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City of Corinth Mississippi

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VICKIE ROACH, CITY CLERK
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MUNICIPAL



BUILDING

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ANDREW "BUBBA" LABAS
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J.C. HILL
MICHAEL McFALL

AT-LARGE
WARD 1
WARD 2
WARD 3
WARD 4
WARD 5

May 22, 2017

State of Mississippi
Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: City of Corinth FY2016 Audit Report

Dear Sir:

Please find enclosed the city of Corinth's most recent audit (FY2016). If there is any additional information is needed, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Vickie Roach", is written over a horizontal line.

Vickie Roach
City Clerk

Enclosure



CITY OF CORINTH, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016

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**CITY OF CORINTH, MISSISSIPPI
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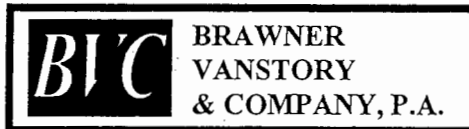
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CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Board of Aldermen
City of Corinth, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corinth, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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 financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial 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 position, revenues and expenses of the aggregate discretely presented component units would have been presented as \$93,963,532, \$44,745,410, \$49,218,122, \$10,357,701 and \$10,912,295.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City of Corinth, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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 of the City of Corinth, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 4 through 8 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corinth, Mississippi's basic financial statements. The combining other governmental funds financial statements are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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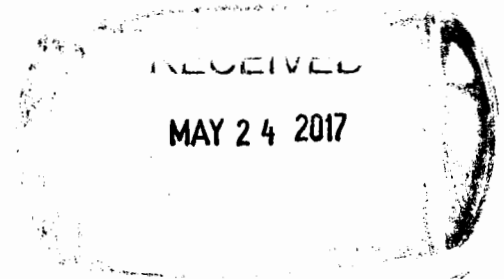
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2017, on our consideration of the City of Corinth, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Corinth, Mississippi's internal control over financial reporting and compliance.

Brauner, Vanstony & Co., P.A.

May 11, 2017
Corinth, Mississippi



**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016. 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 position decreased \$1,655,092, which represents a 6.12% decrease from fiscal year 2015.
- General revenues account for \$12,231,006 in revenue, or 60.99% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,822,694 or 39.01% of total revenues.
- The City had \$21,708,455 in expenses; only \$7,822,694 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,231,006 and reserves were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,232,198 in revenues and \$10,925,488 in expenditures. The General Fund's fund balance increased \$546,717 over the prior year.
- Governmental activities capital assets, net of accumulated depreciation, increased by \$397,140 due to new equipment. Business-type activities capital assets, net of accumulated depreciation, decreased by \$125,053, due to depreciation.
- Governmental activities long-term debt decreased by \$441,548 due to payment on debt. Business-type activities long-term debt decreased by \$237,678 due to payment on debt of \$1,566,612 and new loan advances of \$1,798,697.

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 works, culture and recreation, and interest on long-term liabilities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 12 and 14, 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 11 and 13 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 15-17 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 Position and Statement of Changes in Fiduciary Net Position on pages 18 and 19.

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 20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions as required supplementary information. 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 as required by the Governmental Accounting Standards Board. This required supplementary information can be found on pages 39-42 of this report.

Supplementary information. Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), a Combining Balance Sheet - Other Governmental Funds, a Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds, and a Schedule of Surety Bonds for Municipal Officials can be found in this report.

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. Net Position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflow exceeded liabilities and deferred inflows by \$25,383,099 as of September 30, 2016.

The largest portion of the City's net position 98.92% 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 position for the fiscal year ended September 30, 2016 and 2015.

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and Other Assets | \$ 12,756,313 | \$ 12,700,527 | \$ 4,388,350 | \$ 5,004,741 | \$ 17,144,663 | \$ 17,705,268 |
| Capital Assets, Net | 13,720,717 | 13,323,577 | 46,168,731 | 46,293,784 | 59,889,448 | 59,617,361 |
| Total Assets | 26,477,030 | 26,024,104 | 50,557,081 | 51,298,525 | 77,034,111 | 77,322,629 |
| Deferred Outflows of Resources | 2,699,016 | 1,935,320 | 828,896 | 485,660 | 3,527,912 | 2,420,980 |
| Other Liabilities | 738,561 | 773,895 | 135,242 | 667,599 | 873,803 | 1,441,494 |
| Long-Term Liabilities | 18,213,946 | 16,504,079 | 32,969,498 | 32,251,154 | 51,183,444 | 48,755,233 |
| Total Liabilities | 18,952,507 | 17,277,974 | 33,104,740 | 32,918,753 | 52,057,247 | 50,196,727 |
| Deferred Inflows of Resources | 2,990,674 | 2,496,937 | 131,003 | 11,754 | 3,121,677 | 2,508,691 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 8,655,435 | 7,876,526 | 16,452,578 | 16,809,715 | 25,108,013 | 24,686,241 |
| Restricted | 1,805,829 | 2,281,456 | - | - | 1,805,829 | 2,281,456 |
| Unrestricted | (3,228,399) | (1,973,469) | 1,697,656 | 2,043,963 | (1,530,743) | 70,494 |
| Total Net Position | \$ 7,232,865 | \$ 8,184,513 | \$ 18,150,234 | \$ 18,853,678 | \$ 25,383,099 | \$ 27,038,191 |

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

- The principal retirement of \$649,981 of long-term debt in the governmental activities and \$1,566,612 in the business-type activities.
- The acquisition of \$270,003 in long-term debt (see Note 5) in the governmental activities and \$1,798,697 in the business-type activities.
- The acquisition of \$1,171,867 in infrastructure improvements, mobile equipment, and furniture and equipment in the governmental activities.
- The acquisition of \$58,000 in equipment and \$1,669,068 of sewer line improvements in the business-type activities.

Changes in net position. The City's total revenues for the fiscal year ended September 30, 2016, were \$20,053,700. The total cost of all programs and services was \$21,708,455. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2016 and 2015.

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|-----------------------|-----------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program Revenues | \$ 2,740,040 | \$ 2,135,653 | \$ 5,082,654 | \$ 4,880,728 | \$ 7,822,694 | \$ 7,016,381 |
| General Revenues | 12,183,780 | 11,968,159 | 47,226 | 61,128 | 12,231,006 | 12,029,287 |
| Total Revenues | 14,923,820 | 14,103,812 | 5,129,880 | 4,941,856 | 20,053,700 | 19,045,668 |
| Expenses | | | | | | |
| General Government | 2,075,234 | 2,059,431 | - | - | 2,075,234 | 2,059,431 |
| Public Safety | 5,999,668 | 5,611,320 | - | - | 5,999,668 | 5,611,320 |
| Public Works | 2,997,474 | 2,722,228 | - | - | 2,997,474 | 2,722,228 |
| Culture and Recreation | 2,151,351 | 1,705,430 | - | - | 2,151,351 | 1,705,430 |
| Sewer | - | - | 3,324,312 | 3,701,628 | 3,324,312 | 3,701,628 |
| Solid Waste | - | - | 1,973,762 | 2,136,583 | 1,973,762 | 2,136,583 |
| Pension Expense | 2,460,489 | 1,300,791 | - | - | 2,460,489 | 1,300,791 |
| Interest on Long-Term Liabilities | 174,463 | 179,039 | 551,702 | 433,877 | 726,165 | 612,916 |
| Total Expenses | 15,858,679 | 13,578,239 | 5,849,776 | 6,272,088 | 21,708,455 | 19,850,327 |
| Increase (Decrease) in Net Position | \$ (934,859) | \$ 525,573 | \$ (719,896) | \$ (1,330,232) | \$ (1,654,755) | \$ (804,659) |

Governmental activities: Governmental activities decreased the City's net position by \$934,859. The largest funding sources for the City's governmental activities are sales taxes of \$7,664,624, or 51%, property taxes of \$3,580,052, or 24%, and grants and contributions of \$1,632,060, or 11%. The largest expense categories for the City's governmental activities are public safety 38%, public service 19% and general government 13%.

Business-type activities: Business-type activities decreased the City's net position by \$719,896. Charges for services are the major revenue categories for the proprietary funds. The business-type revenues are comprised of \$3,080,574 for the sewer system and \$1,726,426 for the sanitation fund.

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.

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 \$9,292,116, a decrease of \$16,256. \$7,437,393 or 80% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the City's discretion. The remaining fund balance of \$1,854,723 or 20% is reserved or designated to indicate that it is not available for spending because \$1,367,194 or 15% is restricted for specific programs and \$487,529 or 5% is committed to specific programs.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$546,717, or 7.82%.

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 position of the Sewer System Enterprise Fund at year-end amounted to \$2,302,877. The decrease in net position amounted to \$478,955. Unrestricted net position of the Sanitation Enterprise Fund at year-end amounted to (\$605,221). The decrease in net position amounted to \$240,941.

**CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016, the City's total capital assets were \$86,202,444, including land, buildings, construction in progress, infrastructure, and equipment. This amount represents an increase of \$2,868,135 from the previous year, due primarily to improvements to the wastewater treatment plant and purchase of equipment. Total accumulated depreciation as of September 30, 2016, was \$26,312,996, and total depreciation expense for the year was \$2,640,220, resulting in total net capital assets of \$59,889,448.

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, 2016, the City had \$35,147,542 in long-term debt outstanding, of which \$2,175,386 is due within one year. This represents a decrease of \$203,870 as a result of capital leases of \$270,003 issued and advances on the wastewater treatment plant loan of \$1,798,697 and payments of \$2,278,163.

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.

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CITY OF CORINTH, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash in Bank | \$ 8,764,888 | \$ 3,974,241 | \$ 12,739,129 |
| Accounts Receivable, Net | 121,192 | 418,109 | 539,301 |
| Property Taxes Receivable | 2,456,887 | - | 2,456,887 |
| Fines Receivable, Net of Allowance for Doubtful Accounts (\$418,903) | 628,354 | - | 628,354 |
| Interfund Receivable (Payable) | 4,000 | (4,000) | - |
| Intergovernmental Receivables | 780,992 | - | 780,992 |
| Capital Assets Not Being Depreciated | 1,204,670 | 62,493 | 1,267,163 |
| Capital Assets, Net of Accumulated Depreciation | 12,516,047 | 46,106,238 | 58,622,285 |
| Total Assets | 26,477,030 | 50,557,081 | 77,034,111 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amounts - Pensions | 2,699,016 | 828,896 | 3,527,912 |
| LIABILITIES | | | |
| Accounts Payable and Accrued Expenses | 427,850 | 79,796 | 507,646 |
| Long Term Liabilities: | | | |
| Compensated Absences | 310,711 | 55,446 | 366,157 |
| Due Within One Year | 492,897 | 1,682,489 | 2,175,386 |
| Due in More Than One Year | 4,572,335 | 28,033,664 | 32,605,999 |
| Net Pension Liability | 13,148,714 | 3,253,345 | 16,402,059 |
| Total Liabilities | 18,952,507 | 33,104,740 | 52,057,247 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - property taxes | 2,456,887 | - | 2,456,887 |
| Deferred Amounts - Pensions | 533,787 | 131,003 | 664,790 |
| Total Deferred Inflows of Resources | 2,990,674 | 131,003 | 3,121,677 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 8,655,435 | 16,452,578 | 25,108,013 |
| Restricted Net Position: | | | |
| Expendable: | | | |
| Debt Service | 208,431 | - | 208,431 |
| Public Safety | 379,167 | - | 379,167 |
| Culture & Recreation | 1,218,231 | - | 1,218,231 |
| Unrestricted | (3,228,399) | 1,697,656 | (1,530,743) |
| Total Net Position | \$ 7,232,865 | \$ 18,150,234 | \$ 25,383,099 |

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

**CITY OF CORINTH, MISSISSIPPI
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Governmental Activities | | | | | | | |
| General Government | \$ 2,075,234 | \$ 189,832 | \$ 117,963 | \$ - | \$ (1,767,439) | \$ - | \$ (1,767,439) |
| Public Safety | 5,999,668 | 925,415 | 93,464 | 95,905 | (4,884,884) | - | (4,884,884) |
| Public Works | 2,997,474 | - | 633,126 | 405,214 | (1,959,134) | - | (1,959,134) |
| Culture and Recreation | 2,151,351 | - | 279,121 | - | (1,872,230) | - | (1,872,230) |
| Pension Expense | 2,460,489 | - | - | - | (2,460,489) | - | (2,460,489) |
| Interest on Long-Term Liabilities | 174,463 | - | - | - | (174,463) | - | (174,463) |
| Total Governmental Activities | 15,858,679 | 1,115,247 | 1,123,674 | 501,119 | (13,118,639) | - | (13,118,639) |
| Business-Type Activities | | | | | | | |
| Sewer | 3,324,312 | 3,080,574 | - | 275,654 | - | 31,916 | 31,916 |
| Solid Waste | 1,973,762 | 1,726,426 | - | - | - | (247,336) | (247,336) |
| Interest on Long-Term Liabilities | 551,702 | - | - | - | - | (551,702) | (551,702) |
| Total Business-Type Activities | 5,849,776 | 4,807,000 | - | 275,654 | - | (767,122) | (767,122) |
| Total Government | \$ 21,708,455 | \$ 5,922,247 | \$ 1,123,674 | \$ 776,773 | (13,118,639) | (767,122) | (13,885,761) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 3,580,052 | - | 3,580,052 |
| Sales | | | | | 7,664,624 | - | 7,664,624 |
| Franchise | | | | | 486,935 | - | 486,935 |
| Gasoline | | | | | 13,564 | - | 13,564 |
| Pro-Rata Road | | | | | 159,426 | - | 159,426 |
| Other Permits and Taxes | | | | | 144,590 | - | 144,590 |
| Non-Restricted Grants | | | | | 7,267 | - | 7,267 |
| Investment Earnings | | | | | 8,998 | 1,906 | 10,904 |
| Gain (Loss) on Sale of Capital Assets | | | | | 10,284 | - | 10,284 |
| Other | | | | | 108,040 | 45,320 | 153,360 |
| Total General Revenues and Transfers | | | | | 12,183,780 | 47,226 | 12,231,006 |
| Change in Net Position | | | | | (934,859) | (719,896) | (1,654,755) |
| Net Position, Beginning | | | | | 8,184,513 | 18,853,678 | 27,038,191 |
| Prior Period Adjustment | | | | | (16,789) | 16,452 | (337) |
| Net Position, Beginning - Restated | | | | | 8,167,724 | 18,870,130 | 27,037,854 |
| Net Position, Ending | | | | | \$ 7,232,865 | \$ 18,150,234 | \$ 25,383,099 |

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



CITY OF CORINTH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | Major Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | | |
| ASSETS: | | | |
| Cash | \$ 7,014,628 | \$ 1,750,260 | \$ 8,764,888 |
| Property Taxes Receivable | 1,804,920 | 651,967 | 2,456,887 |
| Intergovernmental Receivables | 546,030 | 234,962 | 780,992 |
| Fines Receivable, Net | 628,354 | - | 628,354 |
| Other Receivables | 121,192 | - | 121,192 |
| Due from Sewer Enterprise Fund | 4,000 | - | 4,000 |
| | <u>4,000</u> | <u>-</u> | <u>4,000</u> |
| Total Assets | <u>\$ 10,119,124</u> | <u>\$ 2,637,189</u> | <u>\$ 12,756,313</u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities | | | |
| Accounts Payable | \$ 103,044 | \$ 228,930 | \$ 331,974 |
| Accrued Liabilities | 46,982 | - | 46,982 |
| | <u>46,982</u> | <u>-</u> | <u>46,982</u> |
| Total Liabilities | <u>150,026</u> | <u>228,930</u> | <u>378,956</u> |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue - Property Taxes | 1,804,920 | 651,967 | 2,456,887 |
| Unavailable Revenue - Fines | 628,354 | - | 628,354 |
| | <u>628,354</u> | <u>-</u> | <u>628,354</u> |
| Total Deferred Inflows of Resources | <u>2,433,274</u> | <u>651,967</u> | <u>3,085,241</u> |
| FUND BALANCES: | | | |
| Restricted for | | | |
| Public Safety | - | 379,167 | 379,167 |
| Debt Service | - | 257,325 | 257,325 |
| Culture and Recreation | - | 730,702 | 730,702 |
| Committed to | | | |
| Culture and Recreation | - | 487,529 | 487,529 |
| Unassigned | 7,535,824 | (98,431) | 7,437,393 |
| | <u>7,535,824</u> | <u>(98,431)</u> | <u>7,437,393</u> |
| Total Fund Balances | <u>7,535,824</u> | <u>1,756,292</u> | <u>9,292,116</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,119,124</u> | <u>\$ 2,637,189</u> | <u>\$ 12,756,313</u> |

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 POSITION
SEPTEMBER 30, 2016

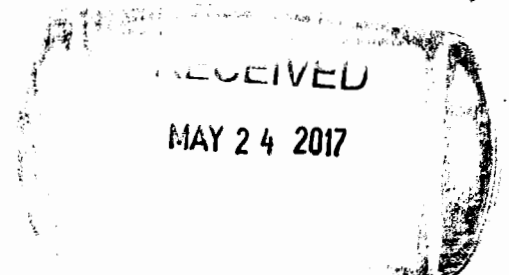
| | <u>Amount</u> |
|--|---|
| Total Fund Balances - Governmental Funds | \$ 9,292,116 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| 1. Certain assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | 628,354 |
| 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 \$6,674,411. (Note 4) | 13,720,717 |
| 3. Deferred outflows and inflows related to pensions are applicable to future periods and therefore, are not reported in Governmental Funds Balance Sheet: Deferred outflows of resources related to defined benefit pension plan Deferred inflows of resources related to defined benefit pension plan | 2,699,016 (533,787) |
| 4. Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds. (Note 5) Net Pension Liability General Obligation Bonds Payable Bond Premiums Bond Discounts Other Loans Payable Capital Leases Compensated Absences | (13,148,714) (4,405,000) (13,685) 8,312 (313,722) (341,137) (310,711) |
| 5. Accrued interest is not due and payable in the current period and therefore, is not reported in the funds. | <u>(48,894)</u> |
| Total Net Position - Governmental Activities | <u>\$ 7,232,865</u> |

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, 2016

| | Major Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| | General Fund | | |
| REVENUES: | | | |
| Taxes | \$ 2,386,742 | \$ 828,417 | \$ 3,215,159 |
| Licenses and Permits | 631,525 | - | 631,525 |
| Intergovernmental | 7,039,321 | 2,795,246 | 9,834,567 |
| Charges for Services | 189,832 | - | 189,832 |
| Fines and Forfeits | 873,649 | - | 873,649 |
| Other | 111,129 | 1,218 | 112,347 |
| Total Revenues | <u>11,232,198</u> | <u>3,624,881</u> | <u>14,857,079</u> |
| EXPENDITURES: | | | |
| Current | | | |
| General Government | 2,148,311 | - | 2,148,311 |
| Public Safety | 6,306,819 | 156,948 | 6,463,767 |
| Public Works | 2,396,201 | 1,169,774 | 3,565,975 |
| Culture and Recreation | - | 2,151,351 | 2,151,351 |
| Debt Service: | | | |
| Principal | 67,365 | 582,616 | 649,981 |
| Interest and Other Charges | 6,792 | 170,525 | 177,317 |
| Total Expenditures | <u>10,925,488</u> | <u>4,231,214</u> | <u>15,156,702</u> |
| Excess of Revenues Over (Under) Expenditures | <u>306,710</u> | <u>(606,333)</u> | <u>(299,623)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds of capital lease | 270,003 | - | 270,003 |
| Proceeds from sale of capital assets | 13,364 | - | 13,364 |
| Transfers in | - | 43,360 | 43,360 |
| Transfers out | (43,360) | - | (43,360) |
| Total Other Financing Sources (Uses) | <u>240,007</u> | <u>43,360</u> | <u>283,367</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>546,717</u> | <u>(562,973)</u> | <u>(16,256)</u> |
| Fund Balance, Beginning of Year | <u>6,989,107</u> | <u>2,336,054</u> | <u>9,325,161</u> |
| Prior Period Adjustment | - | (16,789) | (16,789) |
| Fund Balance, Beginning - as Restated | <u>6,989,107</u> | <u>2,319,265</u> | <u>9,308,372</u> |
| Fund Balance, End of Year | <u>\$ 7,535,824</u> | <u>\$ 1,756,292</u> | <u>\$ 9,292,116</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, 2016

| | <u>Amount</u> |
|--|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (16,256) |
| 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 \$1,171,867 and the depreciation expense amounted to \$771,647. (Note 4) | 400,220 |
| 2. Governmental funds report proceeds from the disposal of assets while governmental activities report net gain or loss. | (3,080) |
| 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 position. (Note 5) | 649,981 |
| 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. | (270,003) |
| 5. Pension expense is reported in the Statement of Activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in governmental funds. | (1,814,761) |
| 6. Increase in fines receivable is recorded as an adjustment to income. | 51,766 |
| 7. Decrease in accrued interest payable is recorded as an adjustment to interest expense. | 5,704 |
| 8. Decrease in compensated absences is reported as an adjustment to various functions. | 59,729 |
| 9. Amortization of bond premium | 4,691 |
| 10. Amortization of bond discount | <u>(2,850)</u> |
| Change in Net Position | <u>\$ (934,859)</u> |

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

| | Business-Type - Enterprise Funds | | |
|--|----------------------------------|----------------------------------|----------------------|
| | Major Funds | | |
| | Sewer System Fund | Sanitation Enterprise Fund | Total |
| ASSETS: | | | |
| Current Assets | | | |
| Cash in Bank | \$ 3,391,296 | \$ 582,945 | \$ 3,974,241 |
| Accounts Receivable (Net of Allowance) | 273,245 | 144,864 | 418,109 |
| Total Current Assets | <u>3,664,541</u> | <u>727,809</u> | <u>4,392,350</u> |
| Noncurrent Assets | | | |
| Capital Assets Not Being Depreciated | 17,500 | 44,993 | 62,493 |
| Capital Assets, Net of Accumulated Depreciation | 45,658,003 | 448,235 | 46,106,238 |
| Total Noncurrent Assets | <u>45,675,503</u> | <u>493,228</u> | <u>46,168,731</u> |
| Total Assets | <u>49,340,044</u> | <u>1,221,037</u> | <u>50,561,081</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amounts - Pensions | <u>383,943</u> | <u>444,953</u> | <u>828,896</u> |
| LIABILITIES: | | | |
| Current Liabilities | | | |
| Accounts Payable | 23,979 | - | 23,979 |
| Accrued Liabilities | 49,658 | 6,159 | 55,817 |
| Due to General Fund | 4,000 | - | 4,000 |
| Long-Term Liabilities, Due Within One Year | 1,651,938 | 30,551 | 1,682,489 |
| Total Current Liabilities | <u>1,729,575</u> | <u>36,710</u> | <u>1,766,285</u> |
| Noncurrent Liabilities | | | |
| Compensated Absences Payable | 27,006 | 28,440 | 55,446 |
| Long-Term Liabilities, Due in More Than One Year | 27,938,087 | 95,577 | 28,033,664 |
| Net Pension Liability | 1,584,877 | 1,668,468 | 3,253,345 |
| Total Noncurrent Liabilities | <u>29,549,970</u> | <u>1,792,485</u> | <u>31,342,455</u> |
| Total Liabilities | <u>31,279,545</u> | <u>1,829,195</u> | <u>33,108,740</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Amounts - Pensions | <u>56,087</u> | <u>74,916</u> | <u>131,003</u> |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 16,085,478 | 367,100 | 16,452,578 |
| Unrestricted | 2,302,877 | (605,221) | 1,697,656 |
| Total Net Position | <u>\$ 18,388,355</u> | <u>\$ (238,121)</u> | <u>\$ 18,150,234</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Business-Type Activities - Enterprise Funds | | |
|--|---|----------------------------------|---------------|
| | Major Funds | | |
| | Sewer System Fund | Sanitation Enterprise Fund | Total |
| OPERATING REVENUES: | | | |
| Charges for Services | \$ 3,080,574 | \$ 1,726,426 | \$ 4,807,000 |
| Total Operating Revenues | 3,080,574 | 1,726,426 | 4,807,000 |
| OPERATING EXPENSES: | | | |
| Salaries and Benefits | 777,656 | 1,232,632 | 2,010,288 |
| Materials and Supplies | 181,553 | 125,259 | 306,812 |
| Repairs and Maintenance | 117,366 | 78,169 | 195,535 |
| Other Operating Expenses | 489,096 | 427,770 | 916,866 |
| Depreciation and Amortization | 1,758,641 | 109,932 | 1,868,573 |
| Total Operating Expenses | 3,324,312 | 1,973,762 | 5,298,074 |
| Operating Income (Loss) | (243,738) | (247,336) | (491,074) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Miscellaneous | 36,043 | 9,277 | 45,320 |
| Interest Income | 1,553 | 353 | 1,906 |
| Interest Expense | (548,467) | (3,235) | (551,702) |
| Intergovernmental Revenue | 275,654 | - | 275,654 |
| Total Nonoperating Revenues (Expenses) | (235,217) | 6,395 | (228,822) |
| Changes in Net Position | (478,955) | (240,941) | (719,896) |
| Net Position, Beginning of Year | 18,852,858 | 820 | 18,853,678 |
| Prior Period Adjustment | 14,452 | 2,000 | 16,452 |
| Net Position, As Restated | 18,867,310 | 2,820 | 18,870,130 |
| Net Position, End of Year | \$ 18,388,355 | \$ (238,121) | \$ 18,150,234 |

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, 2016

| | Business - Type Activities - Enterprise Funds | | |
|---|---|----------------------------------|--------------|
| | Major Funds | | |
| | Sewer System Fund | Sanitation Enterprise Fund | Total |
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers and Users | \$ 3,063,964 | \$ 1,724,820 | \$ 4,788,784 |
| Cash Paid to Suppliers | (809,148) | (669,295) | (1,478,443) |
| Cash Paid to Employees | (676,121) | (1,066,302) | (1,742,423) |
| Net Cash Provided (Used) by Operating Activities | 1,578,695 | (10,777) | 1,567,918 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of Capital Assets | (2,102,794) | (102,993) | (2,205,787) |
| Loan Proceeds | 1,798,697 | - | 1,798,697 |
| Principal Payments on Long-Term Debt | (1,536,692) | (29,920) | (1,566,612) |
| Interest Paid | (548,468) | (3,235) | (551,703) |
| Capital Grants | 372,322 | - | 372,322 |
| Net Cash Used by Capital and Related Financing Activities | (2,016,935) | (136,148) | (2,153,083) |
| Cash Flows from Investing Activities: | | | |
| Other Income | 36,043 | 9,277 | 45,320 |
| Interest Revenue Received | 1,553 | 353 | 1,906 |
| Cash Provided by Investing Activities | 37,596 | 9,630 | 47,226 |
| Net Increase (Decrease) in Cash | (400,644) | (137,295) | (537,939) |
| Cash and Cash Equivalents at Beginning of Year | 3,791,940 | 720,240 | 4,512,180 |
| Cash and Cash Equivalents at End of Year | \$ 3,391,296 | \$ 582,945 | \$ 3,974,241 |
| Reconciliation of Operating Income (Loss) to Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ (243,738) | \$ (247,336) | \$ (491,074) |
| Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation and Amortization Expense | 1,758,641 | 109,932 | 1,868,573 |
| Accounts Receivable | (16,610) | (1,606) | (18,216) |
| Accounts Payable and Accrued Expenses | (21,133) | (38,097) | (59,230) |
| Compensated Absences Payable | (8,896) | 14,489 | 5,593 |
| Net Pension Expense | 110,431 | 151,841 | 262,272 |
| Total Adjustments | 1,822,433 | 236,559 | 2,058,992 |
| Net Cash Provided (Used) by Operating Activities | \$ 1,578,695 | \$ (10,777) | \$ 1,567,918 |

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

| | <u>Private Purpose Trust Fund</u> | <u>Agency Funds</u> |
|------------------------|---------------------------------------|-------------------------|
| ASSETS | | |
| Cash in Bank | \$ 33,169 | \$ 56,889 |
| Total Assets | <u>33,169</u> | <u>56,889</u> |
| LIABILITIES | | |
| Amount Held for Others | <u>-</u> | <u>56,889</u> |
| Total Liabilities | <u>-</u> | <u>\$ 56,889</u> |
| NET POSITION | | |
| Held in Trust | <u>\$ 33,169</u> | |

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | <u>Private-Purpose Trust Fund</u> |
|---------------------------------|---------------------------------------|
| ADDITIONS: | |
| Interest Income | \$ 17 |
| Lot Sales | <u>1,750</u> |
| Total Revenues | <u>1,767</u> |
| DEDUCTIONS: | |
| Other | <u>-</u> |
| Changes in Net Position | 1,767 |
| Net Position, Beginning of Year | <u>31,402</u> |
| Net Position, End of Year | <u><u>\$ 33,169</u></u> |

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

**CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

I. 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 works (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, 2016, 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 position 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 Position 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 Position 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 are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2016

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Position 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.

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 city 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, 2016

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 position. 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.

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CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of the state.

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 Position and displayed in three components:

1. Net Investment in capital assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 – prepaid 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, 2016.

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 Position.

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, 2016

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. Deferred Outflows/Inflows of Revenue

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows of resources related to pension obligation.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee's Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. Cash and Other Deposits

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

The carrying amount of the City's deposits with financial institutions was \$12,829,187, and the bank balance was \$13,748,650.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2016, none of the City's bank balance of \$13,748,650 was exposed to custodial credit risk.

Interest Rate Risk – The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Transfers In/Out

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|---------------------|------------------|
| Other Governmental Funds | General Fund | \$ 43,360 |
| Total | | <u>\$ 43,360</u> |

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. Capital Assets

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

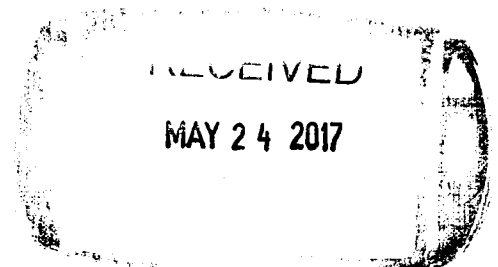
| | Balance 10/1/15 | Additions | Retirements | Adjustments/ Completed Construction | Balance 9/30/2016 |
|---|--------------------|------------|-------------|---|----------------------|
| <u>Governmental Activities</u> | | | | | |
| <u>Non-depreciable capital assets</u> | | | | | |
| Land | \$ 674,483 | \$ - | \$ - | \$ - | \$ 674,483 |
| Construction in progress | 385,516 | 645,036 | - | (500,365) | 530,187 |
| Total non-depreciable capital assets | 1,059,999 | 645,036 | - | (500,365) | 1,204,670 |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 6,018,564 | - | - | - | 6,018,564 |
| Infrastructure - Streets | 7,848,381 | - | - | 500,365 | 8,348,746 |
| Mobile equipment | 3,744,940 | 519,282 | 30,800 | - | 4,233,422 |
| Furniture and equipment | 582,177 | 7,549 | - | - | 589,726 |
| Total depreciable capital assets | 18,194,062 | 526,831 | 30,800 | 500,365 | 19,190,458 |
| <u>Less accumulated depreciation</u> | | | | | |
| Buildings | 1,974,033 | 104,246 | - | - | 2,078,279 |
| Infrastructure - streets | 1,243,566 | 279,306 | - | - | 1,522,872 |
| Mobile equipment | 2,391,544 | 347,001 | 27,720 | - | 2,710,825 |
| Furniture and equipment | 321,341 | 41,094 | - | - | 362,435 |
| Total accumulated depreciation | 5,930,484 | 771,647 | 27,720 | - | 6,674,411 |
| Total depreciable capital assets, net | 12,263,578 | (244,816) | 3,080 | 500,365 | 12,516,047 |
| Total Governmental activities capital assets, net | \$ 13,323,577 | \$ 400,220 | \$ 3,080 | \$ - | \$ 13,720,717 |

Depreciation expense was charged to the following governmental functions:

| | |
|--|-------------------|
| General Government | \$ 91,833 |
| Public Safety | 339,138 |
| Public Works | 340,676 |
| Total governmental activities depreciation expense | <u>\$ 771,647</u> |

Commitments on construction contracts at September 30, 2016, are as follows:

| | |
|-----------------------------|--------------------|
| Drainage Assessment Project | <u>\$4,810,000</u> |
|-----------------------------|--------------------|



CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. Capital Assets (continued)

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

| | Balance 10/1/2015 | Additions | Retirements | Adjustments/ Completed Construction | Balance 9/30/2016 |
|--|----------------------|--------------|-------------|---|----------------------|
| <u>Business-type Activities</u> | | | | | |
| <u>Non-depreciable capital assets</u> | | | | | |
| Land | \$ 17,500 | \$ 44,993 | \$ - | \$ - | \$ 62,493 |
| Construction in progress | 1,958,345 | 1,624,075 | - | (3,582,420) | - |
| Total non-depreciable capital assets | 1,975,845 | 1,669,068 | - | (3,582,420) | 62,493 |
| <u>Depreciable capital assets:</u> | | | | | |
| Sewer plant and buildings | 58,575,626 | - | - | 3,582,420 | 62,158,046 |
| Mobile equipment | 2,878,686 | 58,000 | - | - | 2,936,686 |
| Furniture and equipment | 650,091 | - | - | - | 650,091 |
| Total depreciable capital assets | 62,104,403 | 58,000 | - | 3,582,420 | 65,744,823 |
| <u>Less accumulated depreciation</u> | | | | | |
| Sewer plant and buildings | 15,312,252 | 1,653,844 | - | - | 16,966,096 |
| Mobile equipment | 1,964,436 | 185,637 | - | (16,452) | 2,133,621 |
| Furniture and equipment | 509,776 | 29,092 | - | - | 538,868 |
| Total accumulated depreciation | 17,786,464 | 1,868,573 | - | (16,452) | 19,638,585 |
| Total depreciable capital assets, net | 44,317,939 | (1,810,573) | - | 3,598,872 | 46,106,238 |
| Total Business-type activities capital assets, net | \$ 46,293,784 | \$ (141,505) | \$ - | \$ 16,452 | \$ 46,168,731 |

Adjustments were made to capital assets to add salvage value back that was depreciated in error.

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

| | |
|---|---------------------|
| Sewer | \$ 1,758,641 |
| Solid Waste | 109,932 |
| Total business-type activities depreciation expense | <u>\$ 1,868,573</u> |

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CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016:

| | Balance 10/1/2015 | Additions | Reductions | Balance 9/30/16 | Amounts due within one year |
|------------------------------------|----------------------|-------------------|-------------------|---------------------|-----------------------------------|
| A. General Obligation | | | | | |
| Bonds Payable | \$ 4,970,000 | \$ - | \$ 565,000 | \$ 4,405,000 | \$ 395,000 |
| Add: Bond Premiums | 18,376 | - | 4,691 | 13,685 | - |
| Less: Bond Discounts | (11,162) | - | (2,850) | (8,312) | - |
| B. Other Loans Payable | 331,338 | - | 17,616 | 313,722 | 18,152 |
| C. Capital Leases | 138,499 | 270,003 | 67,365 | 341,137 | 79,745 |
| D. Compensated Absences Payable | 370,440 | - | 59,729 | 310,711 | - |
| Total | <u>\$ 5,817,491</u> | <u>\$ 270,003</u> | <u>\$ 711,551</u> | <u>\$ 5,375,943</u> | <u>\$ 492,897</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 | \$ 355,000 |
| Series 2009 | 3.3 - 4.7% | 12/28/2009 | 12/1/2029 | 3,200,000 | 2,520,000 |
| Series 2013 | 3.30- 3.5% | 12/19/2013 | 12/1/2028 | 1,600,000 | 1,530,000 |
| | | | | <u>\$ 7,080,000</u> | <u>\$ 4,405,000</u> |

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 395,000 | \$ 148,668 | \$ 543,668 |
| 2018 | 410,000 | 135,967 | 545,967 |
| 2019 | 240,000 | 122,713 | 362,713 |
| 2020 | 250,000 | 114,432 | 364,432 |
| 2021 | 255,000 | 105,900 | 360,900 |
| 2022-2026 | 1,475,000 | 388,575 | 1,863,575 |
| 2027-2030 | 1,380,000 | 97,648 | 1,477,648 |
| Total | <u>\$ 4,405,000</u> | <u>\$ 1,113,903</u> | <u>\$ 5,518,903</u> |

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

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

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. Long-Term Debt (continued)

B. Other Loans Payable

Other loans payable consists of the following:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------|------------------|---------------|------------------|-------------------|-----------------------|
| CAP Loan | 3.00% | 11/1/2010 | 11/1/2030 | <u>\$ 411,265</u> | <u>\$ 313,722</u> |

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

| Years Ending June 30, | Principal | Interest | Total |
|--------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 18,152 | \$ 9,218 | \$ 27,370 |
| 2018 | 18,704 | 8,666 | 27,370 |
| 2019 | 19,273 | 8,097 | 27,370 |
| 2020 | 19,859 | 7,511 | 27,370 |
| 2021 | 20,463 | 6,907 | 27,370 |
| 2022-2026 | 112,038 | 24,814 | 136,852 |
| 2027-2031 | 105,233 | 7,100 | 112,333 |
| Total | <u>\$ 313,722</u> | <u>\$ 72,313</u> | <u>\$ 386,035</u> |

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

The debt will be retired from the Municipal Fire Protection Fund.

C. Capital Leases Payable

Capital lease payable consists of the following:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--------------|------------------|---------------|------------------|-------------------|-----------------------|
| Wheel Loader | 2.09% | 9/17/2005 | 9/17/2020 | \$ 138,499 | \$ 111,944 |
| Excavation | 2.09% | 10/16/2015 | 10/15/2020 | 64,676 | 53,316 |
| Motor Grader | 2.09% | 12/2/2015 | 12/2/2020 | 205,327 | 175,877 |
| | | | | <u>\$ 408,502</u> | <u>\$ 341,137</u> |

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

| Years Ending June 30, | Principal | Interest | Total |
|--------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 79,745 | \$ 6,369 | \$ 86,114 |
| 2018 | 81,428 | 4,686 | 86,114 |
| 2019 | 83,146 | 2,968 | 86,114 |
| 2020 | 84,900 | 1,213 | 86,113 |
| 2021 | 11,918 | 40 | 11,958 |
| Total | <u>\$ 341,137</u> | <u>\$ 15,276</u> | <u>\$ 356,413</u> |

The capital leases were issued to provide funds for the purchase of equipment. The debt will be retired from the General Fund.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. Long-Term Debt (continued)

The following is a summary of changes in long-term debt of the City's business-type activities for the year ended September 30, 2016:

| | Balance 10/1/2015 | Additions | Reductions | Balance 9/30/2016 | Amounts due within one year |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| A. Other Loans Payable | \$ 29,328,020 | \$ 1,798,697 | \$ 1,536,692 | \$ 29,590,025 | \$ 1,651,938 |
| B. Capital Lease Payable | 156,048 | - | 29,920 | 126,128 | 30,551 |
| C. Compensated Absences Payable | 49,853 | 5,593 | - | 55,446 | - |
| Total | <u>\$ 29,533,921</u> | <u>\$ 1,804,290</u> | <u>\$ 1,566,612</u> | <u>\$ 29,771,599</u> | <u>\$ 1,682,489</u> |

A. Other Loans Payable.

Other loans payable consists of three 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-280855-05-1 totaled \$1,798,697.

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|------------------|---------------|------------------|----------------------|-----------------------|
| State Revolving Loan Fund Loan Payable | 1.75% | 5/22/2012 | 3/14/2034 | \$ 20,250,866 | \$ 18,791,759 |
| State Revolving Loan Fund Loan Payable | 2.00% | 10/6/2006 | 12/1/2027 | 12,655,057 | 7,813,273 |
| State Revolving Loan Fund Loan Payable | 1.75% | 8/8/2014 | 12/8/2036 | 3,430,760 | 2,984,993 |
| | | | | <u>\$ 36,336,683</u> | <u>\$ 29,590,025</u> |

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

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,651,938 | \$ 523,439 | \$ 2,175,377 |
| 2018 | 1,682,671 | 492,706 | 2,175,377 |
| 2019 | 1,713,978 | 461,398 | 2,175,376 |
| 2020 | 1,745,871 | 429,506 | 2,175,377 |
| 2021 | 1,778,359 | 397,018 | 2,175,377 |
| 2022-2026 | 9,400,777 | 1,476,106 | 10,876,883 |
| 2027-2031 | 7,289,205 | 677,119 | 7,966,324 |
| 2032-2036 | 4,327,226 | 127,166 | 4,454,392 |
| Total | <u>\$ 29,590,025</u> | <u>\$ 4,584,458</u> | <u>\$ 34,174,483</u> |

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

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. Long-Term Debt (continued)

B. Capital Leases Payable

Capital leases payable consists of the following:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------|---------------|------------|---------------|---------------|--------------------|
| Bulldozer | 2.09% | 9/17/2015 | 9/17/2020 | \$ 156,048 | \$ 126,128 |

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

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|------------|----------|------------|
| 2017 | \$ 30,551 | \$ 2,345 | \$ 32,896 |
| 2018 | 31,196 | 1,700 | 32,896 |
| 2019 | 31,854 | 1,042 | 32,896 |
| 2020 | 32,527 | 369 | 32,896 |
| Total | \$ 126,128 | \$ 5,456 | \$ 131,584 |

The debt will be retired from the Sanitation Fund.

C. 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 9/30/2016 | City Share |
|---------------------------------------|-------------------------|---------------|
| Hospital Revenue Bonds, Series 2011 A | \$ 77,775,000 | \$ 34,998,750 |

7. Property Taxes

The millage rate for the City for October 1, 2015, through September 30, 2016, 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 |
| Corinth 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.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 \$420,621, including expenditures from grants, to support the operation of this joint venture during the year ended September 30, 2016. 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 \$234,538 to support the operation of this joint venture during the year ended September 30, 2016. 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.

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 \$-0- to support the operation of this joint venture during the year ended September 30, 2016. Complete financial statements for the Crossroads Arena can be obtained from Crossroads Arena, 2800 Harper Road, Corinth, MS 38834.

9. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. Defined Benefit Pension Plan (continued)

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011), are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employees' earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death benefits and disability benefits. A Cost-of-Living (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of the annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal year ending September 30, 2016, 2015, and 2014 were \$960,609, \$889,499, and \$886,640, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported a liability of \$16,402,059 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2016 net pension liability was 0.09182 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.00239% from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. Defined Benefit Pension Plan (continued)

For the year ended September 30, 2016, the City recognized pension expense of \$3,037,641. At September 30, 2016, The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 469,044 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 1,495,572 | - |
| Changes of assumptions | 1,318,440 | 31,869 |
| Changes in the proportion and differences between the City's contributions and proportionate share of contributions | - | 632,921 |
| City contributions subsequent to the measurement date | 244,856 | - |
| | <u>\$ 3,527,912</u> | <u>\$ 664,790</u> |

\$244,856 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30, | |
|---------------------------|---------------------|
| 2017 | \$ 1,018,982 |
| 2018 | 880,538 |
| 2019 | 496,515 |
| 2020 | 222,231 |
| 2021 | - |
| Thereafter | - |
| | <u>\$ 2,618,266</u> |

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.0 percent |
| Salary increases | 3.75 - 19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. Defined Benefit Pension Plan (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Broad | 34.00% | 5.20% |
| International Equity | 19.00% | 5.00% |
| Emerging Markets Equity | 8.00% | 5.45% |
| Fixed Income | 20.00% | 0.25% |
| Real Assets | 10.00% | 4.00% |
| Private Equity | 8.00% | 6.15% |
| Cash | 1.00% | -0.50% |
| Total | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| City's proportionate share of the net pension liability | \$ 21,031,117 | \$ 16,402,059 | \$ 12,561,441 |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 as described 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.

Participation in Public Entity Risk Pool

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

MMWCG covers risk of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any employee claim. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the City's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The City has received no assessments for excess losses incurred by the pool.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

12. Prior Period Adjustment

A summary of the significant fund equity adjustment(s) is as follows:

Statement of Activities - Governmental Activities.

| Explanation | Amount |
|-----------------------------------|--------------------|
| Prior year payable not recorded | \$ (16,789) |
| Total prior period adjustments(s) | <u>\$ (16,789)</u> |

Statement of Activities - Business-type Activities

| Explanation | Amount |
|--------------------------------------|------------------|
| Error in depreciation in prior years | \$ 16,452 |
| Total prior period adjustment(s) | <u>\$ 16,452</u> |

Statement of Revenues, Expenses and Changes in Net Position - Governmental Funds.

| Explanation | Amount |
|----------------------------------|--------------------|
| Prior year payable not recorded | \$ (16,789) |
| Total prior period adjustment(s) | <u>\$ (16,789)</u> |

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.

| Explanation | Amount |
|--|------------------|
| Sewer System - error in depreciation in prior year | \$ 14,452 |
| Sanitation - error in depreciation in prior year | 2,000 |
| Total prior period adjustment(s) | <u>\$ 16,452</u> |

13. Subsequent Events

Events that occur after the statement of net position 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 position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated the activity of the city through May 11, 2017, (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.



CITY OF CORINTH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
NON-GAAP BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

| | Budgeted Amounts | | Actual (NON-GAAP Basis) | Variances | |
|--|---------------------|---------------------|-------------------------------|-------------------|-------------------|
| | Original | Final | | Original to Final | Final to Actual |
| REVENUE: | | | | | |
| Taxes | \$ 2,471,000 | \$ 2,541,000 | \$ 2,386,742 | \$ 70,000 | \$ (154,258) |
| Licenses and Permits | 596,000 | 570,200 | 631,525 | (25,800) | 61,325 |
| Intergovernmental | 6,601,200 | 7,005,099 | 7,035,124 | 403,899 | 30,025 |
| Charges for Services | 177,000 | 185,000 | 189,832 | 8,000 | 4,832 |
| Fines and Forfeitures | 550,000 | 720,000 | 873,649 | 170,000 | 153,649 |
| Other | 65,500 | 66,650 | 105,187 | 1,150 | 38,537 |
| Total Revenues | 10,460,700 | 11,087,949 | 11,222,059 | 627,249 | 134,110 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General Government | 2,149,995 | 2,210,307 | 2,148,311 | (60,312) | 61,996 |
| Public Safety | 6,600,102 | 6,548,962 | 6,306,819 | 51,140 | 242,143 |
| Public Works | 2,292,340 | 2,508,250 | 2,396,201 | (215,910) | 112,049 |
| Debt Service | 90,000 | 11,500 | 74,157 | 78,500 | (62,657) |
| Total Expenditures | 11,132,437 | 11,279,019 | 10,925,488 | (146,582) | 353,531 |
| Excess (Deficiency) of Revenues over Expenditures | (671,737) | (191,070) | 296,571 | 480,667 | 487,641 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Proceeds From Sale of Assets | 2,000 | 11,900 | 13,364 | 9,900 | 1,464 |
| Operating Transfers, Net | (461,100) | (30,000) | (43,360) | 431,100 | (13,360) |
| Loan Proceeds | 271,000 | 270,004 | 270,003 | (996) | (1) |
| Insurance Proceeds | - | 15,578 | - | 15,578 | (15,578) |
| Total Other Financing Sources (Uses) | (188,100) | 267,482 | 240,007 | 455,582 | (27,475) |
| Net Change in Fund Balance | (859,837) | 76,412 | 536,578 | 936,249 | 460,166 |
| Fund Balance, Beginning of Year | 6,989,107 | 6,989,107 | 6,989,107 | - | - |
| Fund Balance, End of Year | \$ 6,129,270 | \$ 7,065,519 | \$ 7,525,685 | \$ 936,249 | \$ 460,166 |

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

CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SEPTEMBER 30, 2016
LAST 3 FISCAL YEARS*

Schedule of the City's Proportionate Share of the Net Pension Liability

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| City's proportion of the net pension liability | 0.09182% | 0.08943% | 0.091881% |
| City's proportionate share of net pension liability | \$ 16,402,059 | \$ 13,824,114 | \$ 10,924,352 |
| City's covered-employee payroll | \$ 6,099,105 | \$ 5,647,613 | \$ 5,629,460 |
| City's proportionate share of the net pension as a percentage of its covered-employee payroll | 268.926% | 244.778% | 194.0568% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.47% | 61.7040% | 67.2077% |

*-The amounts presented for each fiscal year were determined as of 6/30.

Schedule of City Contributions

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Contractually required contribution | \$ 960,609 | \$ 889,499 | \$ 886,640 |
| Contributions in relation to contractually required contribution | \$ 960,609 | \$ 889,499 | \$ 886,640 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| System's covered-employee payroll | \$ 6,099,105 | \$ 5,647,613 | \$ 5,629,460 |
| Contributions as a percentage of covered-employee payroll | 15.75% | 15.75% | 15.75% |

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

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CITY OF CORINTH, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the City Clerk, Police Chief, Fire Chief and Public Works Director for his or her respective department, prepares an original budget for each of the Governmental Funds and Enterprise Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investments balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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) | \$ 536,578 |
| Net adjustments for Revenue Accruals | 10,139 |
| GAAP Basis | \$ 546,717 |

CITY OF CORINTH, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

NOTE 2. PENSION LIABILITY AND CONTRIBUTIONS

A. Changes in Benefit Terms

Effective July 1, 2016, the interest rate on employees' contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes in Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-200 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-200 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015 assumed rate of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

C. Changes in Size or Composition of the Population Covered by the Benefit Terms

None identified during periods presented in the required supplementary information.

CITY OF CORINTH, MISSISSIPPI
COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

| | Fire Protection Fund | Library Fund | Park and Playground Fund | Tourism Construction Fund | Tourism Budget Fund | CDBG Fund | Infrastructure Bond Fund | Municipal B & I Fund | Total Other Governmental |
|---|----------------------------|-------------------|--------------------------------|---------------------------------|---------------------------|-------------------|--------------------------------|----------------------------|--------------------------------|
| Assets: | | | | | | | | | |
| Cash | \$ 379,167 | \$ 271,959 | \$ 211,927 | \$ 622,371 | \$ 381 | \$ 13,375 | \$ - | \$ 251,080 | \$ 1,750,260 |
| Receivables | - | 104,503 | 139,338 | 53,975 | 53,975 | 117,124 | - | 418,014 | 886,929 |
| Total Assets | \$ 379,167 | \$ 376,462 | \$ 351,265 | \$ 676,346 | \$ 54,356 | \$ 130,499 | \$ - | \$ 669,094 | \$ 2,637,189 |
| Liabilities | | | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 228,930 | \$ - | \$ - | \$ 228,930 |
| Deferred Inflows of Resources | | | | | | | | | |
| Unavailable Revenue | - | 102,942 | 137,256 | - | - | - | - | 411,769 | 651,967 |
| Fund Balances: | | | | | | | | | |
| Restricted For: | | | | | | | | | |
| Public Safety | 379,167 | - | - | - | - | - | - | - | 379,167 |
| Public Service | - | - | - | - | - | - | - | - | - |
| Culture and Recreation | - | - | - | 676,346 | 54,356 | - | - | - | 730,702 |
| Debt Service | - | - | - | - | - | - | - | 257,325 | 257,325 |
| Committed to | | | | | | | | | |
| Culture and Recreation | - | 273,520 | 214,009 | - | - | - | - | - | 487,529 |
| Unassigned | - | - | - | - | - | (98,431) | - | - | (98,431) |
| Total Fund Balance | 379,167 | 273,520 | 214,009 | 676,346 | 54,356 | (98,431) | - | 257,325 | 1,756,292 |
| Total Liabilities and Fund Balance | \$ 379,167 | \$ 376,462 | \$ 351,265 | \$ 676,346 | \$ 54,356 | \$ 130,499 | \$ - | \$ 669,094 | \$ 2,637,189 |

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

MAY 24 2017

CITY OF CORINTH, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – OTHER GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

| | Fire Protection Fund | Library Fund | Park and Playground Fund | Tourism Construction Fund | Tourism Budget Fund | CDBG Fund | Infrastructure Bond Fund | Municipal B & I Fund | Total Other Governmental |
|---|----------------------------|-----------------|--------------------------------|---------------------------------|---------------------------|--------------|--------------------------------|----------------------------|--------------------------------|
| Revenues: | | | | | | | | | |
| Taxes | \$ - | \$ 130,826 | \$ 174,433 | \$ - | \$ - | \$ - | \$ - | \$ 523,158 | \$ 828,417 |
| Intergovernmental | 189,369 | 10,474 | 294,831 | 672,153 | 672,153 | 911,754 | - | 44,512 | 2,795,246 |
| Other | 536 | 148 | 135 | 204 | - | 15 | 46 | 134 | 1,218 |
| Total Revenues | 189,905 | 141,448 | 469,399 | 672,357 | 672,153 | 911,769 | 46 | 567,804 | 3,624,881 |
| Expenditures: | | | | | | | | | |
| Current | | | | | | | | | |
| Public Safety | 156,948 | - | - | - | - | - | - | - | 156,948 |
| Public Service | - | - | - | - | - | 1,050,857 | 115,967 | 2,950 | 1,169,774 |
| Culture and Recreation | - | 129,000 | 458,173 | 859,572 | 704,606 | - | - | - | 2,151,351 |
| Debt Service: | | | | | | | | | |
| Principal | 17,616 | - | - | - | - | - | - | 565,000 | 582,616 |
| Interest and Other Charges | 9,755 | - | - | - | - | - | - | 160,770 | 170,525 |
| Total Expenditures | 184,319 | 129,000 | 458,173 | 859,572 | 704,606 | 1,050,857 | 115,967 | 728,720 | 4,231,214 |
| Excess of Revenues Over (Under) Expenditures | 5,586 | 12,448 | 11,226 | (187,215) | (32,453) | (139,088) | (115,921) | (160,916) | (606,333) |
| Other Financing Sources(Uses): | | | | | | | | | |
| Proceed of General Obligation Bonds | - | - | - | - | - | - | - | - | - |
| Operating Transfers In(Out) | - | - | - | - | - | 43,360 | - | - | 43,360 |
| Total Other Financing Sources (Uses) | - | - | - | - | - | 43,360 | - | - | 43,360 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 5,586 | 12,448 | 11,226 | (187,215) | (32,453) | (95,728) | (115,921) | (160,916) | (562,973) |
| Fund Balance, Beginning of Year | 373,581 | 261,072 | 202,783 | 863,561 | 86,809 | 14,086 | 115,921 | 418,241 | 2,336,054 |
| Prior Period Adjustment | - | - | - | - | - | (16,789) | - | - | (16,789) |
| Fund Balance - Beginning as Restated | 373,581 | 261,072 | 202,783 | 863,561 | 86,809 | (2,703) | 115,921 | 418,241 | 2,319,265 |
| Fund Balance, End of Year | \$ 379,167 | \$ 273,520 | \$ 214,009 | \$ 676,346 | \$ 54,356 | \$ (98,431) | \$ - | \$ 257,325 | \$ 1,756,292 |

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, 2016

| <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 Housing & Urban Development</u> | | | |
| Passed-through MS Development Authority | | | |
| Community Development Block Grant-State's Program | 14.228 | 1130-13-155PF-01 | \$ 227,040 |
| Total U.S. Department of Housing & Urban Development | | | <u>227,040</u> |
| <u>U.S. Department of Justice</u> | | | |
| Passed-through MS Dept. of Public Safety | | | |
| JAG Local Law Grant | 16.738 | 2015BUBX15 | 11,214 |
| JAG Local Law Grant | 16.738 | 14LB2071 | 6,338 |
| Total U.S. Department of Justice | | | <u>17,552</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Direct Grants | | | |
| Airport Improvement Program | 20.106 | NA | <u>165,260</u> |
| Passed-through MS Dept. of Transportation | | | |
| Highway Planning and Construction | 20.205 | STP-9037-00(001) | <u>355,490</u> |
| Total U.S. Department of Transportation | | | <u>520,750</u> |
| <u>U.S. Environmental Protection Agency</u> | | | |
| Direct Grants | | | |
| Brownsfield Assessment and Cleanup Cooperative Agreements | 66.818 | NA | <u>202,757</u> |
| Passed-through the MS Dept. of Environmental Quality | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | SRF-C280855-03 | <u>251,457</u> |
| Total U.S. Environmental Protection Agency | | | <u>454,214</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Direct Grants | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2012-FV-01903 | 21,135 |
| Assistance to Firefighters Grant | 97.044 | EMW-2014-FV-90054 | 95,905 |
| Total U.S. Department of Homeland Security | | | <u>117,040</u> |
| Total for All Federal Awards | | | <u>\$ 1,336,596</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, 2016, of loans received under CFDA #66.458 was \$29,590,025.

CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2016

| <u>Name</u> | <u>Position</u> | <u>Company</u> | <u>Bond</u> |
|---------------------|--------------------------|---|-------------|
| Tommy Irwin | Mayor | Western Surety Company | \$ 100,000 |
| Vickie Roach | City Clerk/Tax Collector | Western Surety Company | \$ 100,000 |
| Benjamin Albarracin | 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 |
| Andrew Labas | 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 |
| Brandy Smith | Deputy City Clerk | Western Surety Company | \$ 100,000 |
| Alicia Walker | Accounts Payable Clerk | Western Surety Company | \$ 100,000 |
| Greg Tyson | Building Inspector | Western Surety Company | \$ 25,000 |
| Zane Elliott | 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 |
| Deena Willis | Deputy Court Clerk | Western Surety Company | \$ 100,000 |
| Donna Null | Tax Dept. Clerk | Western Surety Company | \$ 100,000 |
| Ralph Dance | Chief of Police | Western Surety Company | \$ 50,000 |
| Kim Ratliff | Project Coordinator | Western Surety Company | \$ 50,000 |



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

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Terry E. Cartwright, CPA

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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*

Honorable Mayor and Members
of the Board of Aldermen
City of Corinth, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Corinth, Mississippi as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City of Corinth, Mississippi's basic financial statements and have issued our report thereon dated May 11, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America 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 financial data for its component units.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Brawner, Vanstony & Co., P.A.

May 11, 2017
Corinth, Mississippi

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members
of the Board of Aldermen
City of Corinth, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Corinth, Mississippi's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Corinth, Mississippi's major federal programs for the year ended September 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Corinth, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Corinth, Mississippi'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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Corinth, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Corinth, Mississippi, complied, in all material respects, with the types of 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, 2016.

Report on Internal Control Over Compliance

Management of the City of Corinth, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Corinth, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of Corinth, Mississippi's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Brawner, Vanstony & Co., P.A.

May 11, 2017
Corinth, Mississippi

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Members
of the 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, 2016, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated May 11, 2017. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Brawner, Vanstory & Co., P.A.

May 11, 2017
Corinth, Mississippi

CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:
Governmental Activities: Unmodified
Business-Type Activities: Unmodified
General Fund: Unmodified
Sewer System Fund: Unmodified
Sanitation Enterprise Fund: Unmodified
Aggregate Remaining Fund Information: Unmodified
Aggregate Discretely Presented Component Units: Adverse
2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - a. Significant deficiencies identified? 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? None Reported
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)? No
7. Identification of major federal programs:
 - a. Brownsfield Assessment and Cleanup Cooperative Agreements
CFDA #66.818
 - b. Highway Planning and Construction
CFDA #20.205
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? No

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Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Awards Findings and Questioned Costs

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

