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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Audited Financial Statements
For the Year Ending September 30, 2012

CITY OFFICIALS
As of September 30, 2012

MAYOR
Sally Garland

Warren Thornton
Alderman at Large

Jazma T. Wheeler
Ward 2

Richie Richardson
Ward 4

Robert W. Lawrence
City Attorney

Ray L. Brown, Jr.
Ward 1

Dwayne Thompson
Ward 3

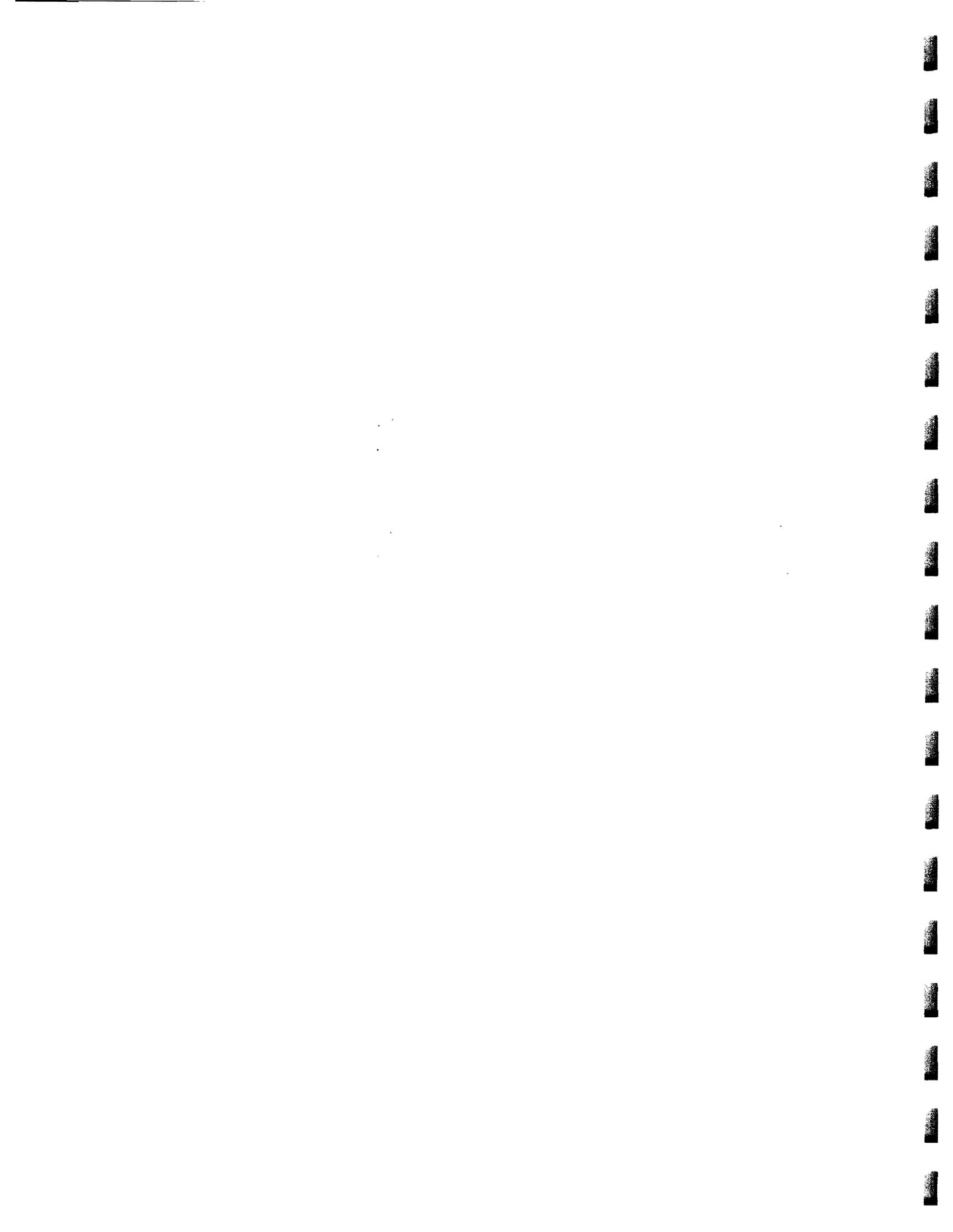
Kimberly A. Vaughn
City Clerk

Cairl Robinson
Police Chief

Willie Green
Fire Chief

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL AUDIT REPORT

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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

April 9, 2013

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, 2012, 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, 2012, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

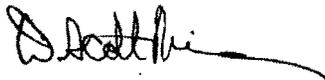
In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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,



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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

FINANCIAL STATEMENTS

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Statement of Activities and Net Assets – Cash Basis
As of and for the Year ended September 30, 2012

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental Activities:							
General government	\$ 693,181	\$ 195,264	\$ 58,033	\$ -	\$ (439,884)	\$ -	\$ (439,884)
Public safety	1,252,519	224,223	52,691	-	(975,605)	-	(975,605)
Public works	654,773	409,876	-	-	(244,897)	-	(244,897)
Health and welfare	5,100	-	-	-	(5,100)	-	(5,100)
Culture and recreation	306,382	-	-	-	(306,382)	-	(306,382)
Library	55,502	-	-	-	(55,502)	-	(55,502)
Economic development	12,000	-	-	-	(12,000)	-	(12,000)
Interest and fiscal charges	19,145	-	-	-	(19,145)	-	(19,145)
Total Governmental Activities	<u>2,998,602</u>	<u>829,363</u>	<u>110,724</u>	<u>-</u>	<u>(2,058,515)</u>	<u>-</u>	<u>(2,058,515)</u>
Business-type activities:							
Water	607,973	682,094	90,745	-	-	164,866	164,866
Sewer	228,786	545,560	-	-	-	316,774	316,774
Waste water treatment	290,825	-	-	-	-	(290,825)	(290,825)
Interest and fiscal charges	13,103	-	-	-	-	(13,103)	(13,103)
Total business-type activities	<u>1,140,687</u>	<u>1,227,654</u>	<u>90,745</u>	<u>-</u>	<u>-</u>	<u>177,712</u>	<u>177,712</u>
Total Primary Government	<u>\$ 4,139,289</u>	<u>\$ 2,057,017</u>	<u>\$ 201,469</u>	<u>\$ -</u>	<u>(2,058,515)</u>	<u>177,712</u>	<u>(1,880,803)</u>
General Receipts:							
Taxes:							
Property taxes					1,004,182	-	1,004,182
State grant income					901,670	-	901,670
Transfers					48,480	(48,480)	-
Interest and investment earnings					8,967	-	8,967
Miscellaneous					126,111	-	126,111
Total General Receipts					<u>2,089,410</u>	<u>(48,480)</u>	<u>2,040,930</u>
Change in Net Assets					30,895	129,232	160,127
Net Assets - Beginning					515,911	1,509,278	2,025,189
Prior Period Adjustments					(8,382)	-	(8,382)
Net Assets - Restated					<u>507,529</u>	<u>1,509,278</u>	<u>2,016,807</u>
Net Assets - Ending					<u>\$ 538,424</u>	<u>\$ 1,638,510</u>	<u>\$ 2,176,934</u>

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, 2012

Functions/Programs	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
(Continued)							
Assets							
Cash and cash equivalents					\$ 526,659	\$ 1,509,308	\$ 2,035,967
Restricted cash					11,765	129,202	140,967
Total Assets					<u>\$ 538,424</u>	<u>\$ 1,638,510</u>	<u>\$ 2,176,934</u>
Net Assets							
Restricted for:							
Unemployment compensation					\$ 11,765	\$ -	\$ 11,765
Meter deposits					-	129,202	129,202
Unrestricted					526,659	1,509,308	2,035,967
Total Net Assets					<u>\$ 538,424</u>	<u>\$ 1,638,510</u>	<u>\$ 2,176,934</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, 2012

	Governmental Activities				Business-type Activities			
	Major Funds		Other Governmental Funds	Total	Major Funds		Other Enterprise Funds	Total
	General Fund	Debt Service Fund			Water & Sewer Fund	Sewer Surcharge Fund		
RECEIPTS								
Taxes	\$ 1,091,331	\$ 49,947	\$ -	\$ 1,141,278	\$ -	\$ -	\$ -	\$ -
In-lieu taxes - Grand Gulf	45,599	-	-	45,599	-	-	-	-
Licenses and permits	14,657	-	-	14,657	-	-	-	-
Intergovernmental revenues	830,896	4,273	42,806	877,975	90,746	-	-	90,746
Charges for services	409,876	-	-	409,876	1,050,057	148,037	-	1,198,094
Fines	145,665	-	21,689	167,354	-	-	-	-
Interest	13,866	1,441	386	15,693	8,770	4,221	104	13,095
Franchise fees	118,236	-	-	118,236	-	-	-	-
Industrial rents	34,652	-	-	34,652	-	-	-	-
Miscellaneous	68,411	-	-	68,411	11,364	-	5,100	16,464
Total Receipts	2,773,189	55,661	64,881	2,893,731	1,160,937	152,258	5,204	1,318,399
DISBURSEMENTS								
General government	\$ 610,946	\$ -	\$ -	\$ 610,946	\$ -	\$ -	\$ -	\$ -
Public safety	1,149,846	-	832	1,150,678	-	-	-	-
Public works	654,773	-	-	654,773	-	-	-	-
Health and welfare	5,100	-	-	5,100	-	-	-	-
Culture and recreation	249,447	-	-	249,447	-	-	-	-
Library	55,502	-	-	55,502	-	-	-	-
Economic development	12,000	-	-	12,000	-	-	-	-
Capital outlay	114,241	-	22,493	136,734	-	-	-	-
Enterprise:								
Personnel services	-	-	-	-	355,738	-	-	355,738
Purchases of services	-	-	-	-	402,096	61,003	-	463,099
Material and supplies	-	-	-	-	89,952	-	-	89,952
Heat, Light, and power	-	-	-	-	11,312	-	-	11,312
Capital outlay	-	-	-	-	108,895	59,322	-	168,217
Debt service:								
Principal	49,277	55,000	-	104,277	39,266	-	-	39,266
Interest and other charges	1,707	17,438	-	19,145	13,103	-	-	13,103
Total Disbursements	2,902,839	72,438	23,325	2,998,602	1,020,362	120,325	-	1,140,687

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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, 2012

	Governmental Activities				Business-type Activities			
	Major Funds			Total	Major Funds			Total
	General Fund	Debt Service Fund	Other Governmental Funds		Water & Sewer Fund	Sewer Surcharge Fund	Other Enterprise Funds	
Excess (Deficiency) of receipts over disbursements	\$ (129,650)	\$ (16,777)	\$ 41,556	\$ (104,871)	\$ 140,575	\$ 31,933	\$ 5,204	\$ 177,712
OTHER FINANCING SOURCES (USES)								
Insurance recoveries	58,097	-	-	58,097	-	-	-	-
Refunds of expenditures	29,189	-	-	29,189	-	-	-	-
Operating transfers in	48,480	-	35,756	84,236	-	-	-	-
Operating transfers out	(35,756)	-	-	(35,756)	(48,480)	-	-	(48,480)
Total other financing sources (uses)	100,010	-	35,756	135,766	(48,480)	-	-	(48,480)
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,640)	(16,777)	77,312	30,895	92,095	31,933	5,204	129,232
Cash basis fund balances, October 1, 2011	436,587	110,737	(31,413)	515,911	1,184,934	318,343	6,001	1,509,278
Prior period adjustments	(8,765)	383	-	(8,382)	-	-	-	-
Cash basis fund balances, as restated	427,822	111,120	(31,413)	507,529	1,184,934	318,343	6,001	1,509,278
Cash basis fund balances, September 30, 2012	\$ 398,182	\$ 94,343	\$ 45,899	\$ 538,424	\$ 1,277,029	\$ 350,276	\$ 11,205	\$ 1,638,510

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, 2012

(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.

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

The city reports the following major governmental funds:

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

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

The city reports the following major proprietary funds:

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

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

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 \$140,967 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, 2012

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 \$2,035,967 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 \$538,424 and \$1,638,510 respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$2,035,967 and restricted assets \$140,967. 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 \$2,343,446.

(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 October 1, 2011 until January 1, 2012; the rate was 12.93% from January 1, 2012 until July 1, 2012. The rate at the end of the fiscal year was 14.26% 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, 2012, 2011 and 2010 were \$158,232, \$147,549, and \$148,271 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, 2012

(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 \$1,000,000.

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2012

(6) Subsequent Events

On January 17, 2013, the board accepted a Delta Regional Authority utility grant for \$307,000.

On February 5, 2013, the board approved the purchase of a police car from Turan-Foley Chevrolet at the state contract price of \$26,230.

Except as disclosed above, the City had no subsequent events of a material nature requiring disclosure in the financial statements through April 9, 2013, the date the financial statements were approved by the City's Management and thereby available to be released.

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REQUIRED SUPPLEMENTAL INFORMATION

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Budgetary Comparison Schedule -- General Fund
For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
RECEIPTS					
Taxes	\$ 983,700	\$ 902,280	\$ 1,091,331	\$ (81,420)	\$ 189,051
In-lieu taxes - Grand Gulf	50,000	46,000	45,599	(4,000)	(401)
Licenses and permits	29,200	15,004	14,657	(14,196)	(347)
Intergovernmental revenues	945,300	916,705	830,896	(28,595)	(85,809)
Charges for services	340,000	410,000	409,876	70,000	(124)
Fines	140,700	127,381	145,665	(13,319)	18,284
Interest	27,200	13,839	13,866	(13,361)	27
Franchise fees	135,000	118,237	118,236	(16,763)	(1)
Industrial rents	36,050	30,603	34,652	(5,447)	4,049
Miscellaneous	58,715	51,967	68,411	(6,748)	16,444
Total Receipts	<u>2,745,865</u>	<u>2,632,016</u>	<u>2,773,189</u>	<u>(113,849)</u>	<u>141,173</u>
DISBURSEMENTS					
General government	543,593	508,163	610,946	35,430	(102,783)
Public safety	1,172,582	1,087,722	1,149,846	84,860	(62,124)
Public works	650,030	643,348	654,773	6,682	(11,425)
Health and welfare	6,823	-	5,100	6,823	(5,100)
Culture and recreation	341,614	290,571	249,447	51,043	41,124
Library	41,540	55,505	55,502	(13,965)	3
Economic development	12,000	-	12,000	12,000	(12,000)
Capital outlay	-	-	114,241	-	(114,241)
Debt service:					
Principal	52,494	24,783	49,277	27,711	(24,494)
Interest and other charges	1,689	458	1,707	1,231	(1,249)
Total Disbursements	<u>2,822,365</u>	<u>2,610,550</u>	<u>2,902,839</u>	<u>211,815</u>	<u>(292,289)</u>
Excess (Deficiency) of receipts over disbursements	(76,500)	21,466	(129,650)	97,966	(151,116)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	17,000	58,098	58,097	41,098	(1)
Refunds of expenditures	11,000	29,190	29,189	18,190	(1)
Operating transfers in	48,500	-	48,480	(48,500)	48,480
Operating transfers out	-	-	(35,756)	-	(35,756)
Total Other Financing Sources (Uses)	<u>76,500</u>	<u>87,288</u>	<u>100,010</u>	<u>10,788</u>	<u>12,722</u>
Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses	-	108,754	(29,640)	108,754	(138,394)
Cash basis fund balances, October 1, 2011			436,587		
Prior period adjustments			(8,765)		
Cash basis fund balances, as restated			<u>427,822</u>		
Cash basis fund balances, September 30, 2012			<u>\$ 398,182</u>		

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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, 2012

(1) **Budgetary Information**

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

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

(2) **Basis of Presentation**

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

(3) **Budget Reconciliation**

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

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Investments – All Funds
For the Fiscal Year Ended September 30, 2012

Ownership	Type of Investment	Interest Rate	Acquisition Date	Maturity Date	Other Information	Investment Cost/value
Unemployment Fund	Certificate of Deposit	0.800%	12/08/11	12/07/12	N/A	\$ 11,765
General Fund	Certificate of Deposit	0.750%	04/20/11	04/20/13	N/A	16,160
General/Debt Service/Water Funds	Certificate of Deposit	0.800%	01/03/12	01/03/13	N/A	243,925
General/Debt Service/Water Funds	Certificate of Deposit	0.750%	06/20/11	06/20/13	N/A	371,068
Total Investments						<u>\$ 642,918</u>

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Capital Assets
For the Fiscal Year Ended September 30, 2012

	Beginning Balances	Increases	Decreases	Completed Construction	Adjustments	Ending Balance
Governmental activities:						
Capital Assets:						
Land	\$ 601,282	\$ -	\$ -	\$ -	\$ -	\$ 601,282
Construction in progress	-	45,805	-	-	2,375	48,180
Buildings	2,470,533	-	-	-	-	2,470,533
Improvements/infrastructure	1,400,926	-	-	-	-	1,400,926
Mobile Equipment	1,057,189	49,999	-	-	(8,995)	1,098,193
Furniture & Equipment	187,945	40,930	-	-	-	228,875
Obligations under capital leases	206,400	-	-	-	-	206,400
Total Governmental Activities Capital Assets	\$ 5,924,275	\$ 136,734	\$ -	\$ -	\$ (6,620)	\$ 6,054,389
Business-type activities:						
Capital Assets:						
Land	\$ 254,800	\$ -	\$ -	\$ -	\$ -	\$ 254,800
Construction in progress	-	128,680	-	(42,623)	-	86,057
Buildings	246,750	-	-	-	-	246,750
Improvements/infrastructure	4,703,968	-	-	42,623	-	4,746,591
Mobile Equipment	144,667	39,537	-	-	-	184,204
Furniture & Equipment	151,715	-	-	-	-	151,715
Total Business-type Activities Capital Assets	\$ 5,501,900	\$ 168,217	\$ -	\$ -	\$ -	\$ 5,670,117

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Long-Term Debt
For the Fiscal Year Ended September 30, 2012

Definition and Purpose	Balance	Transactions During Fiscal Year		Adjustments	Balance	Amounts Due
	Outstanding	Increases	Decreases		Outstanding	Within
	October 1, 2011				September 30, 2012	One-Year
General Obligation Bonds:						
<i>Governmental Activities:</i>						
General Obligation Bonds, 2008	\$ 445,000	\$ -	\$ 55,000	\$ -	\$ 390,000	\$ 60,000
Capital Improvement Loans:						
<i>Governmental Activities:</i>						
Sol St Renovations	19,375	-	11,130	-	8,245	8,245
<i>Business-type Activities:</i>						
WWTP Roof & Phase II Sewer	227,482	-	16,124	-	211,358	16,835
Sewer Project - Jackson Street	122,803	-	5,710	-	117,093	6,205
Other Loans Payable:						
<i>Business-type Activities:</i>						
Department of Environmental Quality Loan - Phase III - Sewer Loan	264,949	-	17,432	-	247,517	17,798
Obligations Under Capital Leases Payable:						
<i>Governmental Activities:</i>						
Lease Purchase - Fire Truck	44,677	-	38,147	24	6,554	6,554
TOTAL	\$ 1,124,286	\$ -	\$ 143,543	\$ 24	\$ 980,767	\$ 115,637

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Surety Bonds of City Officials
September 30, 2012

<u>Name</u>	<u>Position</u>	<u>Surety Bond Company</u>	<u>Amount</u>
Arthur L. Evans Jr.	Mayor	Travelers	\$ 50,000
Sally Garland	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 (\$50,000), the Deputy City Clerks (\$50,000), and all other personnel that handle cash (\$10,000).

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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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**

April 9, 2013

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, 2012, which collectively comprise the City of Crystal Springs' basic financial statements and have issued our report thereon dated April 9, 2013. 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 2012-01. 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.

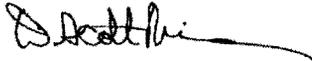
Compliance and Other Matters

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

This report is intended solely for the information and use of the 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

April 9, 2013

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, 2012, 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 April 9, 2013, 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 certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal control and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

1. Finding

Per the Mississippi Municipal Fixed Asset Management Manual, it is the municipality's responsibility to ensure that all assets are tagged and accounted for. Assets must be identified with a unique number signifying ownership and allowing for positive identification. Numbering assets is an important internal control.

During our review of fixed assets, we found that three (3) items were not tagged, two (2) vehicles and one (1) tractor.

Recommendation

We recommend that all assets be properly tagged or marked with the asset number assigned to the asset.

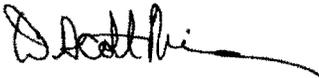
City's Response

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.

Crystal Springs' responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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,



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

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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

April 9, 2013

Mayor and Board of Aldermen
City of Crystal Springs

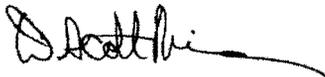
We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2012, which collectively comprise City of Crystal Springs's basic financial statement and have issued our report thereon dated April 9, 2013. 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 did not disclose any instance of noncompliance with state laws and regulations.

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

Sincerely,



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

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

Schedule of Findings and Responses
For the Year Ending September 30, 2012

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

2012-01 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.

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CITY OF CRYSTAL SPRINGS, MISSISSIPPI

AUDITEE'S CORRECTIVE ACTION PLAN

CITY OF CRYSTAL SPRINGS, MISSISSIPPI

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



City of Crystal Springs

May 6, 2013

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

Nicman & Associates, PC
P.O. Box 1411
McComb, MS 39649-1411

Gentlemen:

The City of Crystal Springs, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2012.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers in the schedule. Section 2: Summary of Auditors Results does not include findings and is not addressed.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
12-01	<p>a. Name(s) of Contact Person(s) Responsible for Corrective Action</p> <p>Kimberly A. Vaughn, City Clerk, (601) 892-1210</p> <p>b. Corrective Action Plan</p> <p>The Clerk will meet with all departments to determine the best method to ensure proper tagging even if using an eraser and/or permanent marker. Staff also will work with software programmer to insure information will be inputted correctly after change over from previous program.</p> <p>c. Anticipated Completion Date:</p> <p>January 2014.</p>

Sincerely,

Sally Garland,
Mayor

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

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