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CITY OF COLLINS, MISSISSIPPI

Audited Financial Statements

For Year Ended September 30, 2011

**CHARLES ROBERT PRINCE
CERTIFIED PUBLIC ACCOUNTANT**

CITY OF COLLINS, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor V.O. Smith and
Members of the Board of Aldermen
City of Collins, Mississippi

I 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 Collins, Mississippi, ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2012, on my consideration of the City's internal control over financial reporting and my 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 my 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 important in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying Schedule of Surety Bonds for City Officials is also presented for purposes of additional analysis as required by the Mississippi State Auditor's Office and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Surety Bonds for City Officials are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



June 22, 2012
Magee, Mississippi

CITY OF COLLINS, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Collins' (City) annual financial report, the management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. The discussion focuses on the City's primary government. To the extent this discussion contains any forward-looking statements of the City's plans, expectations, and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the *Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Financial Highlights

The City's assets exceeded its liabilities by \$ 16,158,220 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$ 15,069,421.

- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$ 10,068,209 included property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted, expendable net assets of \$ 373,285 represent the portion restricted for public safety of \$ 96,083, public works of \$ 164,112, and unemployment compensation of \$ 113,090.
 - (3) Unrestricted net assets of \$ 5,716,726 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported ending fund balance of \$ 1,092,042 this year. This compares to the prior year ending fund balance of \$ 1,118,157 showing a decrease of \$ 26,115 during the current year. These fund balances include restricted for public safety of \$ 96,083, restricted for public works of \$ 164,112, restricted for unemployment compensation of \$ 113,090, committed for public safety of \$ 96,110, assigned to economic development and assistance of \$ 440,748, and unassigned of \$ 181,899.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 297,834 or 10.59% of total General Fund expenditures including transfers and 11.09 % of total General Fund revenues including transfers.

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

- Total liabilities of the City increased by \$ 175,778 to \$ 999,031.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both the government-wide financial statements distinctively report government activities of the City that are principally supported by taxes and intergovernmental revenue, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, cultural and recreation, and interest on long-term debt. Business-type activities include electrical and water utilities, and television cable system. Fiduciary activities such as employee retirement plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes only the funds of the City. The City has no component units to be reported on.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objections. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three categories of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same function reported as government activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparison between these two perspectives may provide insight into long-term impact of short-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are the utility enterprise fund and the cable fund. These funds essentially encompass the same function reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as electric and water utilities and the television cable system.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* and *Supplemental Information*. *Required Supplementary Information* includes budgetary comparison schedules for the general fund and major special revenue funds. These schedules demonstrate compliance with the City's adopted and final revised budget. *Supplemental Information* includes a schedule of expenditures of federal awards and a schedule of surety bonds for city officials. This information follows the notes to financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net assets at year-end are \$ 16,158,220. This is a \$ 1,088,799 increase over last year's net assets of \$ 15,069,421. The following table provides a summary of the City's net assets at September 30:

Summary of Net Assets

	Governmental		Business-type		Total		Amount of Change	% of Change
	Activities		Activities					
	2011	2010	2011	2010	2011	2010		
Current and other assets	1,918,146	1,821,200	5,170,896	5,414,494	7,089,042	7,235,694	(146,652)	(2.0)
Capital Assets	5,590,695	4,192,436	4,477,514	4,464,544	10,068,209	8,656,980	1,411,229	16.3
Total Assets	7,508,841	6,013,636	9,648,410	9,879,038	17,157,251	15,892,674	1,264,577	8.0
Other liabilities	698,894	578,317	300,137	244,936	999,031	823,253	175,778	21.4
Total liabilities	698,894	578,317	300,137	244,936	999,031	823,253	175,778	21.4
Net assets:								
Invested in capital assets, net of related debt	5,590,695	4,192,436	4,477,514	4,464,544	10,068,209	8,656,980	1,411,229	16.3
Restricted	373,285	112,328			373,285	112,328	260,957	232.3
Unrestricted	845,967	1,130,555	4,870,759	5,169,558	5,716,726	6,300,113	(583,387)	(9.3)
Total net Assets	6,809,947	5,435,319	9,348,273	9,634,102	16,158,220	15,069,421	1,088,799	7.2

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased by a net of \$ 1,374,628 in governmental activities and decreased by a net of \$ 285,829 in business-type activities. The City's overall financial position improved during fiscal year 2011.

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The City's governmental activities rely heavily on sales tax. Maintenance of a relatively strong economy has kept sales tax revenues at a reasonably healthy level.

Business-type activities continue to reflect an excess of revenues over expenditures. Expenses have been kept in check and revenues generated by increases in the number served have helped keep the needed spread between revenues and expenditures.

The following table provides a summary of the City's changes in net assets for the year ended September 30:

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Amount of Change	% of Change
	2011	2010	2011	2010	2011	2010		
Revenues:								
Program Revenues								
Charges for services	314,951	303,780	4,881,931	4,876,877	5,196,882	5,180,657	16,225	0.3
Operating grants and contributions	109,465	75,054		19,869	109,465	94,923	14,542	15.3
Capital grants and contributions	927,075	163,355	145,541	42,610	1,072,616	205,965	866,651	420.8
General Revenue								
Sales taxes	1,269,381	1,225,054			1,269,381	1,225,054	44,327	3.6
Property taxes	530,431	495,514			530,431	495,514	34,917	7.0
Franchise fees	19,297	34,657	92,856	84,518	112,153	119,175	(7,022)	(5.9)
Other	160,472	117,150	38,473	49,826	198,945	166,976	31,969	19.1
Total Revenues	3,331,072	2,414,564	5,158,801	5,073,700	8,489,873	7,488,264	1,001,609	13.4
Expenses:								
General government and administration	563,623	615,152			563,623	615,152	(51,529)	(8.4)
Public safety	1,141,387	1,150,479			1,141,387	1,150,479	(9,092)	(0.8)
Public works	504,558	499,266			504,558	499,266	5,292	1.1
Cultural and recreational	196,876	203,192			196,876	203,192	(6,316)	(3.1)
Electricity and water utilities			4,575,586	4,465,896	4,575,586	4,465,896	109,690	2.5
Television and cable system			419,044	432,980	419,044	432,980	(13,936)	(3.2)
Total Expenses	2,406,444	2,468,089	4,994,630	4,898,876	7,401,074	7,366,965	(13,936)	(0.2)
Increase in net assets before transfers	924,628	(53,525)	164,171	174,824	1,088,799	121,299	967,500	797.6
Transfers	450,000	17	(450,000)	(17)				
Change s in net assets	1,374,628	(53,508)	(285,829)	174,807	1,088,799	121,299		
Beginning net assets	5,435,319	5,488,827	9,634,102	9,459,295	15,069,421	14,948,122	121,299	0.8
Ending net assets	6,809,947	5,435,319	9,348,273	9,634,102	16,158,220	15,069,421	121,299	0.8

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The cost of total governmental activities for the year was \$ 2,406,444. Of this amount public safety was the largest operating service cost, at 47.4% of total cost of services in 2011, primarily funded by the City's taxing power. Other governmental activities with significant tax-based funding include general government and administration, and public works.

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the funds statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balance of \$ 1,092,042. 16.66% of this total amount constitutes an unassigned fund balance of \$ 181,899, which is available for spending at the City's discretion. Of the remaining fund balance, \$ 373,285 (34.18%) is restricted for specific purposes, \$ 96,110 (8.8%) is committed to specific purposes, and \$ 440,748 (40.36%) is assigned to specific purposes.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased by \$ 128,120.

The Garbage Collection and Disposal Fund had an ending fund balance of \$ 164,112 which was an increase of \$ 37,689 mainly because of an increase in revenue.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

Major proprietary funds consist of the operations of electric and water utility fund and the television cable system fund. Cost saving efforts and the maintenance of adequate rates both contributed to the overall productivity of these funds. A transfer of prior year surplus to the general fund is the main reason for the decrease in net assets for these funds of \$ 285,829 for 2011.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2011 was approximately \$ 2.370 million. This was an increase of approximately \$.233 million over the previous year's original budget.

CITY OF COLLINS, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The General Fund adopted budget was amended once during the 2011 fiscal year. This amendment was made to increase anticipated revenues by \$ 206,029 and increase anticipated expenditures by \$ 381,436. The General Fund budget complied with the budgetary process required by the State of Mississippi and maintained core City services.

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2011 was \$ 5,590,695 and \$ 4,477,514 respectively. Major capital assets additions during the current fiscal year include Old Depot renovation, street improvements, and water/electrical system improvements.

**Capital Assets
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total		Amount of Change	% of Change
	2011	2010	2011	2010	2011	2010		
Non depreciable assets								
Land	620,583	608,277	64,400	64,400	684,983	672,677	12,306	1.8
Construction in progress	77,935		146,541		224,476	0	224,476	
Depreciable assets								
Buildings	1,749,025	888,721	50,041	51,553	1,799,066	940,274	858,792	91.3
Infrastructure and improvements other than buildings	2,392,342	1,962,389	3,742,929	3,905,466	6,135,271	5,867,855	267,416	4.6
Furniture, machinery and equipment	750,810	733,049	461,603	430,625	1,212,413	1,163,674	48,739	4.2
Intangible assets			12,000	12,500	12,000	12,500	(500)	(4.0)
Total	<u>5,590,695</u>	<u>4,192,436</u>	<u>4,477,514</u>	<u>4,464,544</u>	<u>10,068,209</u>	<u>8,656,980</u>	<u>315,655</u>	<u>3.6</u>

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finance, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like additional information, contact the City Clerk's office at 300 Main Street, Collins, Mississippi 39428.

CITY OF COLLINS, MISSISSIPPI

BASIC FINANCIAL STATEMENTS

CITY OF COLLINS, MISSISSIPPI
Statement of Net Assets
September 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 620,772	\$ 1,556,636	\$ 2,177,408
Investments	481,063	2,312,832	2,793,895
Accrued interest receivables	1,107	7,066	8,173
Taxes receivable	3,090	8,647	11,737
Property tax receivable	375,499		375,499
Accounts receivable (Net of allowance for uncollectibles - Note 7)		976,257	976,257
Fines receivable (Net of allowance for uncollectibles of \$381,629)	127,210		127,210
Other receivables		3,787	3,787
Intergovernmental receivables	309,405	50,117	359,522
Inventories		121,579	121,579
Restricted assets:			
Cash		60,860	60,860
Investments		73,115	73,115
Capital assets:			
Land and construction on progress	698,518	210,941	909,459
Other capital assets (Net of depreciation - Note 8)	4,892,177	4,266,573	9,158,750
Total Assets	\$ 7,508,841	\$ 9,648,410	\$ 17,157,251
LIABILITIES			
Cash overdrawn	\$ 178,944	\$	\$ 178,944
Accounts payable	143,772	152,649	296,421
Intergovernmental payables		7,798	7,798
Undeliverable funds	679	3,275	3,954
Deferred revenue	375,499		375,499
Unearned revenue		2,440	2,440
Payable from restricted assets:			
Customer deposits		133,975	133,975
Total Liabilities	\$ 698,894	\$ 300,137	\$ 999,031
NET ASSETS			
Invested in capital assets	\$ 5,590,695	\$ 4,477,514	\$ 10,068,209
Restricted:			
Expendable:			
Public safety	96,083		96,083
Public works	164,112		164,112
Unemployment compensation	113,090		113,090
Unrestricted	845,967	4,870,759	5,716,726
Total Net Assets	\$ 6,809,947	\$ 9,348,273	\$ 16,158,220

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

CITY OF COLLINS, MISSISSIPPI
 Statement of Activities
 For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government and administration	\$ 563,623	\$ 21,306	\$ 352	\$	\$ (541,965)		\$ (541,965)
Public safety	1,141,387	181,335	29,072	393,252	(537,728)		(537,728)
Public works	504,558	112,310	80,041		(312,207)		(312,207)
Cultural and recreational	196,876			533,823	336,947		336,947
Total Governmental Activities	\$ 2,406,444	\$ 314,951	\$ 109,465	\$ 927,075	\$ (1,054,953)		\$ (1,054,953)
Business-type activities:							
Water, sewer and electricity	\$ 4,575,586	\$ 4,485,121	\$	\$ 145,541	\$	\$ 55,076	\$ 55,076
Cable	419,044	396,810			(22,234)		(22,234)
Total Business-type Activities	\$ 4,994,630	\$ 4,881,931	\$ 0	\$ 145,541	\$ 32,842		\$ 32,842
Total Primary Government	\$ 7,401,074	\$ 5,196,882	\$ 109,465	\$ 1,072,616	\$ (1,054,953)	\$ 32,842	\$ (1,022,111)
General revenues:							
Taxes:							
Ad valorem					\$ 530,431	\$	\$ 530,431
Sales					1,269,381		1,269,381
Other					7,401		7,401
Franchise fees					19,297	92,856	112,153
Investment earnings					10,502	24,358	34,860
Rents					84,785		84,785
Miscellaneous					57,784	14,115	71,899
Transfers					450,000	(450,000)	0
Total General Revenues and Transfers					\$ 2,429,581	\$ (318,671)	\$ 2,110,910
Changes in Net Assets					\$ 1,374,628	\$ (285,829)	\$ 1,088,799
Net Assets - Beginning					\$ 5,435,319	\$ 9,634,102	\$ 15,069,421
Net Assets - Ending					\$ 6,809,947	\$ 9,348,273	\$ 16,158,220

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

CITY OF COLLINS, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2011

	<u>Major Funds</u>					Total Governmental Funds
	General Fund	Garbage Collection/Disposal Fund	Fire Protection Fund	Old Depot Property Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 624,359	\$ 169,506	\$ 99,083	\$	\$ 208,887	\$ 1,101,835
Accrued interest receivables	811				296	1,107
Taxes receivable	3,090					3,090
Property taxes receivable	284,861	90,638				375,499
Fines receivable (Net of allowance for uncollectibles \$381,629)	127,210					127,210
Intergovernmental receivables	241,591			67,814		309,405
Total Assets	<u>\$ 1,281,922</u>	<u>\$ 260,144</u>	<u>\$ 99,083</u>	<u>\$ 67,814</u>	<u>\$ 209,183</u>	<u>\$ 1,918,146</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Cash overdrawn	\$	\$	\$	\$ 178,944	\$	\$ 178,944
Accounts payable	34,490	5,394	103,762	126		143,772
Undeliverable funds	679					679
Deferred revenue	412,071	90,638				502,709
Total Liabilities	<u>\$ 447,240</u>	<u>\$ 96,032</u>	<u>\$ 103,762</u>	<u>\$ 179,070</u>	<u>\$ 0</u>	<u>\$ 826,104</u>
Fund balances:						
Restricted for:						
Public safety	\$	\$	\$	\$	\$ 96,083	\$ 96,083
Public works		164,112				164,112
Unemployment					113,090	113,090
Committed to:						
Public safety	96,110					96,110
Assigned to:						
Economic development and assistance	440,738				10	440,748
Unassigned	297,834		(4,679)	(111,256)		181,899
Total Fund Balances	<u>\$ 834,682</u>	<u>\$ 164,112</u>	<u>\$ (4,679)</u>	<u>\$ (111,256)</u>	<u>\$ 209,183</u>	<u>\$ 1,092,042</u>
Total Liabilities and Fund Balances	<u>\$ 1,281,922</u>	<u>\$ 260,144</u>	<u>\$ 99,083</u>	<u>\$ 67,814</u>	<u>\$ 209,183</u>	<u>\$ 1,918,146</u>

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

CITY OF COLLINS, MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,092,042
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,396,486.	5,590,695
Other non-exchange receivables are not available to pay current period expenditures and, therefore, are deferred in the funds.	<u>127,210</u>
Total Net Assets - Governmental Activities	<u>\$ 6,809,947</u>

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

CITY OF COLLINS, MISSISSIPPI
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2011

	<u>Major Funds</u>					Total Governmental Funds
	General Fund	Garbage Collection/Disposal Fund	Fire Protection Fund	Old Depot Property Fund	Other Governmental Funds	
REVENUES						
Taxes:						
Ad valorem	\$ 433,422	\$ 97,009	\$	\$	\$	\$ 530,431
Penalty and interest	4,458					4,458
Sales	1,269,381					1,269,381
Franchise fees	19,297					19,297
Charges for services	38,714	110,918				149,632
Intergovernmental	186,448		353,727	480,175	49,758	1,070,108
Licenses and permits	13,336					13,336
Investment income	9,122				1,380	10,502
Fines and forfeitures	115,797				3,077	118,874
Rents	84,785					84,785
Miscellaneous	56,365		1,420			57,785
Total Revenues	<u>\$ 2,231,125</u>	<u>\$ 207,927</u>	<u>\$ 355,147</u>	<u>\$ 480,175</u>	<u>\$ 54,215</u>	<u>\$ 3,328,589</u>
EXPENDITURES						
Current:						
General government and administration	\$ 482,559	\$	\$	\$	37	\$ 482,596
Public safety	824,361		190,892		5,112	1,020,365
Public works	275,197	170,238				445,435
Culture and recreation	163,074			15,323		178,397
Capital outlay:						
General Government and Administration	99,218					99,218
Public Safety	64,720		342,441		28,131	435,292
Public Works	521,309					521,309
Cultural and Recreational				585,602	36,490	622,092
Total Expenditures	<u>\$ 2,430,438</u>	<u>\$ 170,238</u>	<u>\$ 533,333</u>	<u>\$ 600,925</u>	<u>\$ 69,770</u>	<u>\$ 3,804,704</u>

CITY OF COLLINS, MISSISSIPPI
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - (Continued)
 For the Year Ended September 30, 2011

	<u>Major Funds</u>					Total Governmental Funds
	General Fund	Garbage Collection/Disposal Fund	Fire Protection Fund	Old Depot Property Fund	Other Governmental Funds	
Excess of Revenues over (under) Expenditures	\$ (199,313)	\$ 37,689	\$ (178,186)	\$ (120,750)	\$ (15,555)	\$ (476,115)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 453,531		\$ 158,887	\$ 222,501	\$ 950	\$ 835,869
Transfers out	(382,338)				(3,531)	(385,869)
Total Other Financing Sources and Uses	<u>\$ 71,193</u>	<u>\$ 0</u>	<u>\$ 158,887</u>	<u>\$ 222,501</u>	<u>\$ (2,581)</u>	<u>\$ 450,000</u>
Net Changes in Fund Balances	<u>\$ (128,120)</u>	<u>\$ 37,689</u>	<u>\$ (19,299)</u>	<u>\$ 101,751</u>	<u>\$ (18,136)</u>	<u>\$ (26,115)</u>
Fund Balances - Beginning	\$ 428,344	\$ 126,423	\$ 14,620	\$ (213,007)	\$ 761,777	\$ 1,118,157
Prior Period Adjustments	<u>\$ 534,458</u>				<u>\$ (534,458)</u>	<u>\$ 0</u>
Fund Balances - Beginning, as restated	<u>\$ 962,802</u>	<u>\$ 126,423</u>	<u>\$ 14,620</u>	<u>\$ (213,007)</u>	<u>\$ 227,319</u>	<u>\$ 1,118,157</u>
Fund Balances - Ending	<u><u>\$ 834,682</u></u>	<u><u>\$ 164,112</u></u>	<u><u>\$ (4,679)</u></u>	<u><u>\$ (111,256)</u></u>	<u><u>\$ 209,183</u></u>	<u><u>\$ 1,092,042</u></u>

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

CITY OF COLLINS, MISSISSIPPI
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (26,115)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlay of \$1,677,911 exceeded depreciation of \$279,652 in the current period.	1,398,259
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	<u>2,484</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,374,628</u></u>

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

CITY OF COLLINS, MISSISSIPPI
 Statement of Net Assets - Proprietary Funds
 September 30, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Utility Enterprise Fund	Collins Communication Fund	Meter Deposit Fund	Nonmajor Funds	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,504,114	\$ 52,522	\$	\$	\$ 1,556,636
Investments	2,152,702		160,130		2,312,832
Accounts receivable (Net of allowance for uncollectibles - Note 7)	940,756	35,501			976,257
Accrued interest receivable	6,858		208		7,066
Taxes receivable	8,647				8,647
Intergovernmental receivables	50,117				50,117
Other receivables	3,007	780			3,787
Inventories	84,985	36,594			121,579
Total Current Assets	\$ <u>4,751,186</u>	\$ <u>125,397</u>	\$ <u>160,338</u>	\$ <u>0</u>	\$ <u>5,036,921</u>
Noncurrent Assets:					
Restricted assets:					
Cash	\$	\$ 275	\$ 60,585	\$	\$ 60,860
Investments			73,115		73,115
Capital assets:					
Land and construction in progress	210,941				210,941
Other capital assets (Net of depreciation - Note 8)	4,034,890	231,683			4,266,573
Total Noncurrent Assets	\$ <u>4,245,831</u>	\$ <u>231,958</u>	\$ <u>133,700</u>	\$ <u>0</u>	\$ <u>4,611,489</u>
Total Assets	\$ <u>8,997,017</u>	\$ <u>357,355</u>	\$ <u>294,038</u>	\$ <u>0</u>	\$ <u>9,648,410</u>

CITY OF COLLINS, MISSISSIPPI
 Statement of Net Assets - Proprietary Funds - Continued
 September 30, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Utility Enterprise Fund	Collins Communication Fund	Meter Deposit Fund	Nonmajor Funds	
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 126,446	\$ 26,203	\$	\$	\$ 152,649
Intergovernmental payables	7,798				7,798
Undeliverable funds	680	195	2,400		3,275
Unearned revenue		2,440			2,440
Payable from restricted assets:					
Deposits		275	133,700		133,975
Total Current Liabilities	\$ <u>134,924</u>	\$ <u>29,113</u>	\$ <u>136,100</u>	\$ <u>0</u>	\$ <u>300,137</u>
Total Liabilities	\$ <u>134,924</u>	\$ <u>29,113</u>	\$ <u>136,100</u>	\$ <u>0</u>	\$ <u>300,137</u>
NET ASSETS					
Invested in capital assets	\$ 4,245,831	\$ 231,683	\$	\$	\$ 4,477,514
Unrestricted	<u>4,616,262</u>	<u>96,559</u>	<u>157,938</u>		<u>4,870,759</u>
Total Net Assets	\$ <u><u>8,862,093</u></u>	\$ <u><u>328,242</u></u>	\$ <u><u>157,938</u></u>	\$ <u><u>0</u></u>	\$ <u><u>9,348,273</u></u>

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

CITY OF COLLINS, MISSISSIPPI
 Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
 September 30, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Utility Enterprise Fund	Collins Communication Fund	Meter Deposit Fund	Nonmajor Funds	
Operating Revenues:					
Charges for services	\$ 4,395,330	\$ 385,713	\$	\$	\$ 4,781,043
Late charges and service charges	89,791	11,097			100,888
Franchise fees	92,856				92,856
Miscellaneous	14,115				14,115
Total Operating Revenues	\$ <u>4,592,092</u>	\$ <u>396,810</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,988,902</u>
Operating Expenses:					
Costs of sales and services	\$ 4,106,148	\$ 330,990	\$	\$	\$ 4,437,138
Administration	208,768	49,705			258,473
Depreciation	232,492	28,956			261,448
Indirect administrative costs	28,178	9,393			37,571
Total Operating Expenses	\$ <u>4,575,586</u>	\$ <u>419,044</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>4,994,630</u>
Net Income/(Loss) From Operations	\$ <u>16,506</u>	\$ <u>(22,234)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(5,728)</u>
Nonoperating Revenues/(Expenses):					
Investment income	\$ 22,452	\$	\$ 1,906	\$	\$ 24,358
Capital grants	145,541				145,541
Net Nonoperating Revenues/(Expenses)	\$ <u>167,993</u>	\$ <u>0</u>	\$ <u>1,906</u>	\$ <u>0</u>	\$ <u>169,899</u>
Net Income/(Loss) Before Transfers	\$ 184,499	\$ (22,234)	\$ 1,906	\$ 0	\$ 164,171
Transfers in	55	175,000		12,015	187,070
Transfers out	(637,015)		(55)		(637,070)
Changes in Net Assets	\$ (452,461)	\$ 152,766	\$ 1,851	\$ 12,015	\$ (285,829)
Net Assets - Beginning	\$ <u>9,314,554</u>	\$ <u>175,476</u>	\$ <u>156,087</u>	\$ <u>(12,015)</u>	\$ <u>9,634,102</u>
Net Assets - Ending	\$ <u>8,862,093</u>	\$ <u>328,242</u>	\$ <u>157,938</u>	\$ <u>0</u>	\$ <u>9,348,273</u>

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

CITY OF COLLINS, MISSISSIPPI
 Statement of Cash Flows - Proprietary Fund
 September 30, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Utility Enterprise Fund	Collins Communication Fund	Meter Deposit Fund	Nonmajor Funds	
Cash Flows From Operating Activities					
Cash received from customers	\$ 4,443,319	\$ 391,536	\$	\$	\$ 4,834,855
Other operating cash receipts	106,971				106,971
Cash payments to suppliers for goods and services	(3,823,468)	(345,013)			(4,168,481)
Cash payments to employees for services	(456,960)	(55,487)			(512,447)
Net Cash Provided/(Used) by Operating Activities	\$ <u>269,862</u>	\$ <u>(8,964)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>260,898</u>
Cash Flows From Noncapital and Related Financing Activities					
Customer deposits received	\$	\$	\$ 3,030	\$	\$ 3,030
Undeliverable funds			(125)		(125)
Cash received from other funds:					
Interfund loan repayments	62,162	2,598		116,950	181,710
Transfers in	55	175,000		12,015	187,070
Cash paid to other funds:					
Interfund loan repayments	(25,126)	(82,077)		(128,965)	(236,168)
Transfers out	(637,015)		(55)		(637,070)
Net Cash Provided/(Used) by Noncapital and Related Financing Activities	\$ <u>(599,924)</u>	\$ <u>95,521</u>	\$ <u>2,850</u>	\$ <u>0</u>	\$ <u>(501,553)</u>
Cash Flows From Capital and Related Financing Activities					
Capital grants received	\$ 145,541	\$	\$	\$	\$ 145,541
Acquisition and construction of capital assets	(270,268)	(4,150)			(274,418)
Reduction (increase) in other receivables	3,175	61			3,236
Net Cash Provided/(Used) by Capital and Related Financing Activities	\$ <u>(121,552)</u>	\$ <u>(4,089)</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(125,641)</u>

CITY OF COLLINS, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund - Continued
September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>				Total Proprietary Funds
	Utility Enterprise Fund	Collins Communication Fund	Meter Deposit Fund	Nonmajor Funds	
Cash Flows From Investing Activities					
Interest on cash and cash equivalents	\$ 26,990	\$	\$ 2,230	\$	\$ 29,220
Purchase of investments	(2,668)				(2,668)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 24,322</u>	<u>\$ 0</u>	<u>\$ 2,230</u>	<u>\$ 0</u>	<u>\$ 26,552</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ (427,292)	\$ 82,468	\$ 5,080	\$ 0	\$ (339,744)
Cash and Cash Equivalents at Beginning of Year	<u>\$ 1,931,406</u>	<u>\$ (29,671)</u>	<u>\$ 55,505</u>	<u>\$ 0</u>	<u>\$ 1,957,240</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,504,114</u></u>	<u><u>\$ 52,797</u></u>	<u><u>\$ 60,585</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,617,496</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash					
Provided/(Used) by Operating Activities					
Income/(Loss) From Operations	<u>\$ 16,506</u>	<u>\$ (22,234)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (5,728)</u>
Adjustments to reconcile income/(loss) from operations to net cash provided/ (used) by operating activities:					
Depreciation expense	\$ 232,492	\$ 28,956	\$	\$	\$ 261,448
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables	(20,785)	(1,864)			(22,649)
(Increase) decrease in taxes receivables	1				1
(Increase) decrease in intergovernmental receivables	(50,117)				(50,117)
(Increase) decrease in inventories	9,579	(14,042)			(4,463)
Increase (decrease) in accounts payable	82,186	944			83,130
Increase (decrease) in unearned revenues		(724)			(724)
Total Adjustments	<u>\$ 253,356</u>	<u>\$ 13,270</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 266,626</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 269,862</u></u>	<u><u>\$ (8,964)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 260,898</u></u>

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

CITY OF COLLINS, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,165
Total Assets	\$ <u><u>1,165</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 1,165
Total Liabilities	\$ <u><u>1,165</u></u>

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

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies

A. Introduction.

The City of Collins, Mississippi (“City”) is incorporated under the laws of the State of Mississippi. The City operates under a Code Charter with a full-time Mayor elected from the City at large and five aldermen, with four aldermen elected from wards and one alderman elected from the City at large. The City’s major operations include police and fire protection, parks and recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system, a cable communication system and an electric utility system.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanation, including required disclosures, of the City’s financial activities for the fiscal year ended September 30, 2011.

B. Financial Statements.

Government-wide Statements:

Government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the City as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and the City’s general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City’s services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City’s reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies - Continued

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in the statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes, property taxes, franchise fee, intergovernmental revenue, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses reclassified as non-operating in the financial statements.

The City reports the following major Governmental Funds:

General Fund - This fund is used to account for all financial resources not reported in other funds.

Garbage Collection/Disposal Fund - This fund is used to account for the garbage and solid waste collection and disposal operations.

Fire Protection Fund - This fund is used to account for the operations related to providing fire protection services to the citizens.

Old Depot Property Fund - This fund is used to account for the renovations of the old depot.

The City reports the following major Proprietary Funds:

Utility Enterprise Fund - This fund is used to account for the operating activities of the City's electricity and water utility services.

Collins Communication Fund - This fund is used to account for the operating activities of the City's television cable services.

Meter Deposit Fund - This fund is used to account for and maintain deposits from users of the City's utility services.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies - Continued

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPE

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

PROPRIETARY FUND TYPE

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY 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.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Cash and Investments.

The City maintains and controls cash in each of the funds or fund type types operated. Investments are separately held and reflected in respective funds as investments, some of which are restricted funds.

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

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). All cash deposits are reported at carrying amount (cost) which reasonably estimates fair market value.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies – Continued

H. Inventories.

Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in/first-out method.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. The City’s property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets which cost \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Interest expenditures are not capitalized on capital assets. Estimated useful lives, in years, for depreciable assets are as follows:

Building	15-40
Infrastructure	10-50
Mobile equipment, furniture, machinery and equipment	5-10
Intangible asset – Water rights	40
Leased property under capital leases	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, 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 financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing resources of the current period.

K. Equity Classifications.

Government-wide Financial Statements:

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

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, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies – Continued

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City.

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen, the city’s highest level of decision-making authority. This formal action is an order of the Board of Aldermen as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the city’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by Section 21-17-5, Miss. Code Ann. (1972).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

State statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies – Continued

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Change in Accounting Standards.

For the fiscal year ended September 30, 2011, the city implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustment.

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

Explanation	Amount
To correct error in classification of funds.	
General Fund	\$ 534,458
Other Governmental Funds	(534,458)
Total prior period adjustments	\$ 0

(4) Deposits and Investments

Deposits:

The carrying amount of the City's total deposits with financial institutions at September 30, 2011, was \$2,057,658, and the bank balance was \$2,585,589. 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.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(4) Deposits and Investments - Continued

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

Investments:

As of September 30, 2011, the City had the following investments in certificates of deposit:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	Less than 1	\$ <u>2,867,010</u>	Not Rated

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The City does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Concentration of Credit Risk – Disclosure of investments by amount and issuer for any issuer that represents five percent or more of the total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2011, the City had no investments other than Certificates of Deposits.

(5) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2011:

A. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Other governmental funds	\$ 3,531
General	Utility Enterprise	450,000
Fire Protection	General	158,887
Old Depot Property	General	222,501
Other governmental funds	General	950
Utility Enterprise	Meter Deposit	55
Collins Communication	Utility Enterprise	175,000
Other proprietary funds	Utility Enterprise	<u>12,015</u>
Total		\$ <u>1,022,939</u>

The principal purpose of interfund transfers was to provide funds for grant matches, to provide funds to pay for capital outlay, to record revenues in the appropriate fund and to close out funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer, except for the transfer of surplus funds from the Utility Enterprise Fund to the General Fund and the Collins Communication Fund of \$450,000 and \$175,000, respectively, as authorized by state statutes.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Sales tax	\$ 221,631
Covington County tax collector	2,077
DUI grant	725
Hazard mitigation grant	17,158
Transportation enhancement grant	67,814
Total Governmental Activities	\$ 309,405
Business-type Activities:	
CDBG sewer improvement grant	\$ 50,117
Total Business-type Activities	\$ 50,117

(7) Accounts Receivable and Uncollectible Accounts

Business-type Activities:

Significant receivables include amounts due from customers primarily for utility services and television cable services. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Related amounts are shown in the following table:

	Utility Enterprise Fund	Collins Communications Fund	Total
Accounts receivable	\$ 1,111,681	\$ 118,080	\$ 1,229,761
Less allowance for uncollectible accounts	(170,925)	(82,579)	(253,504)
Net accounts receivable	\$ 940,756	\$ 35,501	\$ 976,257
Uncollectible amounts netted with revenues	\$ 170,925	\$ 82,579	\$ 253,504

(8) Capital Assets

The following is a summary of capital assets activity:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 608,277	\$ 12,306	\$	\$	\$ 620,583
Construction in progress	_____	36,490	_____	41,445	77,935
Total non-depreciable capital assets	\$ 608,277	\$ 48,796	\$ 0	\$ 41,445	\$ 698,518

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(8) Capital Assets - Continued

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
Depreciable capital assets:					
Buildings	\$ 1,829,951	\$ 914,323	\$	\$	\$ 2,744,274
Infrastructure and Improvements					
Other than Buildings	2,255,077	525,122		(41,445)	2,738,754
Furniture, Machinery and					
Equipment	2,644,479	189,670	28,514		2,805,635
Total depreciable capital assets	<u>\$ 6,729,507</u>	<u>\$ 1,629,115</u>	<u>\$ 28,514</u>	<u>\$ (41,445)</u>	<u>\$ 8,288,663</u>
Less accumulated depreciation for:					
Buildings	\$ 941,230	\$ 54,019	\$	\$	\$ 995,249
Infrastructure and Improvements					
Other than Buildings	292,688	53,724			346,412
Furniture, Machinery and					
Equipment	1,911,430	171,909	28,514		2,054,825
Total accumulated depreciation	<u>\$ 3,145,348</u>	<u>\$ 279,652</u>	<u>\$ 28,514</u>	<u>\$ 0</u>	<u>\$ 3,396,486</u>
Total depreciable capital assets, net	<u>\$ 3,584,159</u>	<u>\$ 1,349,463</u>	<u>\$ 0</u>	<u>\$ (41,445)</u>	<u>\$ 4,892,177</u>
Governmental activities capital assets, net	<u>\$ 4,192,436</u>	<u>\$ 1,398,259</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,590,695</u>
<u>Business-type activities:</u>					
Non-depreciable capital assets:					
Land	\$ 64,400				\$ 64,400
Construction in progress		146,541			146,541
Total non-depreciable capital assets	<u>\$ 64,400</u>	<u>\$ 146,541</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,941</u>
Depreciable capital assets:					
Buildings	\$ 90,189				\$ 90,189
Infrastructure and Improvements					
Other than Buildings	7,447,752	25,000			7,472,752
Furniture, Machinery and					
Equipment	1,629,388	102,877			1,732,265
Intangible Assets - Water Rights	20,000				20,000
Total depreciable capital assets	<u>\$ 9,187,329</u>	<u>\$ 127,877</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,315,206</u>
Less accumulated depreciation for:					
Buildings	\$ 38,636	\$ 1,512	\$	\$	\$ 40,148
Infrastructure and Improvements					
Other than Buildings	3,542,286	187,537			3,729,823
Furniture, Machinery and					
Equipment	1,198,763	71,899			1,270,662
Intangible Assets - Water Rights	7,500	500			8,000
Total accumulated depreciation	<u>\$ 4,787,185</u>	<u>\$ 261,448</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,048,633</u>
Total depreciable capital assets, net	<u>\$ 4,400,144</u>	<u>\$ (133,571)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,266,573</u>
Business-type activities capital assets, net	<u>\$ 4,464,544</u>	<u>\$ 12,970</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,477,514</u>

Adjustments are to reclassify construction in progress expenditures in prior years still ongoing at September 30, 2011.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(8) Capital Assets - Continued

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental activities:</u>	
General government	\$ 59,462
Public safety:	
Police	45,416
Fire	75,606
Public works	59,124
Parks and recreation	40,044
Total governmental activities depreciation expense	\$ 279,652
 <u>Business-type activities:</u>	
Collins Communication Fund	\$ 28,956
Utility Enterprise Fund	232,492
Total business-type activities depreciation expense	\$ 261,448

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Sewer Improvements	\$ 378,756	August 2012
Civic Center	649,450	June 2012
	\$ 1,028,206	

(9) Restricted Fund Equity

The government-wide statement of net assets reports \$373,285 of restricted net assets. Net assets restricted by enabling legislation are as follows:

Activity	Restricted By	Amount
Police protection	State statute	\$ 47,918
Fire protection	State statute	48,165
Garbage collection and disposal	State statute	164,112
Unemployment compensation	State statute	113,090
		\$ 373,285

(10) Claims and Judgments

Risk Management.

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

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(11) Operating Leases

As Lessor:

The City receives income from property it leases under noncancellable operating leases. The City leases a warehouse building in the industrial park for a monthly lease of \$6,500 and a medical facility for \$500 per month. Approximately \$320,544 (cost of \$828,024 and accumulated depreciation of \$507,480) of government activities capital assets is held for these leases. Total income from these leases was \$83,500 for the year ended September 30, 2011. The following are the future lease payments to be made to the City on these noncancellable leases. These future payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending September 30</u>	<u>Amount</u>
2012	\$ 84,000
2013	<u>83,500</u>
 Total	 \$ <u><u>167,500</u></u>

(12) Contingencies

Federal Grants - The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. Accordingly, no provision for any liability that may result has been recognized in the City's financial statements.

Litigation - The City of Collins, Mississippi is not a defendant in any lawsuits at this time.

(13) Defined Benefit Pension Plan

All eligible employees of the City participate in the Public Employees' Retirement System of Mississippi (PERS), a cost sharing, multiple-employer, defined benefit pension plan. The payroll for employees covered by PERS (statewide) for the year ended June 30, 2011, was \$5,684,624,000. The City's payroll for employees covered by PERS for the year ended September 30, 2011, was \$1,445,721; the City's total payroll was \$1,501,683 for the year ended September 30, 2011.

Membership in PERS is a condition of employment for all eligible employees of the State of Mississippi, public schools, institutions of higher learning, community and junior colleges, and eligible employees of municipalities, counties and other political subdivisions and instrumentalities of municipal and county government that have entered into a Membership Agreement approved by the PERS Board of Trustees (Board).

Participating employees who retire at or after age 60 with four or more years of membership service or those who retire regardless of age with at least 25 years of credited service, upon application, are entitled to an annual retirement allowance payable monthly for life in an amount equal to 2% of their average compensation for each year of credited service up to and including 25 years, plus 2.5% for each year credited service over 25 years. Average compensation is the average of the employee's earning during the four highest years of credited service. A member may elect an option for a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who enter the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. For members who entered the System before July 1, 2007, benefits vest upon completion of four years of credited membership services. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972), and may be amended only by the State of Mississippi Legislature.

CITY OF COLLINS, MISSISSIPPI
Notes to the Financial Statements
For the Year Ended September 30, 2011

(13) Defined Benefit Pension Plan - Continued

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost-of-living adjustment is equal to 3% of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3% compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2011, the total additional annual payments were \$368,645,000.

Covered employees of the City were required to contribute 7.25% of their salary to PERS. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings allocations may be refunded to the employee or designated beneficiary. Investment earnings allocation was 3.5% in 2011. Each participating employer is required by statute to contribute the remaining amounts necessary to finance the coverage of its own employees. Benefits and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The contribution requirement related to eligible City employees for the year ended September 30, 2011 was \$304,750, which consisted of \$174,635 from the City and \$130,115 from employees. The contribution requirement related to eligible City employees for the year ended September 30, 2010 was \$273,575, which consisted of \$166,696 from the City and \$106,879 from employees. The employer and employee contributions represented 12% and 7.25%, respectively, of covered payroll. The contribution requirement related to eligible City employees for the year ended September 30, 2009 was \$265,899, which consisted of \$165,167 from the City and \$100,732 from employees. The employer and employee contributions represented 11.85% (12% after July 1, 2009) and 7.25%, respectively, of covered payroll.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 2011 for PERS while, determined through actuarial valuation performed as of that date, was \$32,654,465,000. PERS net assets available for benefits on that date (determined by book value) were \$20,315,165,000, leaving an unfunded pension benefit obligation of \$12,339,300,000. The City's 2011 contribution represents less than 1% of total contributions required by all participating entities.

Ten-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in PERS' June 30, 2011 Comprehensive Annual Financial Report. This is a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

(14) Deficit Fund Balances of Individual Funds

The following fund reported a deficit fund balance at September 30, 2011:

<u>Fund</u>	<u>Deficit Amount</u>
Fire Protection	\$ 4,679
Old Depot Property	111,256

CITY OF COLLINS, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLLINS, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 428,464	\$ 428,464	\$ 437,880	\$ 9,416
Licenses and permits	56,500	56,500	33,939	(22,561)
Intergovernmental revenues	1,225,145	1,225,145	1,258,740	33,595
Charges for services	100	100	38,715	38,615
Fines and forfeitures	152,200	152,200	115,797	(36,403)
Investment income	8,000	8,000	9,122	1,122
Rents	79,500	79,500	84,785	5,285
Grants		149,241	161,164	11,923
Miscellaneous revenues	13,950	70,738	56,365	(14,373)
Total Revenues	<u>\$ 1,963,859</u>	<u>\$ 2,169,888</u>	<u>\$ 2,196,507</u>	<u>\$ 26,619</u>
EXPENDITURES				
Current:				
General government:				
Board of aldermen	\$ 137,210	\$ 137,210	\$ 123,474	\$ 13,736
City court	106,748	106,748	106,379	369
Mayor	73,277	75,202	74,269	933
Finance and accounting	186,132	186,132	170,885	15,247
Cemetery	3,500	3,500	2,821	679
Public safety:				
Police protection	869,004	925,701	889,975	35,726
Public works:				
Street maintenance	638,630	772,906	781,671	(8,765)
City landfill	500	500		500
Culture and recreation:				
Parks and recreation	133,885	132,912	149,870	(16,958)
Library	14,551	14,551	11,122	3,429
Nondepartmental:				
Dog pound	2,700	2,700	1,560	1,140
Mosquito control	26,000	25,500	19,285	6,215
Industrial park	3,850	82,499	104,557	(22,058)
Millcreek building	500	935	801	134
Total Expenditures	<u>\$ 2,196,487</u>	<u>\$ 2,466,996</u>	<u>\$ 2,436,669</u>	<u>\$ 30,327</u>
Excess of Revenues over (under) Expenditures	<u>\$ (232,628)</u>	<u>\$ (297,108)</u>	<u>\$ (240,162)</u>	<u>\$ 56,946</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 450,000	\$ 450,000	\$ 453,530	\$ 3,530
Transfers out	(173,852)	(284,779)	(382,337)	(97,558)
Total Other Financing Sources and Uses	<u>\$ 276,148</u>	<u>\$ 165,221</u>	<u>\$ 71,193</u>	<u>\$ (94,028)</u>
Net Change in Fund Balance	\$ 43,520	\$ (131,887)	\$ (168,969)	\$ (37,082)
Fund Balances - Beginning	\$ 0	\$ 0	\$ 962,802	\$ 962,802
Fund Balances - Ending	<u>\$ 43,520</u>	<u>\$ (131,887)</u>	<u>\$ 793,833</u>	<u>\$ 925,720</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF COLLINS, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage Collection/Disposal Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 94,450	\$ 94,450	\$ 97,010	\$ 2,560
Charges for services	98,665	98,665	110,917	12,252
Total Revenues	<u>\$ 193,115</u>	<u>\$ 193,115</u>	<u>\$ 207,927</u>	<u>\$ 14,812</u>
EXPENDITURES				
Current:				
Public works:				
Garbage collection and disposal	\$ 195,045	\$ 175,578	\$ 173,045	\$ 2,533
Total Expenditures	<u>\$ 195,045</u>	<u>\$ 175,578</u>	<u>\$ 173,045</u>	<u>\$ 2,533</u>
Excess of Revenues over (under) Expenditures	<u>\$ (1,930)</u>	<u>\$ 17,537</u>	<u>\$ 34,882</u>	<u>\$ 17,345</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	\$ 2,000	\$ 2,000	\$	\$ (2,000)
Total Other Financing Sources and Uses	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ (2,000)</u>
Net Change in Fund Balance	\$ 70	\$ 19,537	\$ 34,882	\$ 15,345
Fund Balances - Beginning	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,423</u>	<u>\$ 126,423</u>
Fund Balances - Ending	<u><u>\$ 70</u></u>	<u><u>\$ 19,537</u></u>	<u><u>\$ 161,305</u></u>	<u><u>\$ 141,768</u></u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF COLLINS, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Fire Protection Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 56,304	\$ 85,657	\$ 353,727	\$ 268,070
Miscellaneous revenues	7,600	9,392	1,420	(7,972)
Total Revenues	\$ 63,904	\$ 95,049	\$ 355,147	\$ 260,098
EXPENDITURES				
Current:				
Public safety:				
Fire protection	\$ 241,756	\$ 270,359	\$ 533,589	\$ (263,230)
Total Expenditures	\$ 241,756	\$ 270,359	\$ 533,589	\$ (263,230)
Excess of Revenues over (under) Expenditures	\$ (177,852)	\$ (175,310)	\$ (178,442)	\$ (3,132)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 173,852	\$ 173,852	\$ 158,886	\$ (14,966)
Other financing sources	4,000	4,000		(4,000)
Total Other Financing Sources and Uses	\$ 177,852	\$ 177,852	\$ 158,886	\$ (18,966)
Net Change in Fund Balance	\$ 0	\$ 2,542	\$ (19,556)	\$ (22,098)
Fund Balances - Beginning	\$ 0	\$ 0	\$ 14,620	\$ 14,620
Fund Balances - Ending	\$ 0	\$ 2,542	\$ (4,936)	\$ (7,478)

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

CITY OF COLLINS, MISSISSIPPI

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information.

The City Clerk submits an annual budget to the Board of Aldermen on or before the last Tuesday of August in accordance with the State of Mississippi’s statutory requirements. The budget is presented to the Board of Aldermen for review, and public hearings are held to address priorities and the allocation of resources. In September, the Board of Aldermen adopts the annual fiscal year budget for Board of Aldermen operating funds.

B. Basis of Budgeting.

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

Each fund’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department within a fund as follows: personal services, contracted services, supplies, other services and charges, and capital outlay. Budget revisions are subject to final review by the Board of Aldermen. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. One revision to the budget was made throughout the year.

C. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

D. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the net change in fund balance on the budgetary basis schedules to the net change in fund balance on the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>Governmental Fund Type</u>		
	<u>General Fund</u>	<u>Garbage Collection/Disposal Fund</u>	<u>Fire Protection Fund</u>
Budget (Cash Basis)	\$ (168,969)	\$ 34,882	\$ (19,556)
Increase (Decrease)			
Net adjustments for revenue accruals	34,619		
Net adjustments for expenditure accruals	<u>6,230</u>	<u>2,807</u>	<u>257</u>
GAAP Basis	<u>\$ (128,120)</u>	<u>\$ 37,689</u>	<u>\$ (19,299)</u>

CITY OF COLLINS, MISSISSIPPI

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

E. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2011:

<u>Fund</u>	<u>Excess</u>
Special Revenue Fund:	
Fire Protection Fund	\$ 263,230

This is not in violation of Section 21-35-15, Miss. Code Ann. (1972), due to an exception for capital outlay expenditures.

CITY OF COLLINS, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF COLLINS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US Dept of Agriculture - Natural Resources Conservation Services Emergency watershed protection program (Direct Award)	10.923	68-4423-10-2028	\$ 34,482
US Dept of Commerce - National Telecommunications and Information Administration/Passed-through the Mississippi Dept of Public Safety - Office of Homeland Security Public safety interoperable communications grant program	11.555	07PS313	26,699
US Dept of Housing and Urban Development/Passed-through the Mississippi Development Authority Community development block grants/state's programs	14.228	06-150-PF-01	145,541
US Dept of Housing and Urban Development - Community Planning and Development Community development block grants/Brownfields economic development initiative (Direct Award)	14.246	B-06-SP-MS-0554	36,490
US Dept of Justice - Bureau of Justice Assistance/Passed-through the Mississippi Dept of Public Safety Edward Byrne memorial justice assistance program	16.738	07HI2611	25,000
US Dept of Transportation - Federal Highway Administration/ Passed- through the Mississippi Department of Transportation Highway planning and construction	20.205	STP-0052-00(004)LPA *	465,053
US Dept of Transportation - National Highway Traffic Safety Administration/Passed-through the Mississippi Dept of Public Safety State and community highway safety	20.600	11-TA-262-1	19,954
US Dept of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	1604-2-016	17,158
US Dept of Homeland Security Assistance to firefighters grant (Direct Award)	97.044	EMW-2009-FO-11987 *	42,940
Assistance to firefighters grant (Direct Award)	97.044	EMW-2010-FO-07788 *	238,000
US Dept of Homeland Security/Passed-through the Mississippi Department of Public Safety-Office of Homeland Security Homeland security grant program	97.067	S8HS150	<u>25,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,076,317</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal program

CITY OF COLLINS, MISSISSIPPI
 Schedule of Surety Bonds for City Officials
 September 30, 2011

CITY OF COLLINS
 Schedule of Bonds of City Officials
 September 30, 2011

1) Company: Brierfield Insurance Company
 (Southgroup Insurance and Financial Services, LLC)

Limits of liability: Surety bond coverage as follows:

<u>Position</u>	<u>Coverage Amount</u>	<u>Term of Bond</u>
City Alderman (5)	\$50,000	07/01/09 - 07/01/13

2) Company: Western Surety Company
 (Southgroup Insurance and Financial Services, LLC)

Limits of liability: Position bond coverage as follows:

<u>Position</u>	<u>Coverage Amount</u>	<u>Term of Bond</u>
Mayor	\$50,000	12/01/09 - 12/01/12
Mayor Protem	\$50,000	12/01/09 - 12/01/12
City Clerk	\$50,000	12/01/09 - 12/01/12
Police Chief	\$50,000	12/01/09 - 12/01/12
Court Clerk	\$50,000	12/01/09 - 12/01/12
Clerk/Bookkeeper	\$50,000	12/01/09 - 12/01/12
Clerks (3)	\$50,000	12/01/09 - 12/01/12
Dispatchers (6)	\$50,000	12/01/09 - 12/01/12

CITY OF COLLINS, MISSISSIPPI

SPECIAL REPORTS

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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

The Honorable Mayor V.O. Smith and
Honorable Members of the Board of Aldermen
City of Collins, Mississippi

I 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 of Collins, Mississippi, ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 22, 2012. I conducted my 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 my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Honorable Mayor V.O. Smith, Honorable Members of the Board of Aldermen, 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. However, this report is a matter of public record and its distribution is not limited.



June 22, 2012
Magee, Mississippi

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

The Honorable Mayor V.O. Smith and
Honorable Members of the Board of Aldermen
City of Collins, Mississippi

Compliance

I have audited the City of Collins, Mississippi's, ("City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. My responsibility is to express an opinion on the City's compliance based on my audit.

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

In my opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of the Honorable Mayor V.O. Smith, Honorable Members of the Board of Aldermen, 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Charles Robert Drip".

June 22, 2012
Magee, Mississippi

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

The Honorable Mayor V.O. Smith and
Honorable Members of the Board of Aldermen
City of Collins, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of the City of Collins, Mississippi, ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 22, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

Due to the reduced scope, these compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. The results of my compliance tests and my audit of the financial statements of the governmental activities, the business-type activities, the major funds and the aggregate remaining fund information disclosed an instance of noncompliance with state laws and regulations. My findings, recommendation and your response is disclosed below:

1. Finding

Section 21-35-15, Miss. Code Ann. (1972), prohibits the incurring of expenditures, except for capital outlay, election expenses and payment of emergency warrants, in excess of the final budget as approved by the Board of Aldermen. Actual expenditures exceeded budgeted amounts in the parks and recreation department of the General Fund by \$16,958.

Recommendation

Expenditures, except for capital outlay, election expenses and payment of emergency warrants, should not be made in excess of the final budget as approved by the Board of Aldermen.

Response

The City agrees with the finding of this audit. The City complies with the recommendation.

The City of Collins, Mississippi's response to the finding in this report was not audited, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor V.O. Smith, Honorable Members of the Board of Aldermen, 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Charles Robert Davis". The signature is written in a cursive style with a large initial "C".

June 22, 2012
Magee, Mississippi

CITY OF COLLINS, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF COLLINS, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Garbage Collection/Disposal Fund | Unqualified |
| | Fire Protection Fund | Unqualified |
| | Old Depot Property Fund | Unqualified |
| | Utility Enterprise Fund | Unqualified |
| | Collins Communication Fund | Unqualified |
| | Meter Deposit Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Highway Planning and Construction, CFDA #20.205 | |
| | b. Assistance to Firefighters Grant, CFDA #97.044 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

CITY OF COLLINS, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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