



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



**CITY OF CRYSTAL SPRINGS, MISSISSIPPI**

Audited Financial Statements  
For the Year Ending September 30, 2011

CITY OFFICIALS  
As of September 30, 2011

MAYOR  
Sally Garland

Warren Thornton  
Alderman at Large

Ray L. Brown, Jr.  
Ward 1

Jazma T. Wheeler  
Ward 2

Dwayne Thompson  
Ward 3

Richie Richardson  
Ward 4

Kimberly A. Vaughn  
City Clerk

Robert W. Lawrence  
City Attorney

Cairl Robinson  
Police Chief

Willie Green  
Fire Chief



CITY OF CRYSTAL SPRINGS, MISSISSIPPI

TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL AUDIT REPORT</b> .....	5
Independent Auditor’s Report on the Basic Financial Statements and Supplemental Information.....	7
<b>FINANCIAL STATEMENTS</b> .....	9
Statement of Activities and Net Assets – Cash Basis.....	11
Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances .....	13
Notes to the Financial Statements .....	15
<b>REQUIRED SUPPLEMENTAL INFORMATION</b> .....	21
Budgetary Comparison Schedule – General Fund .....	23
Notes to the Required Supplemental Information .....	24
<b>SUPPLEMENTAL INFORMATION</b> .....	25
Schedule of Investments – All Funds.....	27
Schedule of Capital Assets.....	28
Schedule of Long-Term Debt.....	29
Schedule of Surety Bonds of City Officials .....	30
<b>REPORTS OF COMPLIANCE AND INTERNAL CONTROL</b> .....	31
Independent Auditor’s Report on Internal Control Over Financial Reports and on Compliance And Other Matters Based on an audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> .....	33
Limited Internal Control and Compliance Review Management Report .....	35
<b>INDEPENDENT AUDITOR’S REPORT OF COMPLIANCE WITH STATE LAWS AND REGULATIONS</b> .....	37
Independent Auditor’s Report of Compliance with State Laws and Regulations .....	39
<b>SCHEDULE OF FINDINGS AND RESPONSES</b> .....	41
Schedule of Findings and Responses .....	43
<b>AUDITEE’S CORRECTIVE ACTION PLAN</b> .....	45
Auditee’s Corrective Action Plan.....	47

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL AUDIT REPORT

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

(This page was left blank intentionally.)

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

July 17, 2012

Mayor and Board of Aldermen  
City of Crystal Springs, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Crystal Springs, Copiah County, Mississippi, (the City) as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information of the City of Crystal Springs, Mississippi, as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole. The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL STATEMENTS

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis  
As of and for the Year ended September 30, 2011

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental Activities:							
General government	\$ 624,642	\$ 217,102	\$ -	\$ -	\$ (407,540)	\$ -	\$ (407,540)
Public safety	1,222,526	148,438	25,879	-	(1,048,209)	-	(1,048,209)
Public works	881,205	429,235	80,109	-	(371,861)	-	(371,861)
Health and welfare	5,100	-	-	-	(5,100)	-	(5,100)
Culture and recreation	281,718	-	-	-	(281,718)	-	(281,718)
Library	45,199	-	-	-	(45,199)	-	(45,199)
Economic development	12,000	-	-	-	(12,000)	-	(12,000)
Interest and fiscal charges	23,557	-	-	-	(23,557)	-	(23,557)
Total Governmental Activities	3,095,947	794,775	105,988	-	(2,195,184)	-	(2,195,184)
Business-type activities:							
Water	432,703	697,956	59,408	-	-	324,661	324,661
Sewer	260,545	513,685	-	-	-	253,140	253,140
Waste water treatment	252,450	-	-	-	-	(252,450)	(252,450)
Interest and fiscal charges	12,905	-	-	-	-	(12,905)	(12,905)
Total business-type activities	958,603	1,211,641	59,408	-	-	312,446	312,446
Total Primary Government	\$ 4,054,550	\$ 2,006,416	\$ 165,396	\$ -	(2,195,184)	312,446	(1,882,738)
General Receipts:							
Taxes:							
Property taxes					991,781	-	991,781
State grant income					900,454	-	900,454
Transfers					42,480	(42,480)	-
Interest and investment earnings					15,398	-	15,398
Miscellaneous					70,963	-	70,963
Total General Receipts					2,021,076	(42,480)	1,978,596
Change in Net Assets					(174,108)	269,966	95,858
Net Assets - Beginning					676,930	1,237,060	1,913,990
Prior Period Adjustments					4,707	2,252	6,959
Net Assets - Restated					681,637	1,239,312	1,920,949
Net Assets - Ending					\$ 507,529	\$ 1,509,278	\$ 2,016,807

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis  
As of and for the Year ended September 30, 2011

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
(Continued)							
<b>Assets</b>							
Cash and cash equivalents					\$ 495,909	\$ 1,386,364	\$ 1,882,273
Restricted cash					11,620	122,914	134,534
Total Assets					<u>\$ 507,529</u>	<u>\$ 1,509,278</u>	<u>\$ 2,016,807</u>
<b>Net Assets</b>							
Restricted for:							
Unemployment compensation					\$ 11,620	\$ -	\$ 11,620
Meter deposits					-	122,914	122,914
Unrestricted					495,909	1,386,364	1,882,273
Total Net Assets					<u>\$ 507,529</u>	<u>\$ 1,509,278</u>	<u>\$ 2,016,807</u>

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Cash Basis Assets and Fund Balances and Cash Receipts,  
Disbursements and Changes in Cash Basis Fund Balances  
As of and for the Year Ended September 30, 2011

	Governmental Activities				Business-type Activities			
	Major Funds			Total	Major Funds			Total
	General Fund	Debt Service Fund	Other Governmental Funds		Water & Sewer Fund	Water/Sewer Improvement Fund	Other Enterprise Funds	
<b>RECEIPTS</b>								
Taxes	\$ 1,084,526	\$ 49,338	\$ -	\$ 1,133,864	\$ -	\$ -	\$ -	\$ -
In-lieu taxes - Grand Gulf	47,901	-	-	47,901	-	-	-	-
Licenses and permits	32,421	-	-	32,421	-	-	-	-
Intergovernmental revenues	743,591	4,222	82,609	830,422	17,374	-	59,408	76,782
Charges for services	403,925	-	-	403,925	972,091	81,034	102,745	1,155,870
Fines	122,573	-	22,178	144,751	-	-	-	-
Interest	21,775	4,725	331	26,831	14,092	-	4,807	18,899
Franchise fees	137,735	-	-	137,735	-	-	-	-
Industrial rents	34,655	-	-	34,655	-	-	-	-
Miscellaneous	45,089	383	-	45,472	19,498	-	-	19,498
Total Receipts	2,674,191	58,668	105,118	2,837,977	1,023,055	81,034	166,960	1,271,049
<b>DISBURSEMENTS</b>								
General government	\$ 524,336	\$ -	\$ 45,306	\$ 569,642	\$ -	\$ -	\$ -	\$ -
Public safety	1,162,602	-	10,996	1,173,598	-	-	-	-
Public works	735,859	117,434	27,912	881,205	-	-	88,684	88,684
Health and welfare	5,100	-	-	5,100	-	-	-	-
Culture and recreation	270,862	-	-	270,862	-	-	-	-
Library	45,199	-	-	45,199	-	-	-	-
Economic development	12,000	-	-	12,000	-	-	-	-
Enterprise:								
Personnel services	-	-	-	-	283,349	-	-	283,349
Purchases of services	-	-	-	-	363,507	-	-	363,507
Material and supplies	-	-	-	-	87,688	14,634	-	102,322
Heat, Light, and power	-	-	-	-	8,963	-	-	8,963
Capital outlay	-	-	-	-	-	-	59,409	59,409
Debt service:								
Principal	59,784	55,000	-	114,784	39,464	-	-	39,464
Interest and other charges	4,057	19,500	-	23,557	12,905	-	-	12,905
Total Disbursements	2,819,799	191,934	84,214	3,095,947	795,876	14,634	148,093	958,603

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Cash Basis Assets and Fund Balances and Cash Receipts,  
Disbursements and Changes in Cash Basis Fund Balances  
As of and for the Year Ended September 30, 2011

	Governmental Activities				Business-type Activities			
	Major Funds		Other Governmental Funds	Total	Major Funds		Other Enterprise Funds	Total
	General Fund	Debt Service Fund			Water & Sewer Fund	Water/Sewer Improvement Fund		
Excess (Deficiency) of receipts over disbursements	\$ (145,608)	\$ (133,266)	\$ 20,904	\$ (257,970)	\$ 227,179	\$ 66,400	\$ 18,867	\$ 312,446
<b>OTHER FINANCING SOURCES (USES)</b>								
Insurance recoveries	30,442	-	-	30,442	-	-	-	-
Refunds of expenditures	10,940	-	-	10,940	-	-	-	-
Operating transfers in	48,480	-	-	48,480	407,694	-	107,924	515,618
Operating transfers out	(6,000)	-	-	(6,000)	(48,480)	(509,618)	-	(558,098)
Total other financing sources (uses)	<u>83,862</u>	<u>-</u>	<u>-</u>	<u>83,862</u>	<u>359,214</u>	<u>(509,618)</u>	<u>107,924</u>	<u>(42,480)</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	(61,746)	(133,266)	20,904	(174,108)	586,393	(443,218)	126,791	269,966
<b>Cash basis fund balances, October 1, 2010</b>	484,861	244,386	(52,317)	676,930	596,289	443,218	197,553	1,237,060
Prior period adjustments	4,707	-	-	4,707	2,252	-	-	2,252
<b>Cash basis fund balances, as restated</b>	<u>489,568</u>	<u>244,386</u>	<u>(52,317)</u>	<u>681,637</u>	<u>598,541</u>	<u>443,218</u>	<u>197,553</u>	<u>1,239,312</u>
<b>Cash basis fund balances, September 30, 2011</b>	<u>\$ 427,822</u>	<u>\$ 111,120</u>	<u>\$ (31,413)</u>	<u>\$ 507,529</u>	<u>\$ 1,184,934</u>	<u>\$ -</u>	<u>\$ 324,344</u>	<u>\$ 1,509,278</u>

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

## CITY OF CRYSTAL SPRINGS, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2011

#### **(1) Summary of Significant Accounting Policies**

##### A. Financial Reporting Entity

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

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

##### B. Government-wide and Fund Financial Statements

Basic financial statements consist of the following:

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

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

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

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

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

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements  
For the Year Ended September 30, 2011

**(1) Summary of Significant Accounting Policies** (Continued)

The city reports the following major governmental funds:

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

Debt Service Fund – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The city reports the following major proprietary funds:

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

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

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

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

D. Assets and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Fund Equity.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balance as follows:

**Non-spendable** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has no fund balance reported in this category.

**Restricted** – Includes fund balance amounts that are constrained for specific purposes which are internally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The City has \$134,534 reported as restricted fund balances.

**Committed** – Includes fund balance amounts that are constrained for specific purposes that internally imposed by the government through formal action of the highest level of decision making and does not lapse at year-end. The City has no fund balances reported in this category.

**Assigned** – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by

## CITY OF CRYSTAL SPRINGS, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2011

management other than the highest decision making authority of the City. The City has no fund balances reported in this category.

**Unassigned** – Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories. The City has \$1,882,273 reported as unassigned fund balances.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

#### (2) Cash and Cash Equivalents

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

The carrying amount of the city's deposits with financial institutions reported in the governmental funds and business-type funds was \$507,529 and \$1,509,278 respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$1,882,273 and restricted assets \$134,534. The restricted assets represent the cash balance which is legally restricted and may not be used for purposes that support the city's program. The bank balance was \$2,203,189.

#### (3) Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The rate was 12% from July 1, 2010 until July 1, 2011. The rate at the end of the fiscal year was 12% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The city's contributions to PERS for the fiscal years ending September 30, 2011, 2010 and 2009 were \$147,549, \$148,271, and \$140,225 respectively, which equaled the required contributions for each year.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements  
For the Year Ended September 30, 2011

**(4) Litigation**

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

**(5) Risk Management**

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

Participation in Public Entity Risk Pool.

The city is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the city's employees. The Mississippi Workers' Compensation commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a Claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the pool member would be required to pay for the deficiencies. The city has not had an additional assessment for excess losses incurred by the pool.

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

Part I – General and automotive liability:

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

Part II – Errors and omissions liability:

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements  
For the Year Ended September 30, 2011

**(6) Subsequent Events**

On February 7, 2012, the board approved the purchase of two police cars at a state contract price of \$23,440 each.

On March 6, 2012, the board accepted a \$184,700 bid from Griner Drilling for the well replacement project.

On April 3, 2012, the board approved a \$17,000 bid to purchase a digital fingerprint machine.

Except as disclosed above, the City had no subsequent events of a material nature requiring disclosure in the financial statements through July 17, 2012, the date the financial statements were approved by the City's Management and thereby available to be released.

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

(This page was left blank intentionally.)

## CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Budgetary Comparison Schedule – General Fund  
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
<b>RECEIPTS</b>					
Taxes	\$ 1,007,750	\$ 953,911	\$ 1,084,526	\$ (53,839)	\$ 130,615
In-lieu taxes - Grand Gulf	50,000	47,902	47,901	(2,098)	(1)
Licenses and permits	29,200	29,424	32,421	224	2,997
Intergovernmental revenues	882,749	881,398	743,591	(1,351)	(137,807)
Charges for services	340,000	403,925	403,925	63,925	-
Fines	123,000	125,941	122,573	2,941	(3,368)
Interest	13,160	24,030	21,775	10,870	(2,255)
Franchise fees	135,000	137,736	137,735	2,736	(1)
Industrial rents	36,050	34,706	34,655	(1,344)	(51)
Miscellaneous	90,000	37,194	45,089	(52,806)	7,895
Total Receipts	<u>2,706,909</u>	<u>2,676,167</u>	<u>2,674,191</u>	<u>(30,742)</u>	<u>(1,976)</u>
<b>DISBURSEMENTS</b>					
General government	558,758	529,087	524,336	29,671	4,751
Public safety	1,184,459	1,166,776	1,162,602	17,683	4,174
Public works	662,135	725,153	735,859	(63,018)	(10,706)
Health and welfare	5,100	5,100	5,100	-	-
Culture and recreation	250,064	292,591	270,862	(42,527)	21,729
Library	40,390	45,213	45,199	(4,823)	14
Economic development	12,000	12,000	12,000	-	-
Debt service:					
Principal	53,250	52,388	59,784	862	(7,396)
Interest and other charges	7,253	5,090	4,057	2,163	1,033
Total Disbursements	<u>2,773,409</u>	<u>2,833,398</u>	<u>2,819,799</u>	<u>(59,989)</u>	<u>13,599</u>
Excess (Deficiency) of receipts over disbursements	(66,500)	(157,231)	(145,608)	(90,731)	11,623
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	6,000	30,443	30,442	24,443	(1)
Refunds of expenditures	11,000	11,000	10,940	-	(60)
Operating transfers in	49,500	48,500	48,480	(1,000)	(20)
Operating transfers out	-	-	(6,000)	-	(6,000)
Total Other Financing Sources (Uses)	<u>66,500</u>	<u>89,943</u>	<u>83,862</u>	<u>23,443</u>	<u>(6,081)</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(67,288)	(61,746)	(67,288)	5,542
<b>Cash basis fund balances, October 1, 2010</b>			484,861		
Prior period adjustments			<u>4,707</u>		
<b>Cash basis fund balances, as restated</b>			489,568		
<b>Cash basis fund balances, September 30, 2011</b>			<u>\$ 427,822</u>		

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Required Supplemental Information  
For the Year ended September 30, 2011

**(1) Budgetary Information**

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

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

**(2) Basis of Presentation**

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

**(3) Budget Reconciliation**

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Investments – All Funds  
For the Fiscal Year Ended September 30, 2011

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Other Information</u>	<u>Investment Cost/value</u>
Unemployment Fund	Certificate of Deposit	1.250%	12/08/10	12/07/11	N/A	\$ 11,620
General Fund	Certificate of Deposit	1.000%	04/20/11	04/20/12	N/A	16,000
General/Debt Service/Water Funds	Certificate of Deposit	1.320%	12/29/10	12/29/11	N/A	243,131
General/Debt Service/Water Funds	Certificate of Deposit	2.000%	06/20/11	06/20/12	N/A	366,842
Total Investments						<u>\$ 637,593</u>

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Capital Assets  
For the Fiscal Year Ended September 30, 2011

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balance
<b>Governmental activities:</b>					
Capital Assets:					
Land	\$ 566,107	\$ 35,175	\$ -	\$ -	\$ 601,282
Construction in progress	344,569	45,286	389,855	-	-
Buildings	2,470,533	-	-	-	2,470,533
Improvements/infrastructure	826,563	574,363	-	-	1,400,926
Mobile Equipment	1,067,629	46,915	(24,000)	(33,355)	1,057,189
Furniture & Equipment	180,216	6,000	-	1,729	187,945
Obligations under capital leases	252,420	-	-	(46,020)	206,400
<b>Total Governmental Activities Capital Assets</b>	<b>\$ 5,708,037</b>	<b>\$ 707,739</b>	<b>\$ 365,855</b>	<b>\$ (77,646)</b>	<b>\$ 5,924,275</b>
<b>Business-type activities:</b>					
Capital Assets:					
Land	\$ 254,800	\$ -	\$ -	\$ -	\$ 254,800
Buildings	246,750	-	-	-	246,750
Improvements/infrastructure	4,593,098	110,870	-	-	4,703,968
Mobile Equipment	125,549	-	-	19,118	144,667
Furniture & Equipment	146,650	-	-	5,065	151,715
<b>Total Business-type Activities Capital Assets</b>	<b>\$ 5,366,847</b>	<b>\$ 110,870</b>	<b>\$ -</b>	<b>\$ 24,183</b>	<b>\$ 5,501,900</b>

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Long-Term Debt  
For the Fiscal Year Ended September 30, 2011

Definition and Purpose	Balance	Transactions During Fiscal Year		Balance	Amounts Due
	Outstanding October 1, 2010	Increases	Decreases	Outstanding September 30, 2011	Within One-Year
<b>General Obligation Bonds:</b>					
<i>Governmental Activities:</i>					
General Obligation Bonds, 2008	\$ 500,000	\$ -	\$ 55,000	\$ 445,000	\$ 55,000
<b>Capital Improvement Loans:</b>					
<i>Governmental Activities:</i>					
Sol St Renovations	30,230	-	10,855	19,375	11,158
<i>Business-type Activities:</i>					
WWTP Roof & Phase II Sewer	243,831	-	16,349	227,482	16,449
Sewer Project - Jackson Street	128,787	-	5,984	122,803	6,034
<b>Other Loans Payable:</b>					
<i>Business-type Activities:</i>					
Department of Environmental Quality Loan - Phase III - Sewer Loan	282,080	-	17,131	264,949	17,432
<b>Obligations Under Capital Leases Payable:</b>					
<i>Governmental Activities:</i>					
Lease Purchase - 2007 Police Vehicles	12,482	-	12,482	-	-
Lease Purchase - Fire Truck	81,123	-	36,446	44,677	38,147
<b>Compensated Absences:</b>					
Governmental Activities	45,107	-	4,807	40,300	-
Business-type Activities	14,050	-	3,410	10,640	-
<b>TOTAL</b>	<b>\$ 1,337,690</b>	<b>\$ -</b>	<b>\$ 162,464</b>	<b>\$ 1,175,226</b>	<b>\$ 144,220</b>

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Surety Bonds of City Officials  
September 30, 2011

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

(This page was left blank intentionally.)

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

July 17, 2012

Mayor and Board of Aldermen  
City of Crystal Springs

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crystal Springs as of and for the year ended September 30, 2011, which collectively comprise the City of Crystal Springs' basic financial statements and have issued our report thereon dated July 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Crystal Springs is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Crystal Springs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Crystal Springs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crystal Springs' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting. It is listed as item 2011-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

### Compliance and Other Matters

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

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

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

Sincerely,



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

## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

July 17, 2012

Mayor and Board of Aldermen  
City of Crystal Springs

In planning and performing our audit of the financial statements of the City of Crystal Springs, Mississippi for the year ended September 30, 2011, we considered the City of Crystal Springs, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the City of Crystal Springs, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 17, 2012, on the financial statements of Crystal Springs, Mississippi.

Due to the reduced scope these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations that are opportunities for strengthening internal control and operating efficiency. Our finding, recommendation, and your response are disclosed below:

### 1. Finding

The city is not consistently following their standard operating procedures for purchasing. Purchase orders are not being written for some purchases. This is an internal control deficiency and negates the process of approval when the procedures for purchasing are not consistently followed and could cause a misstatement in the financial statements.

During our review of expenditures, we found three (3) instances of purchases with no purchase order having been issued.

Recommendation

We recommend that the city follow their standard operating procedure for purchasing and issue purchase orders for all purchases prior to the goods or services being ordered and received.

City's Response

The City will follow the above recommendation and issue purchase orders for all purchases.

Crystal Springs' response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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

(This page was left blank intentionally.)

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

July 17, 2012

Mayor and Board of Aldermen  
City of Crystal Springs

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2011, which collectively comprise City of Crystal Springs's basic financial statement and have issued our report thereon dated July 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, and the procedures prescribed by the Office of the State Auditor, and accordingly, include such tests of the accounting records and other such auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

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

1. Finding

No written bids were obtained for purchases over \$5,000 in one instance. According to state purchasing law, purchases which involve an expenditure of more than \$5,000, but less than \$50,000, exclusive of freight and shipping charges may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided that at least two written bids have been obtained.

Recommendation:

We recommend that the City abide by state statute and obtain written bids for purchases exceeding \$5,000, but less than \$50,000, exclusive of freight and shipping charges.

City's Response:

All purchases over \$5,000.00 will be submitted with a written bid unless state contract purchase, in which case the state contract number will be written on the purchase order.

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

Sincerely,

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

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Findings and Responses  
For the Year Ending September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements

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

Section 2: Financial Statement Findings

Significant deficiency considered to be a material weakness

2011-01 Finding

The city relies on its external auditors to assist management in the preparation of the City's financial statements and related disclosures in conformity with *Generally Accepted Auditing Standards (GAAS)* in the United States of America. Under GAAS, performance of such functions by the City's independent auditor cannot be considered part of the City's internal control structure.

The City has a small accounting staff that does not possess the skills necessary to prepare their own financial statements. The Board has determined that it is more cost effective to utilize the expertise of its auditor for preparation of the annual financial statements as opposed to hiring an employee with comparable expertise. Management reviews all financial statements, related footnote disclosures, and all proposed adjusting journal entries prior to the release of the audit report.

Recommendation

Management should continue to assess the cost benefit of continuing to utilize the expertise of their auditor to perform financial statement preparation.

(This page was left blank intentionally.)

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

AUDITEE'S CORRECTIVE ACTION PLAN

(This page was left blank intentionally.)

Mayor  
Sally Garland  
City Clerk  
Kimberly A. Vaughn  
City Attorney  
Robert W. Lawrence  
Police Chief  
Cecil Robinson  
Fire Chief  
Wille B. Green



Alderman At Large  
Warren Thomann  
Ward 1  
Ray Brown, Jr.  
Ward 2  
Lazina T. Wheeler  
Ward 3  
Dwayne Thompson  
Ward 4  
Rickie Richardson

# City of Crystal Springs

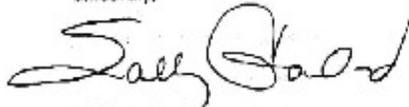
Nieman and Associates, PC  
Post Office Box 1411  
McComb, MS 39649-1411

The City of Crystal Springs, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2011.

The finding from the Schedule of Findings and Responses is discussed below. The finding is numbered consistently with the number in the schedule: Section I: Summary of Auditors Results does not include findings and is not addressed.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Kimberly A. Vaughn, City Clerk, (601)892-1210</p> <p>b. Corrective Action Plan</p> <p>The city's Board of Aldermen will continue to assess the cost benefit of continuing to utilize the expertise of our auditor to perform financial statement preparation.</p>

Sincerely,

  
Sally Garland  
Mayor

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