to reduce its total debt service payments over the next 7 years by almost \$129,657 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$113,130.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

5. Long-Term Debt (continued)

B. Other Loans Payable

Other loans payable consists the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
CAP Loan	3.00%	11/1/2010	11/1/2030	<u>\$ 411,265</u>	<u>\$ 398,455</u>

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,626	\$ 11,744	\$ 27,370
2013	16,102	11,269	27,371
2014	16,591	10,779	27,370
2015	17,096	10,275	27,371
2016	17,616	9,755	27,371
2017-2021	96,450	40,402	136,852
2022-2026	112,038	24,814	136,852
2027-2031	106,936	7,107	114,043
Total	<u>\$ 398,455</u>	<u>\$ 126,145</u>	<u>\$ 524,600</u>

The CAP Loan was issued to provide funds for the construction of a new fire station.

The debt will be retired from the General Fund.

Advances received, in the amount of \$20,163,771, through September 30, 2011, 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 received, in the amount of \$9,547,000, through September 30, 2011, from a State of Mississippi Department of Health "Drinking Water Systems Improvements Revolving Loan Fund" (DWSIRLF) loan (#DWI-H280064-05-0). The loan, of \$9,547,000, of which \$2,136,750 is American Recovery and Reinvestment Act (ARRA) funding (which was forgiven upon successful completion of the project within the ARRA guidelines) was used to aid the Corinth Utility Commission in upgrading its water system with new transmission and distribution lines. 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 date April 5, 2011, with MDH for this debt, thereby relieving the City of its liability.

Advances received, in the amount of \$1,059,156, through September 30, 2011, from a State of Mississippi Department of Health "Drinking Water Systems Improvements Revolving Loan Fund" (DWSIRLF) loan (#DWI-L020002-06-0). The loan, of up to \$5,000,000, of which \$1,250,000 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 to aid the Corinth Utility Commission in upgrading its water system with new intake and pumping facilities. The interest rate is 1.95% and repayment terms, based on the total loan amount, are preliminarily as follows: Payments of \$19,077 per month for a period of 237 months, to begin in May, 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.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

5. Long-Term Debt (continued)

Advances received, in the amount of \$4,725,000, through September 30, 2011, from a State of Mississippi Department of Health "Drinking Water Systems Improvements Revolving Loan Fund" (DWSIRLF) loan (#DWI-L020002-07-0). The loan, of up to \$5,000,000, is being used to aid the Corinth Utility Commission in upgrading its water system with a new Raw Water Transmission Line. The interest rate is 1.95% and repayment terms, based on the total loan amount, are preliminarily as follows: Payments of \$25,437 per month for a period of 237 months, to begin in May, 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.

The following is a summary of changes in long-term debt of the City's business-type activities for the year ended September 30, 2011:

	Balance 10/1/10	Additions	Reductions	Balance 9/30/11	Amounts due within one year
A. Revenue Bonds Payable	\$ 115,000	\$ -	\$ 115,000	\$ -	\$ -
B. Other Loans Payable	16,583,044	240,590	4,639,473	12,184,161	771,056
C. Capital Lease Payable	63,435	-	19,291	44,144	21,772
D. Compensated Absences Payable	61,490	-	6,826	54,664	-
Total	<u>\$ 16,822,969</u>	<u>\$ 240,590</u>	<u>\$ 4,780,590</u>	<u>\$ 12,282,969</u>	<u>\$ 792,828</u>

A. Revenue Bonds Payable.

The Sewer System Refunding Revenue Bonds, Series 1994, were fully retired during the year.

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.

Advances on WPCRLF loan number SRF-C-28055-04-0-ARSR totaled \$3,888,589. 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.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Revolving Loan Fund Loan Payable	4.5%	10/18/1995	11/1/2017	\$ 3,433,800	\$ 1,423,734
State Revolving Loan Fund Loan Payable	2.00%	10/6/2006	12/1/2027	<u>12,655,057</u>	<u>10,760,427</u>
				<u>\$ 16,088,857</u>	<u>\$ 12,184,161</u>

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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, 2011:

Year Ending September 30,	Principal	Interest	Total
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	858,501	182,468	1,040,969
2017-2021	3,557,276	632,428	4,189,704
2022-2026	3,559,063	281,685	3,840,748
2027-2028	957,371	12,815	970,186
Total	<u>\$ 12,144,161</u>	<u>\$ 2,061,322</u>	<u>\$ 14,205,483</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
2012	\$ 21,772	\$ 1,067	\$ 22,839
2013	22,372	466	22,838
Total	<u>\$ 44,144</u>	<u>\$ 1,533</u>	<u>\$ 45,677</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 9/30/11	City Share
Hospital Revenue Bonds, Series 2011	\$ 82,945,000	\$ 37,325,250
Hospital Revenue Refunding Bonds, Series 2006B	2,465,000	1,109,250
Total	<u>\$ 85,410,000</u>	<u>\$ 38,434,500</u>

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

7. Property Taxes

The millage rate for the City for October 1, 2010, through September 30, 2011, 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	26.30	Mills
Library	1.50	Mills
Parks and Playgrounds	2.00	Mills
Municipal bond and Interest	6.00	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 \$325,842, including expenditures from grants, to support the operation of this joint venture during the year ended September 30, 2011. 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 \$415,910 to support the operation of this joint venture during the year ended September 30, 2011. 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, 2011**

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 \$63,000 to support the operation of this joint venture during the year ended September 30, 2011. 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 9.0% of their annual covered salary from October 1, 2010, through September 30, 2011, 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, 2011, 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, 2011, 2010, and 2009, were \$667,354, \$676,042, and \$654,066, 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, the City's legal counsel does not expect any liability resulting from these lawsuits will have a material adverse effect on the financial condition of the City.

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.

12. Deficit Fund Balances

The CDBG Fund had a deficit fund balance at September 30, 2011, in the amount of \$1,499, and Infrastructure Bond Fund 2009 had deficit fund balance of \$50,306. These deficit fund balances could have been eliminated with a transfer and/or short-term advance from the General Fund.

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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 June 18, 2012, (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, 2011, through June 18, 2012, amounted to \$3,237,770.

Advances on DWSIRLF loan number DWI-L020002-06-0 subsequent to September 30, 2011 through June 18, 2012, amounted to \$3,708,605.

Advances on DWSIRLF loan number DWI-L20002-07-1 subsequent to September 30, 2011, through June 18, 2012, amounted to \$275,000. Subsequent to year-end, this project was completed, and \$500,000 of this loan was forgiven. 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 March 18, 2012, with MDH for this debt, thereby relieving the City of its liability.

CITY OF CORINTH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
NON-GAAP BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUE:					
Taxes	\$ 2,315,000	\$ 2,214,250	\$ 2,171,490	\$ (100,750)	\$ (42,760)
Licenses and Permits	479,000	480,000	558,014	1,000	78,014
Intergovernmental	5,811,315	5,953,050	6,113,201	141,735	160,151
Charges for Services	796,000	153,500	153,687	(642,500)	187
Fines and Forfeitures	510,000	455,000	530,439	(55,000)	75,439
Other	242,475	206,838	225,840	(35,637)	19,002
Total Revenues	10,153,790	9,462,638	9,752,671	(691,152)	290,033
EXPENDITURES:					
Current:					
General Government	3,230,588	2,543,240	2,259,972	687,348	283,268
Public Safety	5,590,714	5,632,497	5,622,760	(41,783)	9,737
Public Service	1,529,900	1,724,024	1,751,905	(194,124)	(27,881)
Culture and Recreation	-	-	-	-	-
Capital Outlay	296,250	194,000	172,386	102,250	21,614
Debt Service	67,848	-	-	67,848	-
Total Expenditures	10,715,300	10,093,761	9,807,023	621,539	286,738
Excess (Deficiency) of Revenues over Expenditures	(561,510)	(631,123)	(54,532)	(69,613)	576,771
OTHER FINANCING SOURCES (USES):					
Proceeds From Sale of Assets	-	-	21,002	-	21,002
Proceeds of Loans	194,000	-	-	(194,000)	-
Operating Transfers, Net	(200,000)	(202,645)	(127,133)	(2,645)	75,512
Total Other Financing Sources (Uses)	(6,000)	(202,645)	(106,131)	(196,645)	(96,514)
Net Change in Fund Balance	(567,510)	(833,768)	(160,483)	(266,258)	673,285
Fund Balance, Beginning of Year	5,736,709	5,735,709	5,736,709	-	-
Fund Balance, End of Year	\$ 5,169,199	\$ 4,901,941	\$ 5,576,226	\$ (266,258)	\$ 673,285

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, 2011

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Other Financing Sources (Uses)					
Proceeds of Loan	19,500,000	21,000,000	14,937,071	1,500,000	(6,062,929)
Transfer to Gas & Water	<u>(19,500,000)</u>	<u>(21,000,000)</u>	<u>(9,547,000)</u>	<u>(1,500,000)</u>	<u>11,453,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,390,071</u>	<u>-</u>	<u>5,390,071</u>
Net Change in Fund Balance	-	-	5,390,071	-	5,390,071
Fund Balance, Beginning of Year	<u>20,557,856</u>	<u>20,557,856</u>	<u>20,557,856</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 20,557,856</u>	<u>\$ 20,557,856</u>	<u>\$ 25,947,927</u>	<u>\$ -</u>	<u>\$ 5,390,071</u>

**CITY OF CORINTH, MISSISSIPPI
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED SEPTEMBER 30, 2011**

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)	\$ (160,483)
Net adjustments for Revenue Accruals	78,909
GAAP Basis	\$ (81,574)

**CITY OF CORINTH, MISSISSIPPI
COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Fire Protection Fund	Library Fund	Park and Playground Fund	Tourism Construction Fund	Tourism Budget Fund	Corinth/ Alcorn Jail	CDBG Fund	Infra- Structure Bond Fund	Municipal B & I Fund	Total Other Governmental
Assets:										
Cash	\$ 289,370	\$ 368,223	\$ 175,920	\$ 789,354	\$ 32,991	\$ -	\$ 5,630	\$ 2,013	\$ 916,094	\$ 2,579,595
Receivables	-	96,914	130,848	48,035	48,034	-	36,075	-	392,545	752,451
Prepaid Items	-	-	-	-	-	1,181,880	-	-	-	1,181,880
Total Assets	\$ 289,370	\$ 465,137	\$ 306,768	\$ 837,389	\$ 81,025	\$ 1,181,880	\$ 41,705	\$ 2,013	\$ 1,308,639	\$ 4,513,926
Liabilities and Fund Balance:										
Liabilities										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,204	\$ 52,319	\$ -	\$ 95,523
Unearned Revenue	-	96,914	129,218	-	-	-	-	-	387,655	613,787
Total Liabilities	-	96,914	129,218	-	-	-	43,204	52,319	387,655	709,310
Fund Balances:										
Nonspendable:										
Prepaid Items	-	-	-	-	-	1,181,880	-	-	-	1,181,880
Restricted For:										
Public Safety	289,370	-	-	-	-	-	-	-	-	289,370
Culture and Recreation	-	-	-	837,389	81,025	-	-	-	-	918,414
Debt Service	-	-	-	-	-	-	-	-	920,984	920,984
Committed to										
Culture and Recreation	-	368,223	177,550	-	-	-	-	-	-	545,773
Unassigned	-	-	-	-	-	-	(1,499)	(50,306)	-	(51,805)
Total Fund Balance	289,370	368,223	177,550	837,389	81,025	1,181,880	(1,499)	(50,306)	920,984	3,804,616
Total Liabilities and Fund Balance	\$ 289,370	\$ 465,137	\$ 306,768	\$ 837,389	\$ 81,025	\$ 1,181,880	\$ 41,705	\$ 2,013	\$ 1,308,639	\$ 4,513,926

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, 2011

	Fire Protection Fund	Library Fund	Park and Playground Fund	Tourism Construction Fund	Tourism Budget Fund	Corinth/ Alcorn Jail	CDBG Fund	Infra- Structure Bond Fund	Municipal B & I Fund	Total Other Governmental
Revenues:										
Taxes	\$ -	\$ 118,170	\$ 159,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,970	\$ 755,327
Intergovernmental	74,768	8,961	274,829	510,115	568,802	-	521,525	-	38,083	1,997,083
Other	2,254	3,115	2,047	6,230	232	-	370	1,675	8,257	24,180
Total Revenues	77,022	130,246	436,063	516,345	569,034	-	521,895	1,675	524,310	2,776,590
Expenditures:										
Current										
Public Safety	3,964	-	-	-	-	-	-	-	-	3,964
Public Service	-	-	-	-	-	-	250,474	-	58,204	308,678
Culture and Recreation	-	123,300	415,910	739,712	545,687	-	-	-	-	1,824,609
Capital Outlay	-	-	-	-	-	-	275,238	629,701	-	904,939
Debt Service:										
Principal	12,810	-	-	-	-	-	-	-	445,000	457,810
Interest and Other Charges	18,706	-	-	-	-	-	-	-	269,751	288,457
Total Expenditures	35,480	123,300	415,910	739,712	545,687	-	525,712	629,701	772,955	3,788,457
Excess of Revenues Over (Under) Expenditures	41,542	6,946	20,153	(223,367)	23,347	-	(3,817)	(628,026)	(248,645)	(1,011,867)
Other Financing Sources(Uses):										
Proceeds of Loans	-	-	-	-	-	-	34,073	-	-	34,073
Refunding bonds issued	-	-	-	-	-	-	-	-	2,280,000	2,280,000
Premiums on bonds issued	-	-	-	-	-	-	-	-	37,530	37,530
Operating Transfers In(Out)	-	-	-	-	-	-	(10,041)	137,174	-	127,133
Payments to bond refunding escrow agent	-	-	-	-	-	-	-	-	(2,248,121)	(2,248,121)
Discount on bonds issued	-	-	-	-	-	-	-	-	(22,800)	(22,800)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	24,032	137,174	46,609	207,815
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	41,542	6,946	20,153	(223,367)	23,347	-	20,215	(490,852)	(202,036)	(804,052)
Fund Balance, Beginning of Year	247,828	361,277	157,397	1,060,756	57,678	1,181,880	(21,714)	440,546	1,123,020	4,608,668
Fund Balance, End of Year	\$ 289,370	\$ 368,223	\$ 177,550	\$ 837,389	\$ 81,025	\$ 1,181,880	\$ (1,499)	\$ (50,306)	\$ 920,984	\$ 3,804,616

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, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Direct Grants			
ARRA - Edward Byrne Memorial Justice Assistance Program	16.804		\$ 4,057
Total U.S. Department of Justice			<u>4,057</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through MS Emergency Management Agency			
Public Assistance Grant Program	97.036		152,060
Total U.S. Department of Homeland Security			<u>152,060</u>
<u>U.S. Environmental Protection Agency</u>			
Passed-through the MS Dept. of Health			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280064-05-0	670,126
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWI-H280064-04-0	4,710,726
Total Capitalization Grants for Drinking Water State Revolving Funds			<u>5,380,852</u>
Passed-through the MS Dept. of Environmental Quality			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-855-04-ARSR	240,560
ARRA - State Clean Diesel Grant Program	66.040		28,132
Total U.S. Environmental Protection Agency			<u>5,649,544</u>
<u>U.S. Department of Interior</u>			
Passed-through National Park Service			
Preserve America Grant	15.904	28-07-PA-3021	58,687
<u>U.S. Department of Transportation</u>			
Direct Grants			
Airport Improvement Program	20.106		224,685
<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	206,266
Total U.S. Department of Housing and Urban Development			<u>206,266</u>
Total for All Federal Awards			<u>\$ 6,295,299</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, 2011, of loans received under CFDA #66.458 was \$12,184,161
4. The balance outstanding as of September 30, 2011, of loans received under CFDA #66.468 was \$25,947,927

**CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2011**

Name	Position	Company	Bond
Tommy Irvin	Mayor	Western Surety Company	\$ 100,000
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
Benjamin Albarracin	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
Micheal McFall	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
David Roberts	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Andrew Labas	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
Steve Hill	Alderman	Travelers Casualty & Surety Co of America	\$ 100,000
J. C. 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
Deena Willis	Deputy Court Clerk	Western Surety Company	\$ 100,000

CITY OF CORINTH, MISSISSIPPI

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

Lou Ann D. Counce, CPA
Terry E. Cartwright, 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, 2011, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated June 18, 2012. 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

Management of the City of Corinth, Mississippi, is responsible for establishing and maintaining effective 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 2011-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Mayor and Board of Aldermen
City of Corinth, Mississippi
Page 2

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 identified 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.

Braun, Vanstoy & Co., P.A.

Corinth, Mississippi
June 18, 2012



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

Lou Ann D. Counce, CPA
Terry E. Cartwright, 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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the 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 OMB *Circular A-133 Compliance Supplement* that could have a direct effect on each of City of Corinth, Mississippi's major federal programs for the year ended September 30, 2011. City of Corinth, Mississippi'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 of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Corinth, Mississippi's management. Our responsibility is to express an opinion on the City of Corinth, Mississippi'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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City of Corinth, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Mayor and Board of Aldermen
City of Corinth, Mississippi
Page 2

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

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

This report is intended solely for the information and use of management, the mayor 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, Vanstony & Co., P.A.

Corinth, Mississippi
June 18, 2012



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LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

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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, 2011, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated June 18, 2012. 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 did not disclose any instances of noncompliance with state laws and regulations.

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 & Co., P.A.

Corinth, Mississippi
June 18, 2012

**CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2011**

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. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported
5. Type of auditors' report issued on compliance for major federal programs: Unqualified
6. Any audit finding reported as required by Section __.510 (a) of OMB Circular A-133? No
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
a. CFDA # 66.468	Capitalization Grants for Drinking Water State Revolving Funds
b. CFDA # 66.040	ARRA – State Clean Diesel Grant Program, Recovery Act
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, 2011**

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 2011-1

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 have been 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.