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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Audited Financial Statements
For the Year Ending September 30, 2010

CITY OFFICIALS
As of September 30, 2010

MAYOR
Arthur L. Evans, Jr.

Warren Thornton
Alderman at Large

Jazma T. Wheeler
Ward 2

Richie Richardson
Ward 4

Robert W. Lawrence
City Attorney

Ray L. Brown, Jr.
Ward 1

Dwayne Thompson
Ward 3

Kimberly A. Vaughn
City Clerk

Cairl Robinson
Police Chief

Abra Hines
Fire Chief

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL AUDIT REPORT

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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

August 3, 2011

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, 2010, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crystal Spring, Mississippi'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.

As discussed in Note 1, the City of Crystal Springs, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information of the City of Crystal Springs, Mississippi, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2011 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 supplemental 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 supplemental 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 supplemental 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, Mississippi's basic financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole. The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Scott Nieman", with a long horizontal flourish extending to the right.

D. Scott Nieman, CPA
Nieman & Associates, PC.
McComb, Mississippi

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL STATEMENTS

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis
As of and for the Year ended September 30, 2010

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 630,383	\$ 153,721	\$ 72,282	\$ -	\$ (404,380)	\$ -	\$ (404,380)
Public safety	1,183,384	122,223	139,303	-	(921,858)	-	(921,858)
Public works	1,113,557	370,714	221,197	-	(521,646)	-	(521,646)
Health and welfare	4,675	-	-	-	(4,675)	-	(4,675)
Culture and recreation	269,427	-	-	-	(269,427)	-	(269,427)
Library	38,197	-	-	-	(38,197)	-	(38,197)
Economic development	11,750	-	-	-	(11,750)	-	(11,750)
Interest and fiscal charges	30,128	-	-	-	(30,128)	-	(30,128)
Total Governmental Activities	3,281,501	646,658	432,782	-	(2,202,061)	-	(2,202,061)
Business-type activities:							
Water	506,805	559,992	29,735	-	-	82,922	82,922
Sewer	92,991	406,501	-	-	-	313,510	313,510
Waste water treatment	221,122	-	-	-	-	(221,122)	(221,122)
Waste disposal	-	-	-	-	-	-	-
Interest and fiscal charges	5,307	-	-	-	-	(5,307)	(5,307)
Total business-type activities	826,225	966,493	29,735	-	-	170,003	170,003
Total Primary Government	\$ 4,107,726	\$ 1,613,151	\$ 462,517	\$ -	(2,202,061)	170,003	(2,032,058)
General Receipts:							
Taxes:							
Property taxes					944,204	-	944,204
State grant income					825,162	-	825,162
Transfers					48,480	(48,480)	-
Interest and investment earnings					37,444	-	37,444
Miscellaneous					121,045	-	121,045
Total General Receipts					1,976,335	(48,480)	1,927,855
Change in Net Assets					(225,726)	121,523	(104,203)
Net Assets - Beginning					2,694,112	3,036,825	5,730,937
Adjustment from accrual to cash basis					(1,848,784)	(1,959,081)	(3,807,865)
Prior Period Adjustments					57,328	37,793	95,121
Net Assets - Restated					902,656	1,115,537	2,018,193
Net Assets - Ending					\$ 676,930	\$ 1,237,060	\$ 1,913,990

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis
As of and for the Year ended September 30, 2010

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
(Continued)							
Assets							
Cash and cash equivalents					\$ 420,940	\$ 1,014,815	\$ 1,435,755
Restricted cash					255,990	222,245	478,235
Total Assets					<u>\$ 676,930</u>	<u>\$ 1,237,060</u>	<u>\$ 1,913,990</u>
Net Assets							
Restricted for debt service					\$ 244,386	\$ 222,245	\$ 466,631
Restricted for other purposes					11,604	-	11,604
Unrestricted					420,940	1,014,815	1,435,755
Total Net Assets					<u>\$ 676,930</u>	<u>\$ 1,237,060</u>	<u>\$ 1,913,990</u>

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Disbursements and Changes in Cash Basis Fund Balances
As of and for the Year Ended September 30, 2010

	Governmental Activities				Business-type Activities				
	Major Funds		Other Governmental Funds	Total	Major Funds			Other Enterprise Funds	Total
	General Fund	Debt Service Fund			Water & Sewer Fund	Sewer Surcharge Fund	Water/Sewer Improvement Fund		
RECEIPTS									
Taxes	\$ 909,457	\$ 48,290	\$ -	\$ 957,747	\$ -	\$ -	\$ -	\$ -	\$ -
In-lieu taxes - Grand Gulf	47,519	-	-	47,519	-	-	-	-	-
Licenses and permits	11,960	-	-	11,960	-	-	-	-	-
Intergovernmental revenues	974,818	4,111	221,197	1,200,126	-	-	-	29,735	29,735
Charges for services	345,982	-	-	345,982	745,435	103,117	92,607	-	941,159
Fines	107,835	-	11,943	119,778	-	-	-	-	-
Interest	26,598	10,767	79	37,444	14,008	3,651	-	-	17,659
Franchise fees	99,661	-	-	99,661	-	-	-	-	-
Industrial rents	34,891	-	-	34,891	-	-	-	-	-
Miscellaneous	102,712	-	-	102,712	5,690	-	1,985	-	7,675
Total Receipts	2,661,433	63,168	233,219	2,957,820	765,133	106,768	94,592	29,735	996,228
DISBURSEMENTS									
General government	\$ 525,383	\$ -	\$ -	\$ 525,383	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	1,134,454	-	4,733	1,139,187	-	-	-	-	-
Public works	671,229	168,933	273,394	1,113,556	-	-	-	-	-
Health and welfare	4,675	-	-	4,675	-	-	-	-	-
Culture and recreation	259,011	-	-	259,011	-	-	-	-	-
Library	38,196	-	-	38,196	-	-	-	-	-
Economic development	11,750	-	-	11,750	-	-	-	-	-
Enterprise:									
Personnel services	-	-	-	-	292,834	-	-	-	292,834
Purchases of services	-	-	-	-	323,415	-	-	-	323,415
Material and supplies	-	-	-	-	70,533	-	17,069	-	87,602
Heat, Light, and power	-	-	-	-	8,730	-	-	-	8,730
Capital outlay	-	-	-	-	-	-	-	29,735	29,735
Debt service:									
Principal	54,614	105,000	-	159,614	37,558	36,781	-	-	74,339
Interest and other charges	6,132	23,996	-	30,128	9,715	(145)	-	-	9,570
Total Disbursements	2,705,444	297,929	278,127	3,281,500	742,785	36,636	17,069	29,735	826,225

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Disbursements and Changes in Cash Basis Fund Balances
As of and for the Year Ended September 30, 2010

	Governmental Activities				Business-type Activities				
	Major Funds		Other Governmental Funds	Total	Major Funds			Other Enterprise Funds	Total
	General Fund	Debt Service Fund			Water & Sewer Fund	Sewer Surcharge Fund	Water/Sewer Improvement Fund		
Excess (Deficiency) of receipts over disbursements	\$ (44,011)	\$ (234,761)	\$ (44,908)	\$ (323,680)	\$ 22,348	\$ 70,132	\$ 77,523	\$ -	\$ 170,003
OTHER FINANCING SOURCES (USES)									
Insurance recoveries	15,830	-	-	15,830	-	-	-	-	-
Refunds of expenditures	33,644	-	-	33,644	-	-	-	-	-
Operating transfers in	48,480	-	-	48,480	-	-	-	-	-
Operating transfers out	-	-	-	-	(48,480)	-	-	-	(48,480)
Total other financing sources (uses)	97,954	-	-	97,954	(48,480)	-	-	-	(48,480)
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	53,943	(234,761)	(44,908)	(225,726)	(26,132)	70,132	77,523	-	121,523
Cash basis fund balances, October 1, 2009	375,049	477,688	(7,409)	845,328	2,580,490	90,638	365,695	2	3,036,825
Adjustment from accrual to cash basis	-	-	-	-	(1,959,081)	-	-	-	(1,959,081)
Prior period adjustments	55,869	1,459	-	57,328	1,012	36,781	-	-	37,793
Cash basis fund balances, as restated	430,918	479,147	(7,409)	902,656	622,421	127,419	365,695	2	1,115,537
Cash basis fund balances, September 30, 2010	\$ 484,861	\$ 244,386	\$ (52,317)	\$ 676,930	\$ 596,289	\$ 197,551	\$ 443,218	\$ 2	\$ 1,237,060

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Crystal Springs, Mississippi, (the City) was incorporated on February 19, 1867. The City operates under a Mayor-Board of Aldermen form of government and provides all of the rights and privileges provided by statute for municipalities.

The financial statements of the City have been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

- Statement of activities and net assets – cash basis.
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely significantly on fees and charges for support.

The City combines the statement of activities and statement of net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide statements are presented using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

In the fund financial statements, governmental funds and agency funds are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized as soon as they are collected. Expenditures generally are recorded when cash is spent.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies (Continued)

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.

The city reports the following major proprietary funds:

Water & Sewer Fund – Accounts for the activities of providing water and sewer services to citizens of the City.

Sewer Surcharge Fund – Accounts for surcharges collected to repay indebtedness incurred for sewer improvements.

Water/Sewer Improvement Fund – Accounts for funds reserved for future improvements to the water & sewer systems

Additionally, the city reports the following fund type:

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.

Amounts reported as program receipts include 1) receipts from customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Net Assets or Equity

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposits.

2. Equity Classifications.

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2010

(2) Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions are 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, the fiduciary funds, and business-type funds was \$676,930, \$5,885 and \$1,237,060 respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$1,435,755 and restricted assets \$484,120. 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 \$2,082,665.

(3) 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 supplemental 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 9% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The rate was 12% from July 1, 2009 until July 1, 2010. The rate at the end of the fiscal year was 12% 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, 2010, 2009 and 2008 were \$148,271, \$140,225, and \$140,561 respectively, which equaled the required contributions for each year.

(4) 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.

(5) 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.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2010

(5) Risk Management (Continued)

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 \$500,000. For a Claim exceeding \$500,000, 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.

The city is also covered under the Mississippi Municipal Liability Plan. The protection under this plan is for the following coverage's and subject to the limits of liability shown below:

Part I – General and automotive liability:

Coverage A – Bodily injury liability
Coverage B – Property damage liability

Part II – Errors and omissions liability:

Coverage A – Law enforcement liability
Coverage B – Public officials' liability

The applicable Limits of Liability, for both Parts I and II, shall be that as determined by Statute, Mississippi Code, Annotated, Chapter 46 (the Tort Claims Act). The total limit per occurrence for claims covered by Part I and II and for claims brought solely under Part II shall be \$1,000,00.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Budgetary Comparison Schedule – General Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
RECEIPTS					
Taxes	\$ 891,000	\$ 964,101	\$ 909,457	\$ 73,101	\$ (54,644)
In-lieu taxes - Grand Gulf	53,000	47,519	47,519	(5,481)	-
Licenses and permits	15,200	15,634	11,960	434	(3,674)
Intergovernmental revenues	823,900	1,033,659	974,818	209,759	(58,841)
Charges for services	340,000	385,000	345,982	45,000	(39,018)
Fines	124,550	149,091	107,835	24,541	(41,256)
Interest	25,160	23,135	26,598	(2,025)	3,463
Franchise fees	130,000	130,000	99,661	-	(30,339)
Industrial rents	36,050	36,050	34,891	-	(1,159)
Miscellaneous	102,357	110,072	102,712	7,715	(7,360)
Total Receipts	<u>2,541,217</u>	<u>2,894,261</u>	<u>2,661,433</u>	<u>353,044</u>	<u>(232,828)</u>
DISBURSEMENTS					
General government	528,958	560,180	525,383	(31,222)	34,797
Public safety	1,057,393	1,163,734	1,134,454	(106,341)	29,280
Public works	643,425	705,838	671,229	(62,413)	34,609
Health and welfare	5,100	5,100	4,675	-	425
Culture and recreation	257,725	274,608	259,011	(16,883)	15,597
Library	38,340	40,249	38,196	(1,909)	2,053
Economic development	12,000	12,100	11,750	(100)	350
Debt service:					
Principal	54,000	54,700	54,614	(700)	86
Interest and other charges	7,876	6,573	6,132	1,303	441
Total Disbursements	<u>2,604,817</u>	<u>2,823,082</u>	<u>2,705,444</u>	<u>(218,265)</u>	<u>117,638</u>
Excess (Deficiency) of receipts over disbursements	(63,600)	71,179	(44,011)	134,779	(115,190)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	6,000	14,459	15,830	8,459	1,371
Refunds of expenditures	8,100	33,100	33,644	25,000	544
Operating transfers in	49,500	49,500	48,480	-	(1,020)
Total Other Financing Sources (Uses)	<u>63,600</u>	<u>97,059</u>	<u>97,954</u>	<u>33,459</u>	<u>895</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	-	168,238	53,943	168,238	(114,295)
Cash basis fund balances, October 1, 2009			375,049		
Prior period adjustments			<u>55,869</u>		
Cash basis fund balances, as restated			430,918		
Cash basis fund balances, September 30, 2010			<u>\$ 484,861</u>		

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Required Supplemental Information
For the Year ended September 30, 2010

(1) Budgetary Information

Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data, prepares an original budget for the general fund for said fiscal year. The completed budget for the fiscal year includes every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

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

(2) Basis of Presentation

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

(3) Budget Reconciliation

As discussed in Note 1, the financial statements are prepared on the basis of cash receipts and disbursements which is the same as the basis used for budget preparation.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Investments – All Funds
For the Fiscal Year Ended September 30, 2010

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/value</u>
Unemployment Fund	Certificate of Deposit	0.560%	12/07/09	12/07/10	N/A	\$ 11,604
General/Debt Service/Water Funds	Certificate of Deposit	1.500%	12/29/09	12/29/10	N/A	237,197
General/Debt Service/Water Funds	Certificate of Deposit	2.000%	06/20/10	06/20/11	N/A	<u>359,650</u>
Total Investments						<u>\$ 608,451</u>

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2010

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital Assets:					
Land	\$ 549,107	\$ -	\$ -	\$ 17,000	\$ 566,107
Construction in progress	123,576	421,783	202,308	1,518	344,569
Buildings	2,470,533	-	-	-	2,470,533
Improvements/infrastructure	752,207	-	-	74,356	826,563
Mobile Equipment	941,850	102,810	-	22,969	1,067,629
Furniture & Equipment	136,213	18,011	-	25,992	180,216
Obligations under capital leases	252,420	-	-	-	252,420
Total Governmental Activities Capital Assets	\$ 5,225,906	\$ 542,604	\$ 202,308	\$ 141,835	\$ 5,708,037
Business-type activities:					
Capital Assets:					
Land	\$ 253,800	\$ -	\$ -	\$ 1,000	\$ 254,800
Buildings	246,750	-	-	-	246,750
Improvements/infrastructure	4,593,098	-	-	-	4,593,098
Mobile Equipment	124,700	12,318	-	(11,469)	125,549
Furniture & Equipment	157,642	-	-	(10,992)	146,650
Total Business-type Activities Capital Assets	\$ 5,375,990	\$ 12,318	\$ -	\$ (21,461)	\$ 5,366,847

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Long-Term Debt
For the Fiscal Year Ended September 30, 2010

Definition and Purpose	Balance	Transactions During Fiscal Year		Adustments	Balance	Amounts Due
	Outstanding	Increases	Decreases		Outstanding	Within
	October 1, 2009				September 30, 2010	One-Year
General Obligation Bonds:						
<i>Governmental Activities:</i>						
General Obligation Bonds, 1998	\$ 55,000	\$ -	\$ 55,000	\$ -	\$ -	\$ -
General Obligation Bonds, 2008	550,000	-	50,000	-	500,000	55,000
Capital Improvement Loans:						
<i>Governmental Activities:</i>						
Sol St Renovations	40,646	-	10,416	-	30,230	11,158
<i>Business-type Activities:</i>						
Sewer Project - Hwy 27	10,056	-	10,056	-	-	-
Sewer Project - B & B mfg	26,723	-	26,725	2	-	-
WWTP Roof & Phase II Sewer	259,235	-	15,404	-	243,831	16,198
Sewer Project - Jackson Street	134,107	-	5,320	-	128,787	5,866
Other Loans Payable:						
<i>Business-type Activities:</i>						
Department of Environmental Quality Loan - Phase III - Sewer Loan	298,913	-	16,833	-	282,080	17,130
Obligations Under Capital Leases Payable:						
<i>Governmental Activities:</i>						
Lease Purchase - 2007 Police Vehicles	21,980	-	9,498	-	12,482	9,930
Lease Purchase - Fire Truck	115,944	-	34,700	(121)	81,123	36,446
Compensated Absenses:						
Governmental Activities	49,716	-	4,609	-	45,107	-
Business-type Activities	12,012	2,038	-	-	14,050	-
TOTAL	\$ 1,574,332	\$ 2,038	\$ 238,561	\$ (119)	\$ 1,337,690	\$ 151,728

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Surety Bonds of City Officials
September 30, 2010

<u>Name</u>	<u>Position</u>	<u>Surety Bond Company</u>	<u>Amount</u>
Arthur L. Evans Jr.	Mayor	Travelers	\$ 50,000
Warren Thornton	Alderman at Large	Travelers	50,000
Ray L. Brown	Alderman, Ward 1	Travelers	50,000
Jazna Wheeler	Alderman, Ward 2	Travelers	50,000
Dwayne Thompson	Alderman, Ward 3	Travelers	50,000
Richie Richardson	Alderman, Ward 4	Travelers	50,000
Kimberly Vaughn	City Clerk	Travelers	50,000
Cairl Robinson	Police Chief	Travelers	50,000

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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**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***

August 3, 2011

Mayor and Board of Aldermen
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, 2010, which collectively comprise the City of Crystal Springs' basic financial statements and have issued our report thereon dated August 3, 2011. 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-1 and 2010-2 to be significant deficiencies 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 deficiencies described above are not material weaknesses.

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 findings identified in our audit are 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 aldermen and management, others within the agency 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,



D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, MS

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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

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

August 3, 2011

Mayor and Board of Aldermen
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, 2010, which collectively comprise City of Crystal Springs's basic financial statement and have issued our report thereon dated August 3, 2011. 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.

The results of those procedures and our audit of the general purpose financial statements disclosed the following instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

1. Finding

Management is responsible for insuring that all invoices are paid within the 45-day statutory limit.

During our review of general fund expenditures, there were two instances of invoices not paid within the 45-day statutory limit.

Per Section 31-7-305, Miss. Code Ann. (1972), payments are to be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection, and approval of the goods and services. The public body will be liable to the vendor, in addition to the amount of the invoice, interest at a rate of one and one-half percent per month or portion thereof on the unpaid balance from the expiration of the 45-day period.

An internal control over purchasing was not functioning properly.

Recommendation:

The district should comply with Section 31-7-305, Miss. Code Ann. (1972).

City's Response:

Clerk is not sure how to respond to this finding. The invoice in question is for janitorial products for all the departments. Purchase order is given for goods, goods are received, but goods are also on back order, cancelled or replaced due to damages or not what was ordered. Clerk feels the City is in a lose/lose situation. While invoicing, either the last invoice date can be used (which will cause a write-up because in essence invoices were received earlier) or use the first invoice date and also cause a write-up because we are going over the statutory limits. Should the City pay while in the middle of receiving invoices for goods, we have no way of determining which department to charge the products to, there may be credits issued to a department, back order for a department or departments. It takes two days to get all invoicing correct even after goods are received.

The City will make all efforts to comply with Section 31-7-05, MS Code Ann. (1972), but in the most efficient manner that will not cause unnecessary hardships for vendors by underpaying or for the body by overpaying a vendor.

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,

A handwritten signature in black ink, appearing to read "D. Scott Nieman", with a long horizontal flourish extending to the right.

D. Scott Nieman, CPA
Nieman & Associates, PC
McComb, Mississippi

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ending September 30, 2010

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

2010-01 Controls Over General Fixed Assets Should Be Strengthened

Finding

As reported in the prior year's audit, management is responsible for ensuring that policies and procedures are in place and followed to document and record all general fixed assets. During our general fixed asset existence test, the following weaknesses were noted:

- A. Nine assets were not tagged with the asset number.
- B. One asset number did not match the asset number on the general fixed asset list.

There is an internal control weakness over the completeness function of the general fixed assets. The effect of the general fixed assets not being tagged properly could cause an item not to be accounted for appropriately.

Recommendation

We recommend that the city implement policies and procedures to insure that assets are adequately tagged and recorded in the software with the correct asset numbers.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ending September 30, 2010

Section 2: Financial Statement Findings (Continued)

Significant deficiencies not considered to be material weaknesses (Continued)

2010-02 Controls Over General Expenditures Should be Strengthened

Finding

Management is responsible for ensuring that all expenditures made from the general fund are adequately documented and paid timely.

During our general expenditure testing, we noted the following:

- A. Two invoices were not marked paid.
- B. One travel expense report was not signed by the employee nor was there a signature authorizing the payment.
- C. Two invoices were paid untimely, with payment greater than the 45-day statutory requirement in Section 31-7-305(3), Miss. Code Ann. (1972).

Recommendation

We recommend that the city mark all invoices when paid, ensure that the employee signs the travel expense report and that the supervisor or the appropriate administrative personnel approve the travel reimbursement. We also recommend that the city comply with Section 31-7-305, Miss. Code Ann. (1972) and pay all expenditures in a timely manner.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

AUDITEE'S CORRECTIVE ACTION PLAN

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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



Alderman At Large
Warren Thornton
Ward 1
Ray Brown, Jr.
Ward 2
Jazma T. Wheeler
Ward 3
Dwayne Thompson
Ward 4
Richie Richardson

City of Crystal Springs

CORRECTIVE ACTION PLAN

August 9, 2011

Nieman & Associates, PC
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, 2010.

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 I: Summary of Auditors Results does not include findings and is not addressed.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
10-01	<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 will meet with all departments to determine the best method to ensure proper tagging even if using an etcher and/or permanent marker. Staff also will work with software programmer to insure information will be inputted correctly after change over from previous program.</p> <p>c. Anticipated Completion Date:</p> <p>January 2012.</p>

P. O. Box 473 Crystal Springs, Mississippi 39059 — Tel. 892-1210 — Fax: 892-4870

10-02

- a. Name(s) of Contact Person(s) Responsible for Corrective Action

Kimberly A. Vaughn, City Clerk, (601) 892-1210

- b. Corrective Action Plan

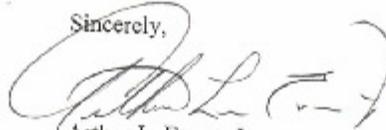
Clerk to discuss correct method of marking "paid" on invoices. All employees and elected officials will have to sign travel vouchers prior to being placed on claims docket.

Having spoken to auditors about the untimely payment on an invoice, Clerk is not sure how to "fix" this because it is a bulk order for all seven departments and goods float in over a period of one week to two months. Invoices are too detailed and are not separated by the departments.

- c. Anticipated Completion Date:

Completed. However, the board authorized the Mayor and City Clerk to approve travel, therefore when a travel request is submitted it is signed by the supervisor or designee.

Sincerely,



Arthur L. Evans, Jr.
Mayor