



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.





**RECEIVED**

6/9/09

THE CITY OF CRYSTAL SPRINGS  
Audited Financial Statements  
For the Year Ending September 30, 2008

CITY OFFICIALS  
As of September 30, 2008

MAYOR  
Arthur L. Evans, Jr.

Dr. Jerry B. Gulledge  
Aldcrman At Large

Jazma T. Wheeler  
Ward 2

Erma Deen Lewis  
Ward 4

Robert W. Lawrence  
City Attorney

Abra Hines  
Fire Chief

Ray L. Brown, Jr.  
Ward 1

Dwayne Thompson  
Ward 3

Kimberly A. Vaughn  
City Clerk

Gerome Leflore  
Capt. in Charge Police

**RECEIVED**  
AUG 27 2009  
STATE AUDITOR'S OFFICE

1953



CITY OF CRYSTAL SPRINGS

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT.....	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information.....	7
FINANCIAL STATEMENTS .....	9
Exhibit A – Statement of Net Assets.....	11
Exhibit B – Statement of Activities .....	12
Exhibit C – Balance Sheet – Governmental Funds .....	13
Exhibit C-1 – Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Assets.....	14
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.....	15
Exhibit D-1 – Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds to the Statement of Activities .....	16
Exhibit E – Statement of Net Assets – Proprietary Funds .....	17
Exhibit F – Statement of Revenues, Expenditures & Changes in Net Assets - Proprietary Funds.....	18
Exhibit G – Statement of Cash Flow.....	19
Exhibit H – Statement of Fiduciary Funds.....	20
Notes to the Financial Statements.....	21
REQUIRED SUPPLEMENTAL INFORMATION.....	39
Budgetary Comparison Schedule – General Fund .....	41
Notes to the Required Supplemental Information.....	42
SUPPLEMENTAL INFORMATION.....	43
Schedule of Surety Bonds of City Officials.....	45
REPORTS OF COMPLIANCE AND INTERNAL CONTROL .....	47
Independent Auditor's Report on Internal Control Over Financial Reports and on Compliance And Other Matters Based on an audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	49
INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	51
Independent Auditor's Report of Compliance with State Laws and Regulations.....	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	55
Schedule of Findings and Questioned Costs.....	57
AUDITEE'S CORRECTIVE ACTION PLAN.....	59

(This page was left blank intentionally.)

FINANCIAL AUDIT REPORT

(This page was left blank intentionally.)

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

January 26, 2009

Mayor and Board of Aldermen  
City of Crystal Springs, 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 of the City of Crystal Springs, Copiah County, Mississippi, (the City) as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the cash flow of the proprietary fund of the City of Crystal Springs, Mississippi, as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

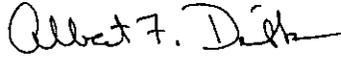
In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The City of Crystal Springs, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crystal Springs's basic financial statements.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

FINANCIAL STATEMENTS

(This page was left blank intentionally.)

**CITY OF CRYSTAL SPRINGS**  
Statement of Net Assets  
September 30, 2008

Exhibit A

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 495,995	600,148	1,096,143
Intergovernmental receivables	161,410	-	161,410
Receivables	2,042	111,886	113,928
Restricted assets - cash	10,771	291,319	302,090
Total Current Assets	<u>670,218</u>	<u>1,003,353</u>	<u>1,673,571</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	2,563,356	2,741,892	5,305,248
Total Noncurrent Assets	<u>2,563,356</u>	<u>2,741,892</u>	<u>5,305,248</u>
 Total Assets	 <u>\$ 3,233,574</u>	 <u>3,745,245</u>	 <u>6,978,819</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 65,563	145,716	211,279
Capital debt - current	102,553	95,627	198,180
Non-capital debt - current	9,884	554	10,438
Total Current Liabilities	<u>178,000</u>	<u>241,897</u>	<u>419,897</u>
Noncurrent liabilities:			
Capital debt - noncurrent	233,556	730,438	963,994
Non-capital - noncurrent	36,126	17,932	54,058
Total Noncurrent Liabilities	<u>269,682</u>	<u>748,370</u>	<u>1,018,052</u>
 Total Liabilities	 <u>447,682</u>	 <u>990,267</u>	 <u>1,437,949</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,227,247	1,915,827	4,143,074
Restricted for:			
Debt service	-	84,013	84,013
Other purposes	10,771	207,306	218,077
Unrestricted	547,874	547,832	1,095,706
Total Net Assets	<u>2,785,892</u>	<u>2,754,978</u>	<u>5,540,870</u>
 Total Liabilities and Net Assets	 <u>\$ 3,233,574</u>	 <u>3,745,245</u>	 <u>6,978,819</u>

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

**CITY OF CRYSTAL SPRINGS**  
Statement of Activities  
For the Year Ended September 30, 2008

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Government Activities:							
General government	\$ 475,687	300,528	9,260	7,541	(158,358)	205,326	(158,358)
Public safety	1,081,169	41,876	42,390	41,280	(955,623)	162,000	(955,623)
Public works	791,669	383,516	-	13,164	(394,989)	(251,392)	(394,989)
Health and welfare	5,100	-	5,641	-	541	30,514	541
Culture and recreation	392,378	4,944	20,459	56,535	(310,440)	(20,081)	(310,440)
Library	37,936	-	-	-	(37,936)	126,367	(37,936)
Economic development and assistance	12,000	-	-	12,000	-	126,367	-
Interest and fiscal charges	18,912	-	-	-	(18,912)	126,367	(18,912)
Total governmental activities	2,814,851	730,864	77,750	130,520	(1,875,717)	126,367	(1,875,717)
Business-type activities:							
Water	407,372	612,698	-	-	-	205,326	205,326
Sewer	285,954	397,752	-	50,202	-	162,000	162,000
Waste water treatment	251,392	-	-	-	-	(251,392)	(251,392)
Waste disposal	-	30,514	-	-	-	30,514	30,514
Interest and fiscal charges	20,081	-	-	-	-	(20,081)	(20,081)
Total business-type activities	964,799	1,040,964	-	50,202	-	126,367	126,367
Total Primary Government	\$ 3,779,650	1,771,828	77,750	180,722	(1,875,717)	126,367	(1,749,350)
General revenues:							
Taxes:							
Property taxes					914,647	-	914,647
State grant income					868,374	-	868,374
Transfers					48,480	(48,480)	-
Interest and investment earnings					63,189	19,026	82,215
Miscellaneous					41,116	-	41,116
Total general revenues					1,935,806	(29,454)	1,906,352
Change in net assets					60,089	96,913	157,002
Net assets - beginning					2,725,418	2,629,642	5,355,060
Prior period adjustments					385	28,423	28,808
Net assets - beginning, restated					2,725,803	2,658,065	5,383,868
Net assets - ending					\$ 2,785,892	2,754,978	5,540,870

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

**CITY OF CRYSTAL SPRINGS**  
 Balance Sheet - Governmental Funds  
 September 30, 2008

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
<b>ASSETS:</b>				
Cash and cash equivalents	249,303	246,692	-	495,995
Intergovernmental Receivables	71,744	712	-	72,456
Other Receivables	88,954	-	-	88,954
Due from other funds	2,042	-	-	2,042
Restricted assets - cash	10,771	-	-	10,771
<b>Total Assets</b>	<b>\$ 422,814</b>	<b>247,404</b>	<b>-</b>	<b>670,218</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 65,563	-	-	65,563
<b>Total Liabilities</b>	<b>65,563</b>	<b>-</b>	<b>-</b>	<b>65,563</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Debt Service	-	247,404	-	247,404
Unemployment	10,771	-	-	10,771
Unrestricted/undesignated, reported in:				
General Fund	346,480	-	-	346,480
<b>Total Fund Balances</b>	<b>357,251</b>	<b>247,404</b>	<b>-</b>	<b>604,655</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 422,814</b>	<b>247,404</b>	<b>-</b>	<b>670,218</b>

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

**CITY OF CRYSTAL SPRINGS**

Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets  
September 30, 2008

Exhibit C-1

Total fund balances - governmental funds

\$ 604,655

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

1. Capital assets of \$5,026,836, net of accumulated depreciation of \$2,463,480, are not financial resources and, therefore, are not reported in the funds.

2,563,356

2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(382,119)

Total Net Assets - Governmental Funds

\$ 2,785,892

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

**CITY OF CRYSTAL SPRINGS**

Exhibit D

Statement of Revenues, Expenditures And Changes in Fund Balances  
 For Governmental Funds  
 For the Year Ended September 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 793,294	42,917	-	836,211
In lieu taxes - Grand Gulf	46,027	-	-	46,027
Licenses and permits	11,372	-	-	11,372
Intergovernmental revenues	1,003,478	4,385	-	1,007,863
Charges for services	383,516	-	-	383,516
Fines	131,274	-	-	131,274
Interest	63,339	13,488	47	76,874
Franchise fees	145,513	-	-	145,513
Industrial rents	42,703	-	-	42,703
Miscellaneous	105,678	12,000	-	117,678
<b>Total Revenues</b>	<u>2,726,194</u>	<u>72,790</u>	<u>47</u>	<u>2,799,031</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	507,837	-	2,885	510,722
Public safety	1,007,561	-	-	1,007,561
Public works	773,366	-	-	773,366
Health and welfare	5,100	-	-	5,100
Culture and recreation	363,250	-	-	363,250
Library	37,936	-	-	37,936
Economic development	12,000	-	-	12,000
<b>Debt Service:</b>				
Principal	65,721	50,000	-	115,721
Interest	11,488	7,424	-	18,912
<b>Total Expenditures</b>	<u>2,784,259</u>	<u>57,424</u>	<u>2,885</u>	<u>2,844,568</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(58,065)</b>	<b>15,366</b>	<b>(2,838)</b>	<b>(45,537)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recoveries	22,857	-	-	22,857
Inception of capital lease	-	-	-	-
Refunds of expenditures	4,572	-	-	4,572
Residual equity transfer out	-	-	-	-
Operating transfers in	48,480	-	-	48,480
<b>Total Other Financing Sources and Uses</b>	<u>75,909</u>	<u>-</u>	<u>-</u>	<u>75,909</u>
<b>Net change in fund balances</b>	<b>17,844</b>	<b>15,366</b>	<b>(2,838)</b>	<b>30,372</b>
<b>Fund Balances:</b>				
October 1, 2007	339,407	235,356	2,838	577,601
Prior period adjustments	-	(3,318)	-	(3,318)
October 1, 2008, as adjusted	<u>339,407</u>	<u>232,038</u>	<u>2,838</u>	<u>574,283</u>
September 30, 2008	<u>\$ 357,251</u>	<u>247,404</u>	<u>-</u>	<u>604,655</u>

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

**CITY OF CRYSTAL SPRINGS**

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds in the Statement of Activities  
For the Year Ended September 30, 2008

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ 30,372
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$69,985 exceeded depreciation of \$161,261.	(91,276)
2. Repayment of debt principal is an expenditure in the governmental funds, but the expenditure reduces long-term liabilities in the statement of net assets.	115,721
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$6,422 and the proceeds from the sale of \$0 in the current period.	(6,422)
4. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest of long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the changes in fund balances by a combination of the following items:	
Compensated Absences increases	11,694
Change in Net Assets of Governmental Funds	<u>\$ 60,089</u>

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

**CITY OF CRYSTAL SPRINGS**

Exhibit E

Statement of Net Assets

Proprietary Funds

September 30, 2008

	Business-type Activities				Total Business-type Activities
	Water and Sewer Fund	CDBG Fund	Sewer Surcharge Fund	Water/Sewer Improvement Fund	
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 296,864	2	-	303,282	600,148
Receivables	111,886	-	-	-	111,886
Restricted assets - cash	210,183	-	81,136	-	291,319
Total Current Assets	<u>618,933</u>	<u>2</u>	<u>81,136</u>	<u>303,282</u>	<u>1,003,353</u>
<b>Noncurrent assets:</b>					
Capital assets, net of accumulated depreciation	2,741,892	-	-	-	2,741,892
Total Noncurrent assets	<u>2,741,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,741,892</u>
Total Assets	<u>\$ 3,360,825</u>	<u>2</u>	<u>81,136</u>	<u>303,282</u>	<u>3,745,245</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	\$ 145,716	-	-	-	145,716
Current portion of long-term debt					
Capital related liabilities	37,598	-	58,029	-	95,627
Non-capital related liabilities	554	-	-	-	554
Total Current Liabilities	<u>183,868</u>	<u>-</u>	<u>58,029</u>	<u>-</u>	<u>241,897</u>
<b>Noncurrent liabilities:</b>					
Long-term debt, net of current portion					
Capital related liabilities	693,749	-	36,689	-	730,438
Non-capital related liabilities	17,932	-	-	-	17,932
Total Noncurrent liabilities	<u>711,681</u>	<u>-</u>	<u>36,689</u>	<u>-</u>	<u>748,370</u>
Total Liabilities	<u>895,549</u>	<u>-</u>	<u>94,718</u>	<u>-</u>	<u>990,267</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	2,010,545	-	-	-	2,010,545
Restricted for:					
Debt service	84,013	-	-	-	84,013
Other purposes	126,170	-	-	-	126,170
Unrestricted	244,548	2	(13,582)	303,282	534,250
Total Net Assets	<u>2,465,276</u>	<u>2</u>	<u>(13,582)</u>	<u>303,282</u>	<u>2,754,978</u>
Total Liabilities and Fund Balances	<u>\$ 3,360,825</u>	<u>2</u>	<u>81,136</u>	<u>303,282</u>	<u>3,745,245</u>

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

**CITY OF CRYSTAL SPRINGS**

Exhibit F

Statement of Revenues, Expenditures And Changes in Net Assets

Proprietary Funds

For the Year Ended September 30, 2008

	Business-type Activities				Total Business-type Activities
	Water and Sewer Fund	CDBG Fund	Sewer Surecharge Fund	Water/Sewer Improvement Fund	
<b>Operating revenues:</b>					
Charges for services	\$ 843,374	-	102,927	85,191	1,031,492
Other revenues	9,472	-	-	-	9,472
<b>Total Operating Revenues</b>	<b>852,846</b>	<b>-</b>	<b>102,927</b>	<b>85,191</b>	<b>1,040,964</b>
<b>Operating Expenses:</b>					
Personnel services	301,130	-	-	-	301,130
Purchases of services	324,128	-	-	-	324,128
Materials and supplies	65,403	50,201	-	23,567	139,171
Heat, light, and power	9,497	-	-	-	9,497
Depreciation	170,792	-	-	-	170,792
<b>Total Operating Expenses</b>	<b>870,950</b>	<b>50,201</b>	<b>-</b>	<b>23,567</b>	<b>944,718</b>
<b>Operating income (loss)</b>	<b>(18,104)</b>	<b>(50,201)</b>	<b>102,927</b>	<b>61,624</b>	<b>96,246</b>
<b>Non-operating revenues (expenses)</b>					
Interest revenue	16,310	-	2,716	-	19,026
Intergovernmental revenues	-	50,202	-	-	50,202
Interest expense	(15,221)	-	(4,860)	-	(20,081)
<b>Total Other Financing Sources and Uses</b>	<b>1,089</b>	<b>50,202</b>	<b>(2,144)</b>	<b>-</b>	<b>49,147</b>
<b>Income before contributions and transfers</b>	<b>(17,015)</b>	<b>1</b>	<b>100,783</b>	<b>61,624</b>	<b>145,393</b>
<b>Transfers:</b>					
Operating transfers in	150,350	-	-	-	150,350
Transfers out	(48,480)	-	(150,350)	-	(198,830)
<b>Total Transfers</b>	<b>101,870</b>	<b>-</b>	<b>(150,350)</b>	<b>-</b>	<b>(48,480)</b>
<b>Change in Net Assets</b>	<b>84,855</b>	<b>1</b>	<b>(49,567)</b>	<b>61,624</b>	<b>96,913</b>
<b>Fund Balances:</b>					
Total net assets at the beginning of the year	2,351,998	1	35,985	241,658	2,629,642
Prior period adjustments	28,423	-	-	-	28,423
Total net assets at the beginning of the year, as restated	2,380,421	1	35,985	241,658	2,658,065
<b>Total net asset at the end of the year</b>	<b>\$ 2,465,276</b>	<b>2</b>	<b>(13,582)</b>	<b>303,282</b>	<b>2,754,978</b>

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

**CITY OF CRYSTAL SPRINGS**

Exhibit G

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2008

	Water and Sewer Fund	CDBG Fund	Sewer Surcharge Fund	Water/Sewer Improvement Fund
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 862,614	-	102,927	85,191
Cash paid to suppliers	(371,751)	(50,201)	-	(23,567)
Cash paid to employees	(301,130)	-	-	-
Net cash provided by operating activities	<u>189,733</u>	<u>(50,201)</u>	<u>102,927</u>	<u>61,624</u>
<b>Cash flows from non-capital financing activities:</b>				
Intergovernmental revenues	-	50,202	-	-
Operating transfers in	150,350	-	-	-
Operating transfers out	(48,480)	-	(150,350)	-
Net cash (used) for capital and related activities	<u>101,870</u>	<u>50,202</u>	<u>(150,350)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on capital debt	(34,214)	-	(56,902)	-
Capital outlay	(328,283)	-	-	-
Proceeds of loans	144,040	-	-	-
Interest paid on capital debt	(15,221)	-	(4,860)	-
Net cash (used) for capital and related activities	<u>(233,678)</u>	<u>-</u>	<u>(61,762)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends	16,310	-	2,716	-
Net cash provided (used) by investing activities	<u>16,310</u>	<u>-</u>	<u>2,716</u>	<u>-</u>
Net increase in cash and cash equivalents	74,235	1	(106,469)	61,624
Cash and cash equivalents at beginning of year	222,629	1	35,985	241,658
Prior period adjustments	-	-	151,620	-
Cash and cash equivalents at beginning of year, as adjusted	<u>222,629</u>	<u>1</u>	<u>187,605</u>	<u>241,658</u>
Cash and cash equivalents at end of year	<u>\$ 296,864</u>	<u>2</u>	<u>81,136</u>	<u>303,282</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (18,104)	(50,201)	102,927	61,624
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation expense	170,792	-	-	-
<b>Changes in assets and liabilities:</b>				
Receivables	11,173	-	-	-
Accounts payable and other accrued liabilities	25,872	-	-	-
Net cash provided by operating activities	<u>\$ 189,733</u>	<u>(50,201)</u>	<u>102,927</u>	<u>61,624</u>

**CITY OF CRYSTAL SPRINGS**  
Statement of Fiduciary Net Assets  
September 30, 2008

Exhibit H

Agency  
Funds

**ASSETS**

Cash and cash equivalents  
Total Assets

\$	7,704
\$	<u>7,704</u>

**LIABILITIES**

Due to other funds  
Amounts held in custody for others  
Total Liabilities

\$	2,042
	<u>5,662</u>
\$	<u>7,704</u>

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the city 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.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the governmental unit's elected or appointed officials.

B. Basic 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.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the city as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differ from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets presents the financial condition of the governmental activities of the city 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 governmental 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 services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are 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 governmental function is self-financing or draws from the general revenues of the city.

Net Assets should be reported as restricted when constraints placed on net assets used are either externally imposed by creditors (such as through debt covenants), grantors,

## CITY OF CRYSTAL SPRINGS

### Notes to the Financial Statements For the Year Ended September 30, 2008

contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use.

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

#### *Fund Financial Statements:*

Fund financial statements of the city 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 two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

#### C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. As are the Fiduciary Funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows takes place. 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 state appropriations 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 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 are reported when due.

The city reports the following major governmental funds:

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

Debt Service Fund - 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 CRYSTAL SPRINGS

### Notes to the Financial Statements For the Year Ended September 30, 2008

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit D.

#### *Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current period). This includes investment earnings, fines and forfeitures. In accordance with GASB 36, certain state-levied locally shared taxes including motor vehicle license tax and gasoline taxes are considered voluntary non-exchange transactions. These types of transactions are subject to six months accrual and income recognition. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until they become available.

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessments receivable are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues are recognized when received in cash because they are generally not measurable until actually received.

#### *Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

#### PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized with incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Finance Officers Association and are prescribed in *the Municipal Audit and Accounting Guide* issued by the Office of the State Auditor.

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents

The city deposits excess funds in the financial institutions selected by the city. State statutes specify how these depositories are to be selected. Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The city can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other type investment in which any other agency, instrumentality or subdivision of the state of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Inventories are valued at cost (calculated on the first-in, first-out basis).

The cost of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. 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 capital 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:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the city:

1. Capital Projects – represents the portion of the fund balance that is legally restricted for capital improvements.
2. Unemployment – represents the fund balance of the unemployment compensation fund which is restricted for the payment of unemployment benefits.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the city based upon an order adopted by the city requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the city, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Compensated Absences.

Employees of the city accumulate sick leave at an amount provided by city policy. Some employees are allowed personal leave and/or vacation leave in accordance with city policy. The city pays for unused leave personal leave and/or vacation leave for employees.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents.

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

The carrying amount of the city's deposits with financial institutions reported in the governmental funds, business-type funds, and fiduciary funds was \$495,995, \$600,148, and \$7,704 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,096,143 and Restricted Assets \$302,090. The restricted assets represent the cash balance which is legally restricted and may not be used for purposes that support the city's program. The bank balance was \$1,456,940.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due To/Due From Other Funds:

	<u>Due To</u>	<u>Due From</u>
Major Funds:		
General Fund	\$ 2,042	-
Fiduciary funds	-	2,042
Total	<u>\$ 2,042</u>	<u>2,042</u>

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 48,480	
Water & Sewer Fund	150,350	48,480
Sewer Surcharge Fund	-	150,350
Total	<u>\$ 198,830</u>	<u>198,830</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(4) General Fixed Assets.

A summary of changes in general fixed assets for the year ended September 30, 2008 follows:

	Beginning Balance <u>10/1/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	Ending Balance <u>9/30/2008</u>
Governmental activities:					
Not being depreciated:					
Land	\$ 541,108				541,108
Construction in progress		56,821			56,821
Subtotal:	<u>541,108</u>	<u>56,821</u>	<u>-</u>	<u>-</u>	<u>597,929</u>
Other capital assets:					
Buildings	2,420,533				2,420,533
Improvements/infrastructure	606,354				606,354
Mobile Equipment	1,015,844	13,164	(64,221)	17,392	982,179
Furniture & Equipment	86,998			29,589	116,587
Obligations under capital leases	81,424	252,419		(30,589)	303,254
Subtotal:	<u>4,211,153</u>	<u>265,583</u>	<u>(64,221)</u>	<u>16,392</u>	<u>4,428,907</u>
Accumulated depreciation:					
Buildings	(1,285,211)	(46,211)			(1,331,422)
Improvements/infrastructure	(78,409)	(24,254)			(102,663)
Mobile Equipment	(820,765)	(29,723)	57,799	(13,075)	(805,764)
Furniture & Equipment	(59,775)	(6,487)		(29,897)	(96,159)
Obligations under capital leases	(103,169)	(54,586)		30,283	(127,472)
Total accumulated depreciation	<u>(2,347,329)</u>	<u>(161,261)</u>	<u>57,799</u>	<u>(12,689)</u>	<u>(2,463,480)</u>
Net other capital assets	<u>1,863,824</u>	<u>104,322</u>	<u>(6,422)</u>	<u>3,703</u>	<u>1,965,427</u>
Net capital assets	<u>\$ 2,404,932</u>	<u>161,143</u>	<u>(6,422)</u>	<u>3,703</u>	<u>2,563,356</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 27,058
Public safety	86,772
Public works	18,303
Culture and recreation	29,128
Total depreciation expense	<u>\$ 161,261</u>

Adjustments were made to (1) add wood chipper for \$14,579 not previously on list, (2) remove 1993 truck (\$11,353) sold in 2003, (3) to add computer equipment (\$29,589) not previously on list, (4) to transfer in a truck (\$11,720) from business-type activities, (5) to adjust for paid out lease purchase equipment (\$30,589), and (6) to adjust to actual.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Remaining commitment to construction in progress:		<u>Completed</u>		<u>Remaining Commitment</u>		<u>Additional Financing</u>
Sol Street Playground		\$56,821		20,432		-
	<u>Beginning Balance</u> 10/1/2007	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Ending Balance</u> 9/30/2008
Business-type activities:						
Not being depreciated:						
Land	\$ 405,166				(151,366)	253,800
Construction in progress	-	403,856		(403,856)		-
Subtotal:	<u>405,166</u>	<u>403,856</u>	<u>-</u>	<u>(403,856)</u>	<u>(151,366)</u>	<u>253,800</u>
Other capital assets:						
Buildings	246,750					246,750
Improvements/infrastructure	3,952,958			403,856	10	4,356,824
Mobile Equipment	112,234	18,466			(31,246)	99,454
Furniture & Equipment	131,650					131,650
Obligations under capital leases	-					-
Subtotal:	<u>4,443,592</u>	<u>18,466</u>	<u>-</u>	<u>403,856</u>	<u>(31,236)</u>	<u>4,834,678</u>
Accumulated depreciation:						
Improvements/infrastructure	(1,921,060)	(155,173)				(2,076,233)
Buildings	(88,830)	(4,935)				(93,765)
Mobile Equipment	(69,915)	(10,686)			22,497	(58,104)
Furniture & Equipment	(118,485)	-				(118,485)
Obligations under capital leases	-					-
	<u>(2,198,290)</u>	<u>(170,794)</u>	<u>-</u>	<u>-</u>	<u>22,497</u>	<u>(2,346,587)</u>
Total accumulated depreciation						
Net other capital assets	<u>2,245,302</u>	<u>(152,328)</u>	<u>-</u>	<u>403,856</u>	<u>(8,739)</u>	<u>2,488,091</u>
Net capital assets	<u>\$ 2,650,468</u>	<u>251,528</u>	<u>-</u>	<u>-</u>	<u>(160,105)</u>	<u>2,741,891</u>

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

Enterprise fund - water and sewer	<u>\$ 170,794</u>
Total depreciation expense	<u>\$ 170,794</u>

Adjustments were made (1) to transfer out a truck (\$11,720) to the governmental activities fund, (2) to remove a vehicle (\$16,920) listed twice, (3) to remove depreciation on vehicle transferred out, (4) and to adjust to actual.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(5) Capital Leases.

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2008:

A. Land and buildings—Job Corps \$30,600/yr

The present 10-year renewal lease expires September 1, 2017, and is included in the following computation. However there is an option for further lease renewals that may be extended.

B. Land and buildings-Sheldon Laboratories \$2,250/yr

The present 10-year renewal lease expires May 1, 2012, and is included in the following computation. However there is an option for further lease renewals or an option to purchase which could be executed.

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

Year Ending September 30, 2007	Amount
2009	\$ 32,850
2010	32,850
2011	32,850
2012	30,600
2013	30,600
2014-2017	122,400
Total	\$ 282,150

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(6) Long Term Debt Obligations.

The following is a summary of changes to long-term debt:

	Balance 10/1/2007	Additions	Reductions	Balance 9/30/2008	Amount Due within one year
<b>Governmental activities:</b>					
A. General obligation bonds payable	\$ 155,000		50,000	105,000	50,000
B. Capital improvement loans payable	60,710		9,878	50,832	10,200
C. Obligations under capital leases payable	236,120		55,843	180,277	42,353
D. Compensated absences payable	57,704		11,694	46,010	9,884
<b>Governmental Funds Total:</b>	<b>\$ 509,534</b>	<b>-</b>	<b>127,415</b>	<b>382,119</b>	<b>112,437</b>
<b>Business-type activities:</b>					
A. Capital improvement loans payable	\$ 440,162	144,040	73,591	510,611	79,085
B. Other loans payable	331,709		16,255	315,454	16,541
C. Compensated absences payable	13,008	5,478		18,486	-
<b>Business-type activities total</b>	<b>784,879</b>	<b>149,518</b>	<b>89,846</b>	<b>844,551</b>	<b>95,626</b>
<b>Total all long-term liabilities</b>	<b>\$ 1,294,413</b>	<b>149,518</b>	<b>217,261</b>	<b>1,226,670</b>	<b>208,063</b>

A maturity schedule for each loan type in the governmental activities funds is as follows:

**Governmental activities long-term obligations**

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the city.

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.7-5%	9/1/1998	9/1/2010	\$ 500,000	105,000
Total				<u>\$ 500,000</u>	<u>105,000</u>

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 50,000	5,145	55,145
2010	55,000	2,695	57,695
Total	<u>\$ 105,000</u>	<u>7,840</u>	<u>112,840</u>

The amount of bonded indebtedness that can be incurred by the city is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such city, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of September 30, 2008, the amount of outstanding bonded indebtedness was equal to .87% of property assessments of \$23,365,524 as of October 1, 2006 computes as follows:

Bonded Debt:	
General Fund	
\$500M General obligation bond	\$ 105,000
Total bonded debt	<u>\$ 105,000</u>
Assessed Valuation	<u>\$ 23,687,988</u>
Percentage	0.44%

This debt will be repaid from the city's general obligation (Debt Service) fund.

B. Capital improvement loans payable.

Capital improvement loans payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital improvement loan					
Sol St Center Renovations	3.00%	12/1/2002	6/1/2013	\$ 100,000	50,832
Total				<u>\$ 100,000</u>	<u>50,832</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the city receives from the state of Mississippi. The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the General Fund (Sol Street Center Renovations).

CITY OF CRYSTAL SPRINGS  
Notes to the Financial Statements  
For the Year Ended September 30, 2008

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

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 10,201	1,387	11,588
2010	10,512	1,077	11,589
2011	10,832	757	11,589
2012	11,161	427	11,588
2013	8,126	96	8,222
<b>Total</b>	<b>\$ 50,832</b>	<b>3,744</b>	<b>54,576</b>

C. Obligation under capital lease payable.

The city has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of:

1. Police vehicles – 2007 Police Cars
2. Fire truck

Options under capital leases payable are as follows:

1. Title passes to lessee at the lease expiration for no further consideration.
2. Lease may be terminated without penalty in the event of nonappropriation of funds.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease Purchase-2007 vehicles	4.46%	11/17/06	12/15/11	\$ 46,020	31,064
Lease Purchase-Fire truck	4.57%	11/07/06	11/01/12	206,400	149,213
			Total	<u>\$ 252,420</u>	<u>180,277</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

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

Year Ending Sept 30	Principal	Interest	Total
2009	\$ 42,352	7,329	49,681
2010	44,835	5,363	50,198
2011	46,400	3,282	49,682
2012	40,160	1,263	41,423
2013	6,530	37	6,567
Total	<u>\$ 180,277</u>	<u>17,274</u>	<u>197,551</u>

This debt will be retired from the General Fund.

D. Compensated absences payable.

As more fully explained in Note 1(N), compensated absences payable is adjusted on an annual basis.

A maturity schedule for each type loan in business type fund is as follows:

**Business type activities long-term obligations**

A. Capital improvement loans payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital improvement loan Sewer project-Hwy 27	4.25%	6/9/1995	1/1/2010	\$ 543,769	58,159
Capital improvement loan Sewer project-B&B Mfg	3.00%	6/14/2001	6/1/2012	93,281	36,560
Capital improvement loan WWTP roof & Phase II Sewer	2.00%	4/15/2003	2/1/2024	343,498	274,696
Capital improvement loan Sewer project-Jackson Street	3.00%	1/1/2008	2/1/2028	<u>144,040</u>	<u>141,196</u>
Total				<u>\$ 1,124,588</u>	<u>510,611</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

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

	Year Ending Sept 30	Principal	Interest	Total
2009		\$ 79,085	11,845	90,930
2010		41,766	9,622	51,388
2011		32,479	8,768	41,247
2012		28,600	7,981	36,581
2013		23,025	7,414	30,439
2014-2019		123,183	29,011	152,194
2020-2025		137,803	14,390	152,193
2026-2028		44,670	2,638	47,308
Total		<u>\$ 510,611</u>	<u>91,669</u>	<u>602,280</u>

Other loans payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Department of Environmental Quality - Phase III Sewer Loan	1.75%	6/30/2005	12/1/2024	\$ 362,080	315,454
Total				<u>\$ 362,080</u>	<u>315,454</u>

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

	Year Ending Sept 30	Principal	Interest	Total
2009		\$ 16,542	5,388	21,930
2010		16,833	5,096	21,929
2011		17,130	4,800	21,930
2012		17,432	4,497	21,929
2013		17,740	4,190	21,930
2014-2018		93,506	16,143	109,649
2019-2023		102,050	7,599	109,649
2024-2028		34,221	501	34,722
Total		<u>\$ 315,454</u>	<u>48,214</u>	<u>363,668</u>

This debt will be retired from the Sewer fund.

C. Compensated absences payable

As more fully explained in Note 1(N), compensated absences payable is adjusted on an annual basis.

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(7) Defined Benefit Pension Plan.

Plan Description. The city contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The rate was 10.75% from July 1, 2005 until July 1, 2006. The rate at the end of the fiscal year was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The city's contributions to PERS for the fiscal years ending September 30, 2008, 2007 and 2006 were \$140,561, \$135,410, and \$130,484 respectively, which equaled the required contributions for each year.

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

	<u>Explanation:</u>	<u>Amount</u>
Governmental activities	An adjustment to correct a prior year error in recording and asset or a liability in the debt service fund.	\$ (3,318)
	An adjustment to correct a prior year error in recording a capital asset and related depreciation expense.	3,703
Business-type activities	An adjustment to correct a prior year error in recording an asset or liability	28,423
		<u>\$ 28,808</u>

Exhibit D- Statement of Revenues, Expenditures and Changes in Fund Balances

	<u>Explanation:</u>	<u>Amount</u>
Major Funds:		
Debt Service Fund	An adjustment to correct a prior year error in recording an asset or liability	(3,318)
		<u>\$ (3,318)</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements  
For the Year Ended September 30, 2008

(9) Litigation.

The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the city with respect to various proceedings. However, the city's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the city.

(10) Subsequent Events.

On October 7, 2008, the city approved the bid of Trustmark Bank for sale of \$600,000 of General Obligation Bonds. The proceeds of the bond issue were received in November, 2008 and will be used for a number of projects including possible new water well, preparation of an updated Comprehensive Plan for the city, HVAC's for city hall and library, drainage issues and new equipment. This debt will be repaid from the debt service fund of the city.

Also on October 7, 2008, the city approved a request for State Transportation Program (STP) grant of \$317,976 with the city matching \$68,000 to repair Newman Street. The city has been approved for a \$100,000 Small Municipalities Grant to make the Municipal Court Building ADA (American Disabilities Act) accessible. No matching is required.

(11) Risk Management.

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

Participation in Public Entity Risk Pool.

The city is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the city's employees. The Mississippi Workers' Compensation commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$250,000. For a Claim exceeding \$250,000, MMWCG has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the pool member would be required to pay for the deficiencies. The city has not had an additional assessment for excess losses incurred by the pool.

(This page was left blank intentionally.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS

Schedule I-A

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
<b>Revenues:</b>					
Taxes	\$ 753,000	765,000	793,294	12,000	28,294
In-lieu taxes - Grand Gulf	53,000	46,027	46,027	(6,973)	-
Licenses and permits	17,700	12,700	11,372	(5,000)	(1,328)
Intergovernmental revenues	879,043	1,014,164	1,003,478	135,121	(10,686)
Charges for services	322,000	369,000	383,516	47,000	14,516
Fines	224,000	149,000	131,274	(75,000)	(17,726)
Interest	8,320	8,320	63,339	-	55,019
Franchise fees	125,000	125,000	145,513	-	20,513
Industrial rents	36,650	41,536	42,703	4,886	1,167
Miscellaneous	173,957	116,585	105,678	(57,372)	(10,907)
Total Revenues	<u>2,592,670</u>	<u>2,647,332</u>	<u>2,726,194</u>	<u>54,662</u>	<u>78,862</u>
<b>Expenditures:</b>					
General government	522,557	514,653	507,837	7,904	6,816
Public safety	1,095,526	1,070,795	1,007,561	24,731	63,234
Public works	624,810	724,721	773,366	(99,911)	(48,645)
Health and welfare	5,100	5,100	5,100	-	-
Culture and recreation	366,937	403,666	363,250	(36,729)	40,416
Library	42,840	44,705	37,936	(1,865)	6,769
Economic development	12,400	12,000	12,000	400	-
<b>Debt service:</b>					
Principal	32,000	32,000	65,721	-	(33,721)
Interest and other charges	8,000	8,000	11,488	-	(3,488)
Total Expenditures	<u>2,710,170</u>	<u>2,815,640</u>	<u>2,784,259</u>	<u>(105,470)</u>	<u>31,381</u>
Excess (deficiency) of revenues over expenditures	(117,500)	(168,308)	(58,065)	160,132	47,481
<b>Other Financing Sources (Uses):</b>					
Insurance recoveries	36,000	7,852	22,857	(28,148)	15,005
Refunds of expenditures	22,000	4,523	4,572	(17,477)	49
Operating transfers in	59,500	49,500	48,480	(10,000)	(1,020)
Total Other Financing Sources and Uses	<u>117,500</u>	<u>61,875</u>	<u>75,909</u>	<u>(55,625)</u>	<u>14,034</u>
Net change in fund balances	-	(106,433)	17,844	104,507	61,515
<b>Fund Balances:</b>					
October 1, 2007			<u>339,407</u>		
September 30, 2008			<u>\$ 357,251</u>		

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

CITY OF CRYSTAL SPRINGS

Notes to the Required Supplementary Information  
For the Year ended September 30, 2008

Budgetary Comparison Schedule

(1) Basis of Comparison

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the alderman. Amendments can be made on the approval of the aldermen. By statute, final budget revisions must be approved. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS  
 Schedule of Surety Bonds of City Officials  
 September 30, 2008

Name	Position	Surety Bond Company	Amount
Author L. Evans Jr.	Mayor	Travelers	S 35,000
Jerry B. Gullede	Alderman at Large	Travelers	35,000
Ray L. Brown	Alderman, Ward 1	Travelers	35,000
Jazma Wheeler	Alderman, Ward 2	Travelers	35,000
Dwaync Thompson	Alderman, Ward 3	Travelers	35,000
Erma Deen Lewis	Alderman, Ward 4	Travelers	35,000
Kimberly Vaughn	City Clerk	Travelers	50,000
Gerome Leflore	Acting Police Chief	Travelers	50,000

The City of Crystal Springs maintains a blanket surety bond that covers all Police Officers (\$25,000), Police Depr. personnel (\$10,000), the Deputy City Clerks (\$10,000), and all other personnel that handle cash (\$10,000).



CITY OF CRYSTAL SPRINGS  
Schedule of Surety Bonds of City Officials  
September 30, 2008

Name	Position	Surety Bond Company	Amount
Author L. Evans Jr.	Mayor	United State Fidelity & Guaranty Co.	35,000
Jerry B. Gullede	Alderman at Large	United State Fidelity & Guaranty Co.	35,000
Ray L. Brown	Alderman, Ward 1	United State Fidelity & Guaranty Co.	35,000
Jazma Wheeler	Alderman, Ward 2	United State Fidelity & Guaranty Co.	35,000
Dwayne Thompson	Alderman, Ward 3	United State Fidelity & Guaranty Co.	35,000
Erma Deen Lewis	Alderman, Ward 4	United State Fidelity & Guaranty Co.	35,000

(This page was left blank intentionally.)

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

(This page was left blank intentionally.)

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

January 26, 2009

Mayor and Board of Alderman  
City of Crystal Springs

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crystal Springs as of and for the year ended September 30, 2008, which collectively comprise the City of Crystal Springs' basic financial statements and have issued our report thereon dated January 26, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the city's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

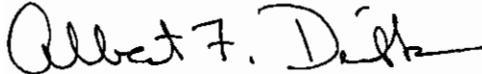
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The City of Crystal Springs' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response, and accordingly, we express no opinion on it.

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

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND  
REGULATIONS

(This page was left blank intentionally.)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

January 26, 2009

Mayor and Board of Alderman  
City of Crystal Springs

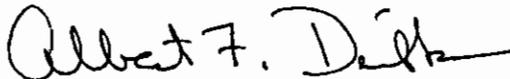
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2008, which collectively comprise City of Crystal Springs's basic financial statement and have issued our report thereon dated January 26, 2009. 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*, and the procedures prescribed by the Office of the State Auditor, and accordingly, include such tests of the accounting records and other such 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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Crystal Springs had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire. With respect to the items tested, the results of those procedures and our audit of the financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the city 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.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

(This page was left blank intentionally.)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS

Schedule of Findings and Questioned Costs  
For the Year Ending September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements

1	Type of auditor's report issued on the financial statements:	Unqualified
2	Material noncompliance relating to the financial statements?	No
3	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that is not considered to be a material weakness?	Yes

Section 2: Financial Statement Findings

Significant deficiencies not considered to be material weaknesses.

08-01 Finding

Criteria:	The city should report capital assets in accordance with Government Auditing Standards Board (GASB) Statement No. 34.
Condition:	As reported in our prior years' audit and in our test of general fixed assets, we noted the following internal control weaknesses:  a. Depreciation reports have to be computed manually due to problems with the fixed asset information input into the software. b. Depreciation expense must be coded by not only by class of asset but also by function. c. Only assets above the threshold amount should be input with a depreciation code so as to allow for accumulated depreciation and current year depreciation reports.
Cause:	Procedures and software applications were not utilized in order to comply with GASB Statement No. 34.
Recommendation:	The City should enter all general fixed assets into a computerized software system capable of computing current year and accumulated depreciation.

(This page left blank intentionally.)

CITY OF CRYSTAL SPRINGS

AUDITEE'S CORRECTIVE ACTION PLAN

(This page left blank intentionally.)

Mayor  
Arthur Lee Evans, Jr.  
Clerk  
Kimberly A. Vaughn  
City Attorney  
Robert W. Lawrence  
Police Chief  
Richard S. Anderson  
Fire Chief  
Abra Hines



Alderman At Large  
Dr. Jerry B. Gullledge  
Ward 1  
Ray Brown, Jr.  
Ward 2  
Jazma T. Wheeler  
Ward 3  
Dwayne Thompson  
Ward 4  
Erma Deen Lewis

# City of Crystal Springs

## CORRECTIVE ACTION PLAN

June 4, 2009

Dribben & Associates, Ltd  
P.O. Box 1411  
McComb, MS 39649-1411

Gentlemen:

The City of Crystal Springs, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2008.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers in the schedule. Section 1: Summary of Auditors Results does not include findings and is not addressed.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-01	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action</p> <p>Kimberly A. Vaughn, City Clerk, (601) 892-1210</p> <p>b. Corrective Action Plan</p> <p>The Clerk has a better understanding of depreciation and its formulas for coding of fixed assets. The Clerk's office inadvertently depreciated that did not need it or didn't depreciate when it was required.</p> <p>b. Anticipated Completion Date:</p>

The Clerk's office has received the necessary training from  
BBI to compute and understand the depreciation process.  
The depreciation has been completed.

Sincerely,

*Arthur L. Evans, Jr.*  
Arthur L. Evans, Jr.  
Mayor