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CITY OF CORINTH
CORINTH, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2006

CITY OF CORINTH, MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Corinth, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of the City of Corinth, Mississippi, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport, and do not, present fairly the financial position of the reporting entity of the City of Corinth, Mississippi, as of September 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007, on our consideration of the City of Corinth's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 36 through 37, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Corinth, Mississippi's primary government. The accompanying financial information listed as supplemental information in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brunner Vanstone & Company, P.A.

Corinth, Mississippi
August 31, 2007

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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, 2006. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$2,855,021, which represents a 15.73% increase from fiscal year 2005.
- General revenues account for \$10,278,315 in revenue, or 63.40% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,933,056 or 36.60% of total revenues.
- The City had \$13,356,350 in expenses; only \$5,933,056 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,278,315 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,343,476 in revenues and \$8,314,496 in expenditures. The General Fund's fund balance increased \$786,896 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,903,754.
- Long-term debt decreased by \$1,335,502 due to scheduled debt repayments.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

The government-wide financial statements can be found on pages 9 – 11 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the City's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 13 and 15, 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 12 and 14 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 16 – 18 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 basic of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are presented in separate Statements of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 19 and 20.

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 21 of this report.

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

The City adopts an annual operating budget for all governmental and proprietary funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 36 – 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$21,004,089 as of September 30, 2006.

By far the largest portion of the City's net assets (57.82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, construction in progress, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 6,597,100	\$ 6,659,625	\$ 2,953,997	\$ 2,335,585	\$ 9,551,097	\$ 8,995,210
Capital Assets, Net	3,867,817	3,451,325	18,039,230	16,551,968	21,907,047	20,003,293
Total Assets	10,464,917	10,110,950	20,993,227	18,887,553	31,458,144	28,998,503
Current Liabilities	91,725	978,036	1,841,954	38,211	1,933,679	1,016,247
Long-Term Liabilities	4,700,704	5,026,088	3,819,672	4,523,404	8,520,376	9,549,492
Total Liabilities	4,792,429	6,004,124	5,661,626	4,561,615	10,454,055	10,565,739
Net Assets						
Invested in Capital Assets, Net	(293,644)	(1,344,396)	12,439,054	12,063,775	12,145,410	10,719,379
Restricted	2,294,914	2,307,666	1,100,507	1,103,579	3,395,421	3,411,245
Unrestricted	3,671,218	3,143,556	1,792,040	1,158,584	5,463,258	4,302,140
Total Net Assets	\$ 5,672,488	\$ 4,106,826	\$ 15,331,601	\$ 14,325,938	\$ 21,004,089	\$ 18,432,764

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

The principal retirement of \$1,335,502 of long-term debt.

The acquisition of \$512,016 in infrastructure construction in progress from the rebuilding of a portion of Fillmore Street.

The acquisition of \$1,948,357 in sewer infrastructure construction in progress, known as the Southwest Corinth Pressure Sewer Line Project and Corinth SRF Sewer Addition Project.

Changes in net assets. The City's total revenues for the fiscal year ended September 30, 2006, were \$16,211,371. The total cost of all programs and services was \$13,356,350. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006 and 2005.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues	\$ 2,278,913	\$ 3,193,790	\$ 3,654,143	\$ 3,436,149	\$ 5,933,056	\$ 6,629,939
General Revenues	10,179,178	9,516,501	99,137	50,757	10,278,315	9,567,258
Transfers	(23,208)	(611,058)	23,208	611,058	-	-
Total Revenues	12,434,883	12,099,233	3,776,488	4,097,964	16,211,371	16,197,197
Expenses						
General Government	2,016,500	2,135,324	-	-	2,016,500	2,135,324
Public Safety	4,754,861	4,545,350	-	-	4,754,861	4,545,350
Public Service	2,120,968	2,514,386	-	-	2,120,968	2,514,386
Culture and Recreation	1,471,861	1,265,593	-	-	1,471,861	1,265,593
Sewer	-	-	1,429,479	1,284,949	1,429,479	1,284,949
Solid Waste	-	-	1,154,732	1,067,637	1,154,732	1,067,637
Interest on Long-Term Liabilities	221,335	244,076	186,614	216,068	407,949	460,144
Total Expenses	10,585,525	10,704,729	2,770,825	2,568,654	13,356,350	13,273,383
Increase in Net Assets	\$ 1,849,358	\$ 1,394,504	\$ 1,005,663	\$ 1,529,310	\$ 2,855,021	\$ 2,923,814

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

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	2006		2005	
	Expenses	Net (Expenses) Revenue	Expenses	Net (Expenses) Revenue
General Government	\$ 2,016,500	\$ (1,909,574)	\$ 2,135,324	\$ (1,980,386)
Public Safety	4,754,861	(3,780,791)	4,545,350	(3,617,886)
Public Service	2,120,968	(1,136,017)	2,514,386	(804,049)
Culture and Recreation	1,471,861	(1,258,895)	1,265,593	(864,542)
Interest on Long-Term Liabilities	221,335	(221,335)	244,076	(244,076)
Total Expenses	\$ 10,585,525	\$ (8,306,612)	\$ 10,704,729	\$ (7,510,939)

The net cost of governmental activities, \$8,306,612 was financed by general revenue, which is made up of primarily property taxes of \$3,198,259 and sales taxes of \$6,033,959.

Investment earnings accounted for \$206,104 of funding in the governmental activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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 \$6,408,021, an increase of \$797,026. \$4,086,582 or 63.77% 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 \$2,321,439 or 36.23% is reserved or designated to indicate that it is not available for spending because it has been committed for specific programs.

The General Fund is the principal operating fund of the City. The increase in fund balance in the General Fund for the fiscal year was \$811,896, or 24.79%.

Proprietary Funds. The focus of the City's proprietary funds is the same as is provided in the government-wide financial statements, only in more detail. Unrestricted net assets of the Sewer System Enterprise Fund at year-end amounted to \$1,813,501. The increase in net assets amounted to \$974,075. Unrestricted net assets of the Sanitation Enterprise Fund at year-end amounted to \$(21,461). The increase in net assets amounted to \$31,588.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised the annual operating budget for the General Fund due to the need for adjusting some line items between functions.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. There were no major special revenue funds required to be reported.

CITY OF CORINTH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2006, the City's total capital assets were \$31,695,183, including land, buildings, construction in progress, infrastructure, and equipment. This amount represents an increase of \$2,535,919 from the previous year, due primarily to reconstruction of a street and construction of additional sewer system infrastructure. Total accumulated depreciation as of September 30, 2006, was \$9,788,135, and total depreciation expense for the year was \$710,076, resulting in total net assets of \$21,907,048.

Additional information of the City's capital assets can be found in the Notes 1 and 7 of this report.

Debt Administration. At September 30, 2006, the City had \$7,948,412 in long-term debt outstanding, of which \$1,258,317 is due within one year. This represents a decrease of \$1,335,502 as a result of scheduled repayments.

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

CURRENT ISSUES

The City of Corinth, Mississippi is financially stable.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF CORINTH, MISSISSIPPI
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash in Bank	\$ 5,761,247	\$ 2,727,329	\$ 8,488,576
Accounts Receivable, Net	603,283	319,482	922,765
Fines Receivable, Net of Allowance for Doubtful Accounts	123,879	-	123,879
Interfund Receivable (Payable)	108,691	(108,691)	-
Capitalized Bond Issue Cost, Net	-	15,877	15,877
Capital Assets, Net of Accumulated Depreciation	3,867,817	18,039,230	21,907,047
Total Assets	10,464,917	20,993,227	31,458,144
LIABILITIES			
Accounts Payable and Accrued Expenses	91,725	1,841,954	1,933,679
Compensated Absences	539,243	32,721	571,964
Long Term Liabilities:			
Due Within One Year	531,705	726,612	1,258,317
Due Beyond One Year	3,629,756	3,060,339	6,690,095
Total Liabilities	4,792,429	5,661,626	10,454,055
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(293,644)	12,439,054	12,145,410
Restricted Net Assets:			
Expendable:			
Capital Projects	5,249	-	5,249
Debt Service	1,040,140	-	1,040,140
Other Purposes	1,249,525	1,100,507	2,350,032
Unrestricted	3,671,218	1,792,040	5,463,258
Total Net Assets	\$ 5,672,488	\$ 15,331,601	\$ 21,004,089

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

CITY OF CORINTH, MISSISSIPPI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 2,016,500	\$ -	\$ 106,926	\$ -
Public Safety	4,754,861	654,260	319,810	-
Public Service	2,120,968	-	167,458	817,493
Culture and Recreation	1,471,861	-	212,966	-
Interest on Long-Term Liabilities	221,335	-	-	-
Total Governmental Activities	<u>10,585,525</u>	<u>654,260</u>	<u>807,160</u>	<u>817,493</u>
Business-Type Activities				
Sewer	1,429,479	2,470,541	-	-
Solid Waste	1,154,732	1,183,602	-	-
Interest on Long-Term Liabilities	186,614	-	-	-
Total Business-Type Activities	<u>2,770,825</u>	<u>3,654,143</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$13,356,350</u>	<u>\$ 4,308,403</u>	<u>\$ 807,160</u>	<u>\$ 817,493</u>

General Revenues:

Taxes:

- Property
- Sales
- Franchise
- Gasoline
- Pro-Rata Road
- Other Permits and Taxes
- Non-Restricted Grants
- Investment Earnings
- Other
- Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning
Prior Period Adjustments (Note 13)

Net Assets, As Restated

Net Assets, Ending

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

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,909,574)	\$ -	\$ (1,909,574)
(3,780,791)	-	(3,780,791)
(1,136,017)	-	(1,136,017)
(1,258,895)	-	(1,258,895)
(221,335)	-	(221,335)
<u>(8,306,612)</u>	<u>-</u>	<u>(8,306,612)</u>
-	1,041,062	1,041,062
-	28,870	28,870
-	(186,614)	(186,614)
<u>-</u>	<u>883,318</u>	<u>883,318</u>
<u>(8,306,612)</u>	<u>883,318</u>	<u>(7,423,294)</u>
3,198,259	-	3,198,259
6,033,959	-	6,033,959
302,111	-	302,111
8,645	-	8,645
140,813	-	140,813
124,944	-	124,944
12,457	-	12,457
206,104	99,137	305,241
151,886	-	151,886
(23,208)	23,208	-
<u>10,155,970</u>	<u>122,345</u>	<u>10,278,315</u>
<u>1,849,358</u>	<u>1,005,663</u>	<u>2,855,021</u>
4,106,826	14,325,938	18,432,764
(283,696)	-	(283,696)
<u>3,823,130</u>	<u>14,325,938</u>	<u>18,149,068</u>
<u>\$ 5,672,488</u>	<u>\$ 15,331,601</u>	<u>\$ 21,004,089</u>

CITY OF CORINTH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	Major Fund		Other Governmental Funds		Total Governmental Funds
<u>ASSETS</u>	General		Funds		Funds
Cash	\$ 3,466,561		\$ 2,294,686		\$ 5,761,247
Receivables	461,122		142,161		603,283
Due from Other Funds	158,899		-		158,899
Total Assets	\$ 4,086,582		\$ 2,436,847		\$ 6,523,429
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ -		\$ 65,200		\$ 65,200
Due to Other Funds	-		50,208		50,208
Total Liabilities	-		115,408		115,408
Fund Balance					
Reserved for					
Capital Improvement	-		5,249		5,249
Debt Service	-		1,066,666		1,066,666
Federal and State Programs	-		8,371		8,371
Unreserved					
General Funds	4,086,582		-		4,086,582
Special Revenue Funds	-		1,241,153		1,241,153
Total Fund Balance	4,086,582		2,321,439		6,408,021
Total Liabilities and Fund Balance	\$ 4,086,582		\$ 2,436,847		\$ 6,523,429

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

CITY OF CORINTH, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,408,021
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Fines are recorded when collected in the governmental funds, but are recorded when assessed in the governmental activities.	123,879
2. Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,718,253. (Note 7)	3,867,817
3. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 5)	(4,700,704)
4. Accrued interest is not due and payable in the current period and therefore, is not reported in the funds.	<u>(26,525)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 5,672,488</u></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
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Major Fund	Other Governmental Funds	Total Governmental Funds
	General		
REVENUES:			
Taxes	\$ 2,001,195	\$ 835,693	\$ 2,836,888
Licenses and Permits	427,055	-	427,055
Intergovernmental	6,014,283	2,167,615	8,181,898
Charges for Services	32,624	-	32,624
Fines and Forfeits	596,994	-	596,994
Miscellaneous	271,325	82,214	353,539
Total Revenues	9,343,476	3,085,522	12,428,998
EXPENDITURES:			
Current			
General Government	1,973,378	-	1,973,378
Public Safety	4,619,982	8,780	4,628,762
Public Service	1,427,070	626,841	2,053,911
Culture and Recreation	105,584	1,366,277	1,471,861
Capital Outlay	131,061	521,529	652,590
Debt Service:			
Principal	54,615	579,645	634,260
Interest and Charges	2,806	220,647	223,453
Total Expenditures	8,314,496	3,323,719	11,638,215
Excess of Revenues Over (Under) Expenditures	1,028,980	(238,197)	790,783
OTHER FINANCING SOURCES (USES):			
Insurance Loss Recoveries	4,451	-	4,451
Operating Transfers In	1,883	248,418	250,301
Operating Transfers Out	(248,418)	(25,091)	(273,509)
Total Other Financing Sources (Uses)	(242,084)	223,327	(18,757)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	786,896	(14,870)	772,026
Fund Balance - October 1, 2005	3,274,686	2,336,309	5,610,995
Prior Period Adjustment (Note 13)	25,000	-	25,000
Beginning Fund Balance, as Restated	3,299,686	2,336,309	5,635,995
Fund Balance - September 30, 2006	\$ 4,086,582	\$ 2,321,439	\$ 6,408,021

The accompanying 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 THE YEAR ENDED SEPTEMBER 30, 2006

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 772,026
Amounts reported for governmental activities in the statement of activities are different because:	
1. Increase in fines receivable is recorded as an increase in revenue in the statement of activities.	24,642
2. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$652,590 and the depreciation expense amounted to \$224,881. (Note 7)	427,709
3. Governmental funds report proceeds from the sale of assets while governmental activities report net gain or loss.	(11,217)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	634,260
5. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activities.	2,118
6. Increase in compensated absences is reported as an adjustment to various functions.	(180)
Change in Net Assets	\$ 1,849,358

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	<u>Business-Type - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Sewer System Fund</u>	<u>Sanitation Enterprise Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash in Bank	\$ 1,626,061	\$ 761	\$ 1,626,822
Accounts Receivable (Net of Allowance)	219,371	100,111	319,482
Total Current Assets	<u>1,845,432</u>	<u>100,872</u>	<u>1,946,304</u>
<u>Noncurrent Assets</u>			
Capitalized Bond Issue Costs, Net	15,877	-	15,877
Restricted Assets: Cash	1,100,507	-	1,100,507
Capital Assets, Net of Accumulated Depreciation	17,897,374	141,856	18,039,230
Total Noncurrent Assets	<u>19,013,758</u>	<u>141,856</u>	<u>19,155,614</u>
Total Assets	<u>20,859,190</u>	<u>242,728</u>	<u>21,101,918</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	1,813,225	-	1,813,225
Accrued Interest Payable	28,522	207	28,729
Due to Other Funds	-	108,691	108,691
Long-Term Liabilities, Due Within One Year	681,908	44,704	726,612
Total Current Liabilities	<u>2,523,655</u>	<u>153,602</u>	<u>2,677,257</u>
<u>Noncurrent Liabilities</u>			
Compensated Absences Payable	19,286	13,435	32,721
Long-Term Liabilities, Due Beyond One Year	3,010,279	50,060	3,060,339
Total Noncurrent Liabilities	<u>3,029,565</u>	<u>63,495</u>	<u>3,093,060</u>
Total Liabilities	<u>5,553,220</u>	<u>217,097</u>	<u>5,770,317</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	12,391,962	47,092	12,439,054
Restricted for: Bond Reserve Requirements	1,100,507	-	1,100,507
Unrestricted	1,813,501	(21,461)	1,792,040
Total Net Assets	<u>\$ 15,305,970</u>	<u>\$ 25,631</u>	<u>\$ 15,331,601</u>

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		
	<u>Sewer System Fund</u>	<u>Sanitation Enterprise Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 2,470,541	\$ 1,183,602	\$ 3,654,143
Total Operating Revenues	<u>2,470,541</u>	<u>1,183,602</u>	<u>3,654,143</u>
Operating Expenses:			
Salaries and Wages	404,058	481,213	885,271
Materials and Supplies	100,586	214,266	314,852
Repairs and Maintenance	284,152	30,536	314,688
Other Operating Expenses	189,650	390,668	580,318
Depreciation and Amortization	451,033	38,049	489,082
Total Operating Expenses	<u>1,429,479</u>	<u>1,154,732</u>	<u>2,584,211</u>
Operating Income	<u>1,041,062</u>	<u>28,870</u>	<u>1,069,932</u>
Nonoperating Revenues (Expenses):			
Interest Income	92,350	6,787	99,137
Interest Expense	<u>(182,545)</u>	<u>(4,069)</u>	<u>(186,614)</u>
Total Nonoperating Revenues (Expenses)	<u>(90,195)</u>	<u>2,718</u>	<u>(87,477)</u>
Income Before Contributions and Transfers	950,867	31,588	982,455
Contributions and Transfers	<u>23,208</u>	<u>-</u>	<u>23,208</u>
Changes in Net Assets	974,075	31,588	1,005,663
Net Assets, October 1, 2005	<u>14,331,895</u>	<u>(5,957)</u>	<u>14,325,938</u>
Net Assets, September 30, 2006	<u>\$ 15,305,970</u>	<u>\$ 25,631</u>	<u>\$ 15,331,601</u>

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business - Type Activities - Enterprise Funds		
	Major Funds		
	Sewer System Fund	Sanitation Enterprise Fund	Total
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	\$ 2,457,508	\$ 1,177,393	\$ 3,634,901
Cash Paid to Suppliers and Employees	(976,180)	(1,121,435)	(2,097,615)
Net Cash Provided by Operating Activities	<u>1,481,328</u>	<u>55,958</u>	<u>1,537,286</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(159,232)	-	(159,232)
Repayment of Advance from General Fund	-	(7,571)	(7,571)
Principal Payments - Revenue Bonds and Note Payable	(648,936)	(52,306)	(701,242)
Interest Paid	(192,033)	(4,063)	(196,096)
Net Cash Used by Capital and Related Financing Activities	<u>(1,000,201)</u>	<u>(63,940)</u>	<u>(1,064,141)</u>
Cash Flows from Investing Activities:			
Operating Transfers, Net	23,208	-	23,208
Interest Revenue Received	92,351	6,787	99,138
Cash Provided by Investing Activities	<u>115,559</u>	<u>6,787</u>	<u>122,346</u>
Net Increase (Decrease) in Cash	596,686	(1,195)	595,491
Cash and Cash Equivalents at Beginning of Year	<u>2,129,882</u>	<u>1,956</u>	<u>2,131,838</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,726,568</u>	<u>\$ 761</u>	<u>\$ 2,727,329</u>
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating Income	\$ 1,041,062	\$ 28,870	\$ 1,069,932
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	451,033	38,049	489,082
Increase in Accounts Receivable	(13,031)	(6,207)	(19,238)
Increase (Decrease) in Compensated Absences Payable	2,264	(4,754)	(2,490)
Total Adjustments	<u>440,266</u>	<u>27,088</u>	<u>467,354</u>
Net Cash Provided by Operating Activities	<u>\$ 1,481,328</u>	<u>\$ 55,958</u>	<u>\$ 1,537,286</u>

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

CITY OF CORINTH, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2006

	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash in Bank	\$ 21,476	\$ 103,427
Total Assets	21,476	103,427
<u>LIABILITIES</u>		
Amount Held for Others	-	103,427
Total Liabilities	-	103,427
<u>NET ASSETS</u>		
Held in Trust	\$ 21,476	\$ -

CITY OF CORINTH, MISSISSIPPI
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Private-Purpose Trust Fund
ADDITIONS:	
Lot Sales	\$ 700
Interest Income	728
Total Revenues	1,428
 DEDUCTIONS:	
Other	-
Total Expenditures	-
Changes in Net Assets	1,428
Net Assets - October 1, 2005	20,048
Net Assets - September 30, 2006	\$ 21,476

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

These financial statements present the City’s primary government only. Management has chosen to omit from these financial statements the following component units, which have a significant operational or financial relationship with the City. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Corinth, Mississippi, and the changes in its financial position and its cash flows, where applicable, as of and for the year ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Utility Commission
Library Commission

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

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

The City reports the following major governmental fund:

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:

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.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

FIDUCIARY FUNDS

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

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

Additionally, the City reports the following major 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

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

I. Summary of Significant Accounting Policies (continued)

E. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

F. Encumbrances

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

G. Cash and Other Deposits

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

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

Various restrictions on these deposits are imposed by state statutes. These restrictions are summarized as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC) or by the Federal Savings and Loan Insurance Corporation (FSLIC), or any successors to such insurance corporations.

H. Allowance for Doubtful Accounts

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

I. Compensated Absences

Employees of the City accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by City policy. The City pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies (continued)

J. Statement of Cash Flows

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

K. Equity Classifications

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

L. 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 a meeting in September, levies property taxes for the ensuing fiscal year which begins October 1. Property taxes become a lien on January 1 of the current year, and are due on or before February 1. 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 motor home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

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

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

2. Stewardship, Compliance and Accountability

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

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

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

	Net Change in Fund Balance
	General Fund
Budget (Cash Basis)	\$ 764,166
Net adjustments for Revenue Accruals	31,947
Net adjustments for Expenditure Accruals	(9,940)
Net adjustments for Transfers	723
GAAP Basis	\$ 786,896

3. Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is now 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 Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$8,613,479, and the bank balance was \$9,096,003.

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

4. Property Taxes

The millage rate for the City for October 1, 2005, through September 30, 2006, was 95.2 mills, broken down as follows:

SCHOOL: PUBLIC SCHOOL PURPOSES	51.2 Mills
SCHOOL: BOND & INTEREST	4.0 Mills
SCHOOL: SCHOOL 3.0 MILL	3.0 Mills
SCHOOL: VO TECH FUND	1.2 Mills
GENERAL REVENUE & GENERAL IMPROVEMENT	25.3 Mills
LIBRARY	1.5 Mills
PARKS & PLAYGROUNDS	2.0 Mills
MUNICIPAL BOND & INTEREST	<u>7.0 Mills</u>
TOTAL	95.2 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.

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, 2006:

	<u>Balance</u> <u>10/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2006</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. General Obligation Bonds Payable	\$ 4,295,000	\$ -	\$ 455,000	\$ 3,840,000	\$ 365,000
B. Tax Increment Limited Obligation Bonds Payable	240,000	-	75,000	165,000	80,000
C. Capital Lease Payable	<u>260,721</u>	<u>-</u>	<u>104,260</u>	<u>156,461</u>	<u>86,705</u>
	<u>\$ 4,795,721</u>	<u>\$ -</u>	<u>\$ 634,260</u>	<u>\$ 4,161,461</u>	<u>\$ 531,705</u>

A. General Obligation Bonds Payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Series 1992	5.9 - 6.2%	4/1/92	4/1/07	\$ 850,000	\$ 85,000
Series 1996	4.1 - 5.4%	3/1/96	3/1/11	295,000	125,000
Series 1998	4.7 - 5.7%	4/1/98	4/1/18	2,500,000	1,785,000
Series 2001	4.0 - 5.7%	7/18/01	7/1/16	2,500,000	1,845,000
				<u>\$ 6,145,000</u>	<u>\$ 3,840,000</u>

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

5. Long-term Debt (continued)

A. General Obligation Bonds Payable. (continued)

Debt currently outstanding is as follows:

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 365,000	\$ 166,354	\$ 531,354
2008	295,000	149,112	444,112
2009	310,000	135,043	445,043
2010	325,000	121,543	446,543
2011	345,000	107,231	452,231
2012 - 2016	1,820,000	313,183	2,133,183
2017 - 2018	380,000	18,095	398,095
Total	<u>\$ 3,840,000</u>	<u>\$ 1,010,561</u>	<u>\$ 4,850,561</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.

B. Tax Increment Limited Obligations Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1996	4.9 - 6.0%	5/1/96	5/1/08	<u>\$ 700,000</u>	<u>\$ 165,000</u>

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

Year Ending September 30,	Principal	Interest	Total
2007	\$ 80,000	\$ 9,160	\$ 89,160
2008	85,000	4,760	89,760
Total	<u>\$ 165,000</u>	<u>\$ 13,920</u>	<u>\$ 178,920</u>

This debt will be retired from the Tax Increment Funding (TIF) Fund.

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

5. Long-term Debt (continued)

C. Capital Leases Payable

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

Year Ending September 30,	Principal	Interest	Total
2007	\$ 86,705	\$ 24,619	\$ 111,324
2008	69,756	1,826	71,582
Total	<u>\$ 156,461</u>	<u>\$ 26,445</u>	<u>\$ 182,906</u>

This debt will be retired from the General Fund.

The following is a summary of changes in long-term debt of the City's business-type activities for the year ended September 30, 2006:

	Balance 10/1/2005	Additions	Reductions	Balance 9/30/2006	Amounts due within one year
A. Revenue Bonds Payable	\$ 1,730,000	\$ -	\$ 445,000	\$ 1,285,000	\$ 470,000
B. Other Loans Payable	2,538,368	-	180,914	2,357,454	188,105
C. Capital Lease Payable	219,825	-	75,328	144,497	68,507
	<u>\$ 4,488,193</u>	<u>\$ -</u>	<u>\$ 701,242</u>	<u>\$ 3,786,951</u>	<u>\$ 726,612</u>

A. Revenue Bonds Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Sewer System Refunding Revenue Bonds, Series 1994	2.6 - 5.5%	2/1/94	11/1/10	<u>\$ 5,210,000</u>	<u>\$ 1,285,000</u>

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

5. Long-term Debt (continued)

A. Revenue Bonds Payable. (continued)

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

Year Ending September 30,	Principal	Interest	Total
2007	\$ 470,000	\$ 55,960	\$ 525,960
2008	490,000	30,755	520,755
2009	105,000	14,935	119,935
2010	105,000	9,213	114,213
2011	115,000	3,162	118,162
Total	<u>\$ 1,285,000</u>	<u>\$ 114,025</u>	<u>\$ 1,399,025</u>

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

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

B. Other Loans Payable.

Other loans payable consists of two interest-free Water Pollution Abatement loans from the State of Mississippi and a State Revolving Loan Fund loan from the Mississippi Department of Environmental Quality. Payments for these loans are withheld from sales tax payments due to the City.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Water Pollution Abatement Loan Payable	0.00%	11/1/87	11/1/07	\$ 250,000	\$ 14,583
Water Pollution Abatement Loan Payable	0.00%	7/1/88	7/1/08	237,694	21,789
State Revolving Loan Fund Loan Payable	4.5%	10/18/95	11/1/17	<u>3,433,800</u>	<u>2,321,082</u>
				<u>\$ 3,921,494</u>	<u>\$ 2,357,454</u>

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

5. Long-term Debt (continued)

B. Other Loans Payable. (continued)

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

Year Ending September 30,	Principal	Interest	Total
2007	\$ 188,105	\$ 101,099	\$ 289,204
2008	183,228	93,578	276,806
2009	179,108	85,711	264,819
2010	187,336	77,483	264,819
2011	195,942	68,877	264,819
2012 - 2016	1,123,297	200,800	1,324,097
2017	300,438	8,519	308,957
Total	<u>\$ 2,357,454</u>	<u>\$ 636,067</u>	<u>\$ 2,993,521</u>

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

C. Capital Leases Payable

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

Year Ending September 30,	Principal	Interest	Total
2007	\$ 68,506	\$ 3,721	\$ 72,227
2008	56,085	1,669	57,754
2009	19,906	151	20,057
Total	<u>\$ 144,497</u>	<u>\$ 5,541</u>	<u>\$ 150,038</u>

Compensated absences payable.

As more fully explained in Note 1(H), 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. As of September 30, 2006, the liability is \$571,964. The amount applicable to the governmental activities and business-type activities is \$539,243 and \$32,721, respectively.

6. Industrial Revenue Bonds

The City of Corinth participates in an industrial revenue bond issue which is the obligation of Kimberly Clark Corporation. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

7. Capital Assets

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

	Balance 10/1/05	Additions	Retirements	Completed Construction	Balance 9/30/06
<u>Governmental Activities</u>					
<u>Non-depreciable capital assets</u>					
Land	\$ 449,644	\$ -	\$ -	\$ -	\$ 449,644
Construction in progress	125,025	516,029	-	(641,054)	-
Total non-depreciable capital assets	574,669	516,029	-	(641,054)	449,644
<u>Depreciable capital assets:</u>					
Buildings	2,935,750	-	-	129,038	3,064,788
Infrastructure - Streets	696,449	-	-	512,016	1,208,465
Mobile equipment	2,719,621	130,061	89,127	-	2,760,555
Furniture and equipment	96,119	6,500	-	-	102,619
Total depreciable capital assets	6,447,939	136,561	89,127	641,054	7,136,427
<u>Less accumulated depreciation</u>					
Buildings	1,258,435	52,429	-	-	1,310,864
Infrastructure - Streets	22,344	26,363	-	-	48,707
Mobile equipment	2,222,451	135,526	77,910	-	2,280,067
Furniture and equipment	68,052	10,563	-	-	78,615
Total accumulated depreciation	3,571,282	224,881	77,910	-	3,718,253
Total depreciable capital assets, net	2,876,657	(88,320)	11,217	641,054	3,418,174
Total Governmental activities capital assets, net	<u>\$ 3,451,326</u>	<u>\$ 427,709</u>	<u>\$ 11,217</u>	<u>\$ -</u>	<u>\$ 3,867,818</u>

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

7. Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

General Government	\$ 41,985
Public Safety	115,031
Public Service	<u>67,865</u>
Total governmental activities depreciation expense	<u>\$ 224,881</u>

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

	Balance 10/1/05	Additions	Retirements	Completed Construction	Balance 9/30/06
<u>Business-type Activities</u>					
<u>Non-depreciable capital assets</u>					
Construction in progress	\$ 1,970,249	\$ 1,948,357		\$(1,382,627)	\$ 2,535,979
Total non-depreciable capital assets	<u>1,970,249</u>	<u>1,948,357</u>	<u>-</u>	<u>(1,382,627)</u>	<u>2,535,979</u>
<u>Depreciable capital assets:</u>					
Sewer plant and buildings	19,125,465	-	-	1,382,627	20,508,092
Mobile equipment	785,121	24,099	-	-	809,220
Furniture and equipment	255,821	-	-		<u>255,821</u>
Total depreciable capital assets	<u>20,166,407</u>	<u>24,099</u>	<u>-</u>	<u>1,382,627</u>	<u>21,573,133</u>
<u>Less accumulated depreciation</u>					
Sewer plant and buildings	4,871,281	409,658	-	-	5,280,939
Mobile equipment	526,207	51,249	-	-	577,456
Furniture and equipment	187,200	24,287	-	-	211,487
Total accumulated depreciation	<u>5,584,688</u>	<u>485,194</u>	<u>-</u>	<u>-</u>	<u>6,069,882</u>
Total depreciable capital assets, net	<u>14,581,719</u>	<u>(461,095)</u>	<u>-</u>	<u>1,382,627</u>	<u>15,503,251</u>
Total Business-type activities capital assets, net	<u>\$ 16,551,968</u>	<u>\$ 1,487,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,039,230</u>

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

Sewer	\$ 447,145
Solid Waste	<u>38,049</u>
Total business-type activities depreciation expense	<u>\$ 485,194</u>

CITY OF CORINTH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2006

8. Jointly Governed Organization

The City participates in the following jointly governed organization:

The Northeast Mississippi Regional Solid Waste Authority operates in a district composed of the counties of Alcorn, Prentiss, Tishomingo, and Tippah, and the cities of Corinth, Booneville, Ripley, and Iuka. Each of the 10 members appoint one board member.

9. The City Participates in the Following 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 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.

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.

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 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 a 2 percent sales tax on motel and food and beverage sales within the City of Corinth.

10. Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City of Corinth is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Corinth's contributions to PERS for the years ending September 30, 2006, 2005, and 2004, were \$525,471, \$471,451, and \$466,513, respectively, equal to the required contributions for each year.

CITY OF CORINTH, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS (Continued)
 SEPTEMBER 30, 2006

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. The City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Contingencies

Litigation - The City of Corinth is involved in several pending lawsuits. Discovery proceedings on these actions are in progress. The ultimate outcome of litigation for these lawsuits cannot presently be determined.

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.

13. Prior Period Adjustments

The following prior period adjustments were made to correct beginning balance in assets and liabilities.

	Governmental Funds/ Activities
Correct Beginning Accounts Receivable	\$ 25,000
Correct Beginning Compensated Absences	(308,696)
	\$ (283,696)

14. Subsequent Events

Subsequent to year-end, the City made draws from a State Revolving Loan Fund Program in the amount of \$9,973,484 for the purpose of constructing additional sewer infrastructure. The total approved loan amount is \$13,698,628 and bears interest at 2.00%. Interest will begin accruing on the latest original construction completion date or one year after initiation of the earliest construction contract, whichever occurs first. Repayment will be made as a reduction of the sales tax reimbursement due to the City in the approximate amount of \$70,000 per month for a period of 237 months.

15. Deficit Fund Balance of Individual Funds

The Park and Playground Fund had a deficit fund balance in the amount of \$5,852.

The deficit fund balance is not in violation of state law. This deficit could have been eliminated with a transfer from the General Fund.

CITY OF CORINTH, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 NON-GAAP BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual (NON-GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Taxes	\$ 1,915,000	\$ 1,951,000	\$ 2,135,192	\$ 36,000	\$ 184,192
Licenses and Permits	370,000	391,000	427,055	21,000	36,055
Intergovernmental	5,292,000	5,759,100	5,854,066	467,100	94,966
Charges for Services	15,000	30,000	32,624	15,000	2,624
Fines and Forfeitures	622,000	615,500	596,994	(6,500)	(18,506)
Miscellaneous	163,500	215,250	270,049	51,750	54,799
Total Revenues	<u>8,377,500</u>	<u>8,961,850</u>	<u>9,315,980</u>	<u>584,350</u>	<u>354,130</u>
Expenditures					
Current:					
General Government	2,112,236	2,212,298	1,941,003	(100,062)	271,295
Public Safety	4,745,906	4,941,471	4,604,643	(195,565)	336,828
Public Service	1,320,441	1,541,240	1,421,975	(220,799)	119,265
Culture and Recreation	92,250	99,250	105,584	(7,000)	(6,334)
Capital Outlay	269,750	256,500	173,930	13,250	82,570
Debt Service					
Principal	91,668	68,732	54,615	22,936	14,117
Interest and Charges	12,100	11,500	2,806	600	8,694
Total Expenditures	<u>8,644,351</u>	<u>9,130,991</u>	<u>8,304,556</u>	<u>(486,640)</u>	<u>826,435</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(266,851)</u>	<u>(169,141)</u>	<u>1,011,424</u>	<u>97,710</u>	<u>1,180,565</u>
Other Financing Sources (Uses)					
Proceeds of Loans	150,000	-	-	(150,000)	-
Proceeds from Sale of Assets	2,000	-	-	(2,000)	-
Operating Transfers, Net	(147,750)	(245,000)	(247,258)	(97,250)	(2,258)
Total Other Financing Sources (Uses)	<u>4,250</u>	<u>(245,000)</u>	<u>(247,258)</u>	<u>(249,250)</u>	<u>(2,258)</u>
Net Change in Fund Balance	(262,601)	(414,141)	764,166	(151,540)	1,178,307
Fund Balance - October 1, 2005	3,232,071	3,232,071	3,232,071	-	-
Fund Balance - September 30, 2006	<u>\$ 2,969,470</u>	<u>\$ 2,817,930</u>	<u>\$ 3,996,237</u>	<u>\$ (151,540)</u>	<u>\$ 1,178,307</u>

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

CITY OF CORINTH, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2006

1. **Basis of Presentation**

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

2. **Budget Adoption and Amendments**

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

CITY OF CORINTH, MISSISSIPPI
 COMBINING BALANCE SHEET -
 OTHER GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	<u>Fire Protection Fund</u>	<u>Corinth Theatre Arts Fund</u>	<u>Library Fund</u>	<u>Park and Playground Fund</u>	<u>Corinth Neighborhood Project</u>
<u>ASSETS</u>					
Cash	\$ 87,262	\$ -	\$ 258,999	\$ 3,148	\$ 42,650
Receivables	-	-	-	-	-
Total Assets	<u>\$ 87,262</u>	<u>\$ -</u>	<u>\$ 258,999</u>	<u>\$ 3,148</u>	<u>\$ 42,650</u>
 <u>LIABILITIES & FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	9,000	41,208
Total Liabilities	-	-	-	9,000	41,208
Fund Balances:					
Reserved for Capital Improvements	-	-	-	-	-
Reserved for for Debt Service	-	-	-	-	-
Undesignated	87,262	-	258,999	(5,852)	1,442
Total Fund Balance	<u>87,262</u>	<u>-</u>	<u>258,999</u>	<u>(5,852)</u>	<u>1,442</u>
Total Liabilities and Fund Balance	<u>\$ 87,262</u>	<u>\$ -</u>	<u>\$ 258,999</u>	<u>\$ 3,148</u>	<u>\$ 42,650</u>

<u>Tourism Construction Fund</u>	<u>Tourism Budget Fund</u>	<u>CDBG Fund</u>	<u>Municipal B & I Fund</u>	<u>TIF B & I Fund</u>	<u>Infrastructure Bond Fund 01</u>	<u>Total Other Governmental</u>
\$ 767,047	\$ 59,906	\$ 3,759	\$ 990,136	\$ 76,530	\$ 5,249	\$ 2,294,686
<u>36,896</u>	<u>36,896</u>	<u>23,448</u>	<u>-</u>	<u>-</u>	<u>44,921</u>	<u>142,161</u>
<u>\$ 803,943</u>	<u>\$ 96,802</u>	<u>\$ 27,207</u>	<u>\$ 990,136</u>	<u>\$ 76,530</u>	<u>\$ 50,170</u>	<u>\$ 2,436,847</u>
\$ -	\$ -	\$ 20,279	\$ -	\$ -	\$ 44,921	\$ 65,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,208</u>
-	-	20,279	-	-	44,921	115,408
-	-	-	-	-	5,249	5,249
-	-	-	990,136	76,530	-	1,066,666
<u>803,943</u>	<u>96,802</u>	<u>6,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,249,524</u>
803,943	96,802	6,928	990,136	76,530	5,249	2,321,439
<u>\$ 803,943</u>	<u>\$ 96,802</u>	<u>\$ 27,207</u>	<u>\$ 990,136</u>	<u>\$ 76,530</u>	<u>\$ 50,170</u>	<u>\$ 2,436,847</u>

CITY OF CORINTH, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Fire Protection Fund	Corinth Theatre Arts Fund	Library Fund	Park and Playground Fund	Corinth Neighborhood Project
REVENUES:					
Taxes	\$ -	\$ -	\$ 115,109	\$ 153,478	\$ -
Intergovernmental	71,470	-	7,549	219,332	151,099
Miscellaneous	1,816	-	8,733	4,850	1,709
Total Revenues	73,286	-	131,391	377,660	152,808
EXPENDITURES:					
Current					
Public Safety	8,780	-	-	-	-
Public Service	-	-	-	-	151,366
Culture and Recreation	-	-	102,314	533,040	-
Capital Outlay	5,500	4,013	-	-	-
Debt Service:					
Principal	49,645	-	-	-	-
Interest and Charges	4,746	-	-	-	-
Total Expenditures	68,671	4,013	102,314	533,040	151,366
Excess of Revenues Over (Under) Expenditures	4,615	(4,013)	29,077	(155,380)	1,442
OTHER FINANCING SOURCES(USES)					
Operating Transfers In	-	-	-	-	1,883
Operating Transfers Out	-	-	-	-	(1,883)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	4,615	(4,013)	29,077	(155,380)	1,442
Fund Balance - October 1, 2005	82,647	4,013	229,922	149,528	-
Fund Balance - September 30, 2006	<u>\$ 87,262</u>	<u>\$ -</u>	<u>\$ 258,999</u>	<u>\$ (5,852)</u>	<u>\$ 1,442</u>

Tourism Construction Fund	Tourism Budget Fund	CDBG Fund	Municipal B & I Fund	TIF B & I Fund	Infrastructure Bond Fund 01	Total Other Governmental
\$ -	\$ -	\$ -	\$ 537,173	\$ 29,933	\$ -	\$ 835,693
425,248	425,248	489,540	35,859	-	342,270	2,167,615
20,109	1,322	-	36,497	2,645	4,533	82,214
<u>445,357</u>	<u>426,570</u>	<u>489,540</u>	<u>609,529</u>	<u>32,578</u>	<u>346,803</u>	<u>3,085,522</u>
-	-	-	-	-	-	8,780
-	-	466,115	-	-	9,360	626,841
330,123	400,800	-	-	-	-	1,356,277
-	-	-	-	-	512,016	521,529
-	-	-	455,000	75,000	-	579,645
-	-	-	202,191	13,710	-	220,647
<u>330,123</u>	<u>400,800</u>	<u>466,115</u>	<u>657,191</u>	<u>88,710</u>	<u>521,376</u>	<u>3,323,719</u>
<u>115,234</u>	<u>25,770</u>	<u>23,425</u>	<u>(47,662)</u>	<u>(56,132)</u>	<u>(174,573)</u>	<u>(238,197)</u>
-	-	-	180,035	60,000	6,500	248,418
-	-	(23,208)	-	-	-	(25,091)
-	-	(23,208)	180,035	60,000	6,500	223,327
115,234	25,770	217	132,373	3,868	(168,073)	(14,870)
<u>688,709</u>	<u>71,032</u>	<u>6,711</u>	<u>857,763</u>	<u>72,662</u>	<u>173,322</u>	<u>2,336,309</u>
<u>\$ 803,943</u>	<u>\$ 96,802</u>	<u>\$ 6,928</u>	<u>\$ 990,136</u>	<u>\$ 76,530</u>	<u>\$ 5,249</u>	<u>\$ 2,321,439</u>

CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Direct Grants			
Community Capacity Development Office	16.595		\$ 149,673
Passed-through MS Dept. of Public Safety			
Crime Victim Assistance/Discretionary Grants	16.582		55,579
Total U.S. Department of Justice			<u>205,252</u>
<u>U.S. Environmental Protection Agency</u>			
Passed-through the MS Dept. of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF C280855-02-2	1,134,233
Total U.S. Environmental Protection Agency			<u>1,134,233</u>
<u>U.S. Department of the Interior, National Park Service</u>			
Passed-through MS Dept. of Archives and History			
Historic Preservation Fund Grants-in-Aid	15.904		7,163
Total U.S. Department of the Interior, National Park Service			<u>7,163</u>
<u>U.S. Department of Transportation</u>			
Passed-through MS Dept. of Transportation			
Highway Planning and Construction		STP-9036-00(007)	274,070
Highway Planning and Construction		STP-9999-09(001) (2006)	35,000
Total Highway Planning and Construction	20.205		<u>309,070</u>
Airport Improvement Program			9,063
Airport Improvement Program			446,537
Total Airport Improvement Program	20.106		<u>455,600</u>
Total Passed-through MS Dept. of Transportation			<u>764,670</u>
Passed-through MS Dept. of Wildlife, Fisheries and Parks			
Recreational Trails Program	20.219		4,958
Total Passed-through MS Dept. of Wildlife, Fisheries and Parks			<u>4,958</u>
Total U.S. Department of Transportation			<u>769,628</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through MS Dept. of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.073	003-15700-00	235,333
Law Enforcement Terrorism Prevention Program	97.074	05LE155	13,007
Total Passed-through MS Dept. of Public Safety			<u>248,340</u>
Total U.S. Department of Homeland Security			
<u>U.S. Department of Housing and Urban Development</u>			
Passed-through MS Development Authority			
Community Development Block Grants/State's Program		1120-03-155-ED-01	22,081
Community Development Block Grants/State's Program		1117-00-155-ED-IF02	2,500
Total Community Development Block Grants/State's Program	14.228		<u>24,581</u>
Total Passed-through MS Development Authority			<u>24,581</u>
Total U.S. Department of Housing and Urban Development			<u>24,581</u>
Total for All Federal Awards			<u>\$ 2,389,197</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.

CITY OF CORINTH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2006

Name	Position	Company	Bond
Jerry Latch	Mayor	Western Surety Company	\$ 100,000
Vickie Roach	City Clerk	Western Surety Company	\$ 100,000
Bill Plaxico	Alderman	Western Surety Company	\$ 100,000
Jimmy Hathcock	Alderman	Western Surety Company	\$ 100,000
Jimmy Mitchell	Alderman	Western Surety Company	\$ 100,000
John Graham	Alderman	Western Surety Company	\$ 100,000
Terrell Kingen	Alderman	Western Surety Company	\$ 100,000
John C. Ross	City Judge	Western Surety Company	\$ 50,000
Vickie Roach	Tax Collector	Western Surety Company	\$ 100,000
Debbie Hendrix	Deputy Clerk/Tax Collector	Western Surety Company	\$ 100,000
Trina Killough	Clerk	Western Surety Company	\$ 100,000
Megan Burns	Clerk	Western Surety Company	\$ 100,000
Brandy Smith	Payroll Clerk	Western Surety Company	\$ 100,000
Alicia Barnett	Accounts Payable Clerk	Western Surety Company	\$ 100,000
Junior Morgan	Building Inspector	Western Surety Company	\$ 25,000
David Lancaster	Chief of Police	Western Surety Company	\$ 50,000
Diane Johnson	Court Clerk	Western Surety Company	\$ 100,000
Janice Crayton	Deputy Court Clerk	Western Surety Company	\$ 100,000
Paula Horton	Deputy Court Clerk	Western Surety Company	\$ 100,000
Sharon Graham	Deputy Court Clerk	Western Surety Company	\$ 100,000

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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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated August 31, 2007. The auditors' report on the financial statements is modified to reflect that the financial statements do not include financial data of the City's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

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

Brewer Vanetony & Company, P. A.

Corinth, Mississippi
August 31, 2007



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

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

Compliance

We have audited the compliance of the City of Corinth, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Corinth, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

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

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

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

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

Brenner Vanaton & Company, P.A.

Corinth, Mississippi
August 31, 2007



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Corinth, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the basic financial statements of the City's primary government and have issued our report thereon dated August 31, 2007. 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 procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 disclosed no instances of noncompliance with state laws and regulations.

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

Brawner Vanstory & Company, P.A.

Corinth, Mississippi
August 31, 2007

CITY OF CORINTH, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 1: Summary of Auditors' Results

1. An unqualified opinion was issued on the financial statements.
2. The audit of the financial statements did not disclose any material weaknesses in internal control.
3. The audit did not disclose any noncompliance which is material to the primary government financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under section ___ .510(a) of OMB Circular A-133.
7. The major programs were:

<u>CFDA</u>	<u>Program Name</u>
20.106	Airport Improvement Program
66.458	Capitalization Grants for Clear Water State Revolving Funds
20.205	Highway Planning and Construction

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

None

Section 3: Findings and Questioned Costs for Federal Awards

None