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THE CITY OF CRYSTAL SPRINGS
Audited Financial Statements
For the Year Ending September 30, 2009

CITY OFFICIALS
As of September 30, 2009

MAYOR
Arthur L. Evans, Jr.

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

Abra Hines
Fire Chief

CITY OF CRYSTAL SPRINGS

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CITY OF CRYSTAL SPRINGS

FINANCIAL AUDIT REPORT

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

May 18, 2010

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, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the cash flow of the proprietary fund of the City of Crystal Springs, Mississippi, as of September 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Sincerely,

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
Dribben & Associates, Ltd.
McComb, Mississippi

CITY OF CRYSTAL SPRINGS

FINANCIAL STATEMENTS

CITY OF CRYSTAL SPRINGS

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CITY OF CRYSTAL SPRINGS
Statement of Net Assets
September 30, 2009

Exhibit A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 755,257	678,267	1,433,524
Intergovernmental receivables	84,236		84,236
Receivables	71,503	126,424	197,927
Restricted assets - cash	10,581	344,357	354,938
Total Current Assets	<u>921,577</u>	<u>1,149,048</u>	<u>2,070,625</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	2,682,070	2,807,330	5,489,400
Total Noncurrent Assets	<u>2,682,070</u>	<u>2,807,330</u>	<u>5,489,400</u>
 Total Assets	 <u>\$ 3,603,647</u>	 <u>3,956,378</u>	 <u>7,560,025</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 76,249	141,407	217,656
Capital debt - current	159,830	411	160,241
Non-capital debt - current	7,023	360	7,383
Total Current Liabilities	<u>243,102</u>	<u>142,178</u>	<u>385,280</u>
Noncurrent liabilities:			
Capital debt - noncurrent	623,740	765,723	1,389,463
Non-capital - noncurrent	42,693	11,652	54,345
Total Noncurrent Liabilities	<u>666,433</u>	<u>777,375</u>	<u>1,443,808</u>
 Total Liabilities	 <u>909,535</u>	 <u>919,553</u>	 <u>1,829,088</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,898,500	2,041,196	3,939,696
Restricted for:			
Debt service	-	84,013	84,013
Other purposes	10,771	207,306	218,077
Unrestricted	784,841	704,310	1,489,151
Total Net Assets	<u>2,694,112</u>	<u>3,036,825</u>	<u>5,730,937</u>
 Total Liabilities and Net Assets	 <u>\$ 3,603,647</u>	 <u>3,956,378</u>	 <u>7,560,025</u>

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

CITY OF CRYSTAL SPRINGS
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund		
ASSETS:				
Cash and cash equivalents	\$ 285,690	476,976	(7,409)	755,257
Intergovernmental Receivables	83,524	712	-	84,236
Other Receivables	65,167	-	-	65,167
Due from other funds	6,336	-	-	6,336
Restricted assets - cash	10,581	-	-	10,581
Total Assets	<u>\$ 451,298</u>	<u>477,688</u>	<u>(7,409)</u>	<u>921,577</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 76,249	-	-	76,249
Total Liabilities	<u>76,249</u>	<u>-</u>	<u>-</u>	<u>76,249</u>
FUND BALANCES:				
Reserved for:				
Debt Service	-	247,404	-	247,404
Unemployment	10,771	-	-	10,771
Unrestricted/undesignated, reported in:				
General Fund	<u>364,278</u>	<u>230,284</u>	<u>(7,409)</u>	<u>587,153</u>
Total Fund Balances	<u>375,049</u>	<u>477,688</u>	<u>(7,409)</u>	<u>845,328</u>
Total Liabilities and Fund Balances	<u>\$ 451,298</u>	<u>477,688</u>	<u>(7,409)</u>	<u>921,577</u>

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

CITY OF CRYSTAL SPRINGS

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

Exhibit C-1

Total fund balances - governmental funds		\$	845,328
Amounts reported for governmental activities in the statement of net assets are different because:			
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital Assets			5,225,906
Less Accumulated Depreciation			<u>(2,543,836)</u>
			2,682,070
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Long-term Liabilities			<u>(833,286)</u>
Total Net Assets - Governmental Funds		\$	<u><u>2,694,112</u></u>

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

CITY OF CRYSTAL SPRINGS

Exhibit D

Statement of Revenues, Expenditures And Changes in Fund Balances
For Governmental Funds
For the Year Ended September 30, 2009

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 879,257	45,966	-	925,223
In lieu taxes - Grand Gulf	47,261	-	-	47,261
Licenses and permits	12,350	-	-	12,350
Intergovernmental revenues	926,563	4,414	-	930,977
Charges for services	379,271	-	-	379,271
Fines	119,998	-	-	119,998
Interest	39,818	25,495	-	65,313
Franchise fees	141,243	-	-	141,243
Industrial rents	34,526	-	-	34,526
Miscellaneous	143,272	274	-	143,546
Total Revenues	<u>2,723,559</u>	<u>76,149</u>	<u>-</u>	<u>2,799,708</u>
Expenditures:				
Current:				
General government	572,019	-	7,409	579,428
Public safety	1,024,739	-	-	1,024,739
Public works	611,831	312,809	-	924,640
Health and welfare	5,525	-	-	5,525
Culture and recreation	291,734	-	-	291,734
Library	43,745	-	-	43,745
Economic development	12,250	-	-	12,250
Debt Service:				
Principal	52,539	100,000	-	152,539
Interest	13,835	21,056	-	34,891
Total Expenditures	<u>2,628,217</u>	<u>433,865</u>	<u>7,409</u>	<u>3,069,491</u>
Excess (deficiency) of revenues over expenditures	95,342	(357,716)	(7,409)	(269,783)
Other Financing Sources (Uses):				
Insurance recoveries	21,457	-	-	21,457
Proceeds of debt	-	600,000	-	600,000
Refunds of expenditures	9,576	-	-	9,576
Operating transfers in	48,480	-	-	48,480
Total Other Financing Sources and Uses	<u>79,513</u>	<u>600,000</u>	<u>-</u>	<u>679,513</u>
Net change in fund balances	174,855	242,284	(7,409)	409,730
Fund Balances:				
October 1, 2008	357,251	247,404	-	604,655
Prior period adjustments	(157,057)	(12,000)	-	(169,057)
October 1, 2008, as adjusted	<u>200,194</u>	<u>235,404</u>	<u>-</u>	<u>435,598</u>
September 30, 2009	<u>\$ 375,049</u>	<u>477,688</u>	<u>(7,409)</u>	<u>845,328</u>

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

CITY OF CRYSTAL SPRINGS

Exhibit D-1

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

	<u>Amount</u>
Net change in fund balances	\$ 409,730
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets, as follows:	295,413
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over the estimated useful lives in the Statement of Activities.	(172,873)
3. Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances but the amount that debt proceeds of \$600,000 was exceeded by debt payments of \$152,539.	(447,461)
4. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the changes in fund balances by a combination of the following items:	
Compensated Absences increases	(3,706)
Change in Net Assets of Governmental Funds	<u>\$ 81,103</u>

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

CITY OF CRYSTAL SPRINGS

Statement of Net Assets

Proprietary Funds

September 30, 2009

Exhibit E

	Business-type Activities				Total Business-type Activities
	Water and Sewer Fund	CDBG Fund	Sewer Surcharge Fund	Water/Sewer Improvement Fund	
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 312,570	2	-	365,695	678,267
Receivables	126,424	-	-	-	126,424
Restricted assets - cash	216,619	-	127,738	-	344,357
Total Current Assets	<u>655,613</u>	<u>2</u>	<u>127,738</u>	<u>365,695</u>	<u>1,149,048</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,807,330	-	-	-	2,807,330
Total Noncurrent assets	<u>2,807,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,807,330</u>
Total Assets	<u>\$ 3,462,943</u>	<u>2</u>	<u>127,738</u>	<u>365,695</u>	<u>3,956,378</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 141,407	-	-	-	141,407
Current portion of long-term debt					
Capital related liabilities	-	-	411	-	411
Non-capital related liabilities	360	-	-	-	360
Total Current Liabilities	<u>141,767</u>	<u>-</u>	<u>411</u>	<u>-</u>	<u>142,178</u>
Noncurrent liabilities:					
Long-term debt, net of current portion					
Capital related liabilities	729,034	-	36,689	-	765,723
Non-capital related liabilities	11,652	-	-	-	11,652
Total Noncurrent liabilities	<u>740,686</u>	<u>-</u>	<u>36,689</u>	<u>-</u>	<u>777,375</u>
Total Liabilities	<u>882,453</u>	<u>-</u>	<u>37,100</u>	<u>-</u>	<u>919,553</u>
Net Assets					
Invested in capital assets, net of related debt	2,078,296	-	-	-	2,078,296
Restricted for:					
Debt service	84,013	-	-	-	84,013
Unrestricted	418,181	2	90,638	365,695	874,516
Total Net Assets	<u>2,580,490</u>	<u>2</u>	<u>90,638</u>	<u>365,695</u>	<u>3,036,825</u>
Total Liabilities and Fund Balances	<u>\$ 3,462,943</u>	<u>2</u>	<u>127,738</u>	<u>365,695</u>	<u>3,956,378</u>

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

CITY OF CRYSTAL SPRINGS

Statement of Revenues, Expenditures And Changes in Net Assets

Proprietary Funds

For the Year Ended September 30, 2009

Exhibit F

	Business-type Activities				Total Business-type Activities
	Water and Sewer Fund	CDBG FUND	Sewer Surcharge Fund	Water/Sewer Improvement Fund	
Operating revenues:					
Charges for services	\$ 859,971	-	103,094	91,153	1,054,218
Other revenues	3,955	-	-	-	3,955
Total Operating Revenues	<u>863,926</u>	<u>-</u>	<u>103,094</u>	<u>91,153</u>	<u>1,058,173</u>
Operating Expenses:					
Personnel services	312,181	-	-	-	312,181
Purchases of services	331,686	-	-	-	331,686
Materials and supplies	70,716	-	-	28,740	99,456
Heat, light, and power	7,995	-	-	-	7,995
Depreciation	189,746	-	-	-	189,746
Total Operating Expenses	<u>912,324</u>	<u>-</u>	<u>-</u>	<u>28,740</u>	<u>941,064</u>
Operating income (loss)	(48,398)	-	103,094	62,413	117,109
Non-operating revenues (expenses)					
Interest revenue	17,592	-	3,999	-	21,591
Intergovernmental revenues	-	99,250	-	-	99,250
Interest expense	(10,965)	-	(2,873)	-	(13,838)
Total Other Financing Sources and Uses	<u>6,627</u>	<u>99,250</u>	<u>1,126</u>	<u>-</u>	<u>107,003</u>
Income before contributions and transfers	(41,771)	99,250	104,220	62,413	224,112
Transfers:					
Residual equity transfers in	99,250	-	-	-	99,250
Residual equity transfers out	-	(99,250)	-	-	(99,250)
Transfers Out	(48,480)	-	-	-	(48,480)
Total Transfers	<u>50,770</u>	<u>(99,250)</u>	<u>-</u>	<u>-</u>	<u>(48,480)</u>
Change in Net Assets	8,999	-	104,220	62,413	175,632
Fund Balances:					
Total net assets at the beginning of the year	2,380,421	2	(13,582)	303,282	2,670,123
Prior period adjustments	191,070	-	-	-	191,070
Total net assets at the beginning of the year, as restated	<u>2,571,491</u>	<u>2</u>	<u>(13,582)</u>	<u>303,282</u>	<u>2,861,193</u>
Total net asset at the end of the year	<u>\$ 2,580,490</u>	<u>2</u>	<u>90,638</u>	<u>365,695</u>	<u>3,036,825</u>

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

CITY OF CRYSTAL SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

Exhibit G

	Water and Sewer Fund	CDBG FUND	Sewer Surcharge Fund	Water/Sewer Improvement Fund
Cash flows from operating activities:				
Cash received from customers	\$ 863,926	-	103,094	91,153
Cash paid to suppliers	(420,923)	-	-	(28,740)
Cash paid to employees	(312,181)	-	-	-
Net cash provided by operating activities	<u>130,822</u>	<u>-</u>	<u>103,094</u>	<u>62,413</u>
Cash flows from non-capital financing activities:				
Intergovernmental revenues	-	99,250	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(48,480)	(99,250)	-	-
Net cash (used) for capital and related activities	<u>(48,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Principal paid on capital debt	(34,214)	-	(55,632)	-
Interest paid on capital debt	(10,965)	-	(2,874)	-
Net cash (used) for capital and related activities	<u>(45,179)</u>	<u>-</u>	<u>(58,506)</u>	<u>-</u>
Cash flows from investing activities:				
Interest and dividends	17,592	-	3,999	-
Net cash provided (used) by investing activities	<u>17,592</u>	<u>-</u>	<u>3,999</u>	<u>-</u>
Net increase in cash and cash equivalents	54,755	-	48,587	62,413
Cash and cash equivalents at beginning of year	296,864	2	81,136	303,282
Prior period adjustments	(39,049)	-	(1,985)	-
Cash and cash equivalents at beginning of year, as adjusted	<u>257,815</u>	<u>2</u>	<u>79,151</u>	<u>303,282</u>
Cash and cash equivalents at end of year	<u>\$ 312,570</u>	<u>2</u>	<u>127,738</u>	<u>365,695</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (48,398)	-	103,094	62,413
Adjustment to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	189,746	-	-	-
Changes in assets and liabilities:				
Receivables	(14,538)	-	-	-
Accounts payable and other accrued liabilities	4,012	-	-	-
Net cash provided by operating activities	<u>\$ 130,822</u>	<u>-</u>	<u>103,094</u>	<u>62,413</u>

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

CITY OF CRYSTAL SPRINGS
Statement of Fiduciary Net Assets
September 30, 2009

Exhibit H

Agency
Funds

ASSETS

Cash and cash equivalents
Total Assets

\$ 12,221
\$ 12,221

LIABILITIES

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

\$ 6,336
5,885
\$ 12,221

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

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the city have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the city's accounting policies are described below.

A. Financial Reporting Entity.

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

B. Basic of presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

The Statement of Net Assets presents the financial condition of the governmental activities of the city at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the city's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the city.

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements For the Year Ended September 30, 2009

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

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

Fund Financial Statements:

Fund financial statements of the city are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. As are the Fiduciary Funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations, and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The city reports the following major governmental funds:

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

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements For the Year Ended September 30, 2009

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

Revenue Recognition

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

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

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

Expenditure Recognition

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

PROPRIETARY FUNDS

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

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

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

I. Capital Assets.

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

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

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

(*) The threshold amount will correspond with the amounts for the asset classifications as listed. See Note 4 for details.

J. Long-term liabilities

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

K. Interfund Transactions and Balances.

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

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

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

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

M. Property Taxes.

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

N. Compensated Absences.

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

(2) Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions 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, business-type funds, and fiduciary funds was \$755,257, \$678,267, and \$12,221 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,433,524 and Restricted Assets \$354,938. The restricted assets represent the cash balance which is legally restricted and may not be used for purposes that support the city's program. The bank balance was \$1,541,372.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due To/Due From Other Funds:

Due To	Due From	Amount
Fiduciary Funds	General Fund	6,336
Total		<u>6,336</u>

B. Transfers In/Out

Transfer In	Transfer Out	Amount
Major Fund:		
General Fund	Water and sewer fund	48,480
Residual Equity transfers:		
Water and sewer fund	CDBG fund	99,250
Total		<u>147,730</u>

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

(4) General Fixed Assets.

A summary of changes in general fixed assets for the year ended September 30, 2009 follows:

	Beginning Balance <u>10/1/2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	Ending Balance <u>9/30/2009</u>
Governmental activities:					
Non-depreciable assets:					
Land	\$ 541,108			7,999	549,107
Construction in progress	<u>56,821</u>	<u>66,755</u>			<u>123,576</u>
Subtotal:	<u>597,929</u>	<u>66,755</u>	<u>-</u>	<u>7,999</u>	<u>672,683</u>
Depreciable assets:					
Other capital assets:					
Buildings	2,420,533	-	-	50,000	2,470,533
Improvements/infrastructure	606,354	145,853	-	-	752,207
Mobile Equipment	982,179	63,179	-	(103,508)	941,850
Furniture & Equipment	116,587	19,626	-	-	136,213
Obligations under capital leases	<u>303,254</u>	<u>-</u>	<u>-</u>	<u>(50,834)</u>	<u>252,420</u>
Subtotal:	<u>4,428,907</u>	<u>228,658</u>	<u>-</u>	<u>(104,342)</u>	<u>4,553,223</u>
Accumulated depreciation:					
Buildings	(1,331,422)	(46,211)	-	(40,000)	(1,417,633)
Improvements/infrastructure	(102,663)	(35,922)	-	-	(138,585)
Mobile Equipment	(805,764)	(38,190)	-	95,916	(748,038)
Furniture & Equipment	(96,159)	(7,114)	-	-	(103,273)
Obligations under capital leases	<u>(127,472)</u>	<u>(45,436)</u>	<u>-</u>	<u>36,601</u>	<u>(136,307)</u>
Total accumulated depreciation	<u>(2,463,480)</u>	<u>(172,873)</u>	<u>-</u>	<u>92,517</u>	<u>(2,543,836)</u>
Net other capital assets	<u>1,965,427</u>	<u>55,785</u>	<u>-</u>	<u>(11,825)</u>	<u>2,009,387</u>
Net capital assets	<u>\$ 2,563,356</u>	<u>122,540</u>	<u>-</u>	<u>(3,826)</u>	<u>2,682,070</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 27,058
Public safety	102,911
Public works	13,831
Culture and recreation	<u>29,073</u>
Total depreciation expense	<u>\$ 172,873</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

Adjustments were made to (1) remove alley – just an easement \$1 and add C S Apparel land \$8,000, (2) add C S Apparel building \$50,000, (3) prior year disposal of fixed assets and to adjust to actual (4) adjust for error in prior year lease payment \$50,834, (5) to adjust prior year depreciation \$40,000, (6) prior year adjustment \$72,816 and prior year deletions \$168,732 and (7) adjust of prior year leased equipment depreciation \$36,601.

Remaining commitment to construction in progress:	<u>Completed</u>	<u>Remaining Commitment</u>	<u>Additional Financing</u>
Sol Street Playground	\$12,534	5,000	-
Police Department and Municipal Court Renovations	7,000	79,799	
Newton Street Road Improvements	<u>47,221</u>	<u>-</u>	
Total	<u><u>\$66,755</u></u>	<u><u>84,799</u></u>	

	Beginning Balance 10/1/2008	Increases	Decreases	Completed Construction	Adjustments	Ending Balance 9/30/2009
Business-type activities:						
Non-depreciable assets:						
Land	\$ 253,800				-	253,800
Construction in progress	-	-	-	-		-
Subtotal:	<u>253,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,800</u>
Depreciable assets:						
Other capital assets:						
Buildings	246,750	-	-	-	-	246,750
Improvements/infrastructure	4,356,824	168,386	-	-	67,887	4,593,097
Mobile Equipment	99,454	11,469	-	-	13,777	124,700
Furniture & Equipment	131,650	-	-	-	25,992	157,642
Obligations under capital leases	-	-	-	-	-	-
Subtotal:	<u>4,834,678</u>	<u>179,855</u>	<u>-</u>	<u>-</u>	<u>107,656</u>	<u>5,122,189</u>
Accumulated depreciation:						
Improvements/infrastructure	(2,076,233)	(168,686)	-	-	(16,293)	(2,261,212)
Buildings	(93,765)	(4,935)	-	-	-	(98,700)
Mobile Equipment	(58,104)	(12,783)	-	-	(6,008)	(76,895)
Furniture & Equipment	(118,485)	(3,342)	-	-	(10,025)	(131,852)
Obligations under capital leases	-	-	-	-	-	-
	<u>(2,346,587)</u>	<u>(189,746)</u>	<u>-</u>	<u>-</u>	<u>(32,326)</u>	<u>(2,568,659)</u>
Total accumulated depreciation						
Net other capital assets	<u>2,488,091</u>	<u>(9,891)</u>	<u>-</u>	<u>-</u>	<u>75,330</u>	<u>2,553,530</u>
Net capital assets	<u><u>\$ 2,741,891</u></u>	<u><u>(9,891)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>75,330</u></u>	<u><u>2,807,330</u></u>

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Enterprise fund - water and sewer	\$ 189,746
Total depreciation expense	\$ 189,746

Adjustments were made (1) to adjust cost of utility relocation \$67,887, (2) to adjust to cost (\$13,777), (3) to adjust for asset not on prior year \$25,992, (4) to adjust for asset not on prior year \$16,293, (5) to adjust for asset not on prior year \$6,008, and (6) to adjust for asset not on prior year \$10,025.

(5) Capital Leases.

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2009:

- A. Land and buildings—Job Corps \$30,600/yr
- The present 10-year renewal lease expires September 1, 2017, and is included in the following computation. However there is an option for further lease renewals that may be extended.
- B. Land and buildings-Sheldon Laboratories \$2,250/yr
- The present 10-year renewal lease expires May 1, 2012, and is included in the following computation. However there is an option for further lease renewals or an option to purchase which could be executed.

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

Year Ending September 30, 2009	Amount
2010	\$ 32,850
2011	32,850
2012	30,600
2013	30,600
2014	30,600
2015-2017	91,800
Total	\$ 249,300

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

(6) Long Term Debt Obligations.

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

	Balance 10/1/2008	Additions	Reductions	Balance 9/30/2009	Amount Due within one year
Governmental activities:					
A. General obligation bonds payable	\$ 105,000	600,000	100,000	605,000	105,000
B. Capital improvement loans payable	50,832		10,186	40,646	10,512
C. Obligations under capital leases payable	180,277		42,353	137,924	44,319
D. Compensated absences payable	46,010	3,706		49,716	7,023
Governmental Funds Total:	\$ 382,119	603,706	152,539	833,286	166,854
Business-type activities:					
A. Capital improvement loans payable	\$ 510,611		80,490	430,121	41,776
B. Other loans payable	315,454		16,541	298,913	16,833
C. Compensated absences payable	18,486		6,474	12,012	-
Business-type activities total	844,551	-	103,505	741,046	58,609
Total all long-term liabilities	#####	603,706	256,044	1,574,332	225,463

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

Governmental activities long-term obligations

A. General obligation bonds payable.

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

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.7-5%	9/1/1998	9/1/2010	\$ 500,000	55,000
General obligation bonds, Series 2008	3.75%	10/7/2008	9/30/2018	\$ 600,000	550,000
Total				<u>\$ 1,100,000</u>	<u>\$605,000</u>

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Year Ending Sept 30	Principal	Interest	Total
2010	105,000	23,320	128,320
2011	55,000	18,750	73,750
2012	55,000	16,687	71,687
2013	60,000	14,625	74,625
2014	60,000	12,375	72,375
2015-2018	270,000	25,688	295,688
Total	<u>\$ 605,000</u>	<u>111,445</u>	<u>716,445</u>

The amount of bonded indebtedness that can be incurred by the city is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such city, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of September 30, 2009, the amount of outstanding bonded indebtedness was equal to 2.59% of property assessments of \$26,324,777 as of October 1, 2008 computes as follows:

Bonded Debt:	
General Fund	
\$500M General obligation bond	\$ 605,000
Total bonded debt	<u>\$ 605,000</u>
Assessed Valuation	<u>\$ 23,324,777</u>

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

B. Capital improvement loans payable.

Capital improvement loans payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital improvement loan					
Sol St Center Renovations	3.00%	12/1/2002	6/1/2013	\$ 100,000	40,646
Total				<u>\$ 100,000</u>	<u>40,646</u>

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

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Year Ending Sept 30	Principal	Interest	Total
2010	10,512	1,077	11,589
2011	10,832	757	11,589
2012	11,161	427	11,588
2013	8,141	96	8,237
Total	<u>\$ 40,646</u>	<u>2,357</u>	<u>43,003</u>

C. Obligation under capital lease payable.

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

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

Options under capital leases payable are as follows:

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease Purchase-2007 vehicles	4.46%	11/17/06	12/15/11	\$ 46,020	21,980
Lease Purchase-Fire truck	4.57%	11/07/06	11/01/12	206,400	115,944
Total				<u>\$ 252,420</u>	<u>137,924</u>

CITY OF CRYSTAL SPRINGS
Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Year Ending Sept 30	Principal	Interest	Total
2010	\$ 44,319	5,363	49,682
2011	46,376	3,306	49,682
2012	40,700	1,268	41,968
2013	6,529	37	6,566
Total	<u>\$ 137,924</u>	<u>9,974</u>	<u>147,898</u>

This debt will be retired from the General Fund.

D. Compensated absences payable.

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

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

Business type activities long-term obligations

A. Capital improvement loans payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital improvement loan Sewer project-Hwy 27	4.25%	6/9/1995	1/1/2010	\$ 543,769	10,056
Capital improvement loan Sewer project-B&B Mfg	3.00%	6/14/2001	6/1/2012	93,281	26,723
Capital improvement loan WWTP roof & Phase II Sewer	2.00%	4/15/2003	2/1/2024	343,498	259,235
Capital improvement loan Sewer project-Jackson Street	3.00%	1/1/2008	2/1/2028	<u>144,040</u>	<u>134,107</u>
Total				<u>\$1,124,588</u>	<u>430,121</u>

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

Year Ending Sept 30	Principal	Interest	Total
2010	\$ 41,776	9,578	51,354
2011	32,524	8,724	41,248
2012	28,670	7,937	36,607
2013	23,072	7,366	30,438
2014	23,594	6,845	30,439
2015-2019	126,241	25,951	152,192
2020-2024	126,049	11,040	137,089
2025-2028	28,195	1,340	29,535
Total	<u>\$ 430,121</u>	<u>78,781</u>	<u>508,902</u>

B. Other loans payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Department of Environmental Quality - Phase III Sewer Loan	1.75%	#####	#####	\$ 362,080	298,913
Total				<u>\$ 362,080</u>	<u>298,913</u>

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

This debt will be retired from the Sewer fund.

C. Compensated absences payable

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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The rate was 11.30% from July 1, 2008 until July 1, 2009. The rate at the end of the fiscal year was 11.85% 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, 2009, 2008 and 2007 were \$140,225, \$140,561, and \$135,410 respectively, which equaled the required contributions for each year.

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
Governmental activities	
An adjustment to correct a prior year error in recording an asset or liability	\$ (152,449)
An adjustment to correct a prior year error in recording a capital asset and related depreciation expense.	(3,826)
Business-type activities	
An adjustment to correct a prior year error in recording an asset or liability	191,070
Total	\$ 34,795

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

Explanations	Amount
Major Funds:	
General fund	
An adjustment to correct a prior year error in recording an asset or liability	\$ (140,449)
Debt service fund	
An adjustment to correct a prior year error in recording an asset or liability	\$ (12,000)
Total	\$ (152,449)

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

(9) Litigation.

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

(10) Subsequent Events.

On October 6, 2009, the Board approved to pay off B & B Industrial Park loan in the amount of \$26,723.

On December 8, 2009, the board accepted the bid of \$323,820 from Dickerson & Bowen for improvements to Newton Street; \$210,757 of American Recovery and Reinvestment Act funds will be used with the remainder being funded by a State Transportation Program (STP) grant.

(11) Risk Management.

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

Participation in Public Entity Risk Pool.

The city is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the city's employees. The Mississippi Workers' Compensation commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$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

CITY OF CRYSTAL SPRINGS

Notes to the Financial Statements
For the Year Ended September 30, 2009

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

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CRYSTAL SPRINGS

Schedule 1-A

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Original to Final Variance	Final to Actual Variance
Revenues:					
Taxes	\$ 815,900	980,776	879,257	164,876	(101,519)
In-lieu taxes - Grand Gulf	53,000	47,500	47,261	(5,500)	(239)
Licenses and permits	106,580	143,280	12,350	36,700	(130,930)
Intergovernmental revenues	626,200	694,314	926,563	68,114	232,249
Charges for services	324,000	391,000	379,271	67,000	(11,729)
Fines	125,200	121,200	119,998	(4,000)	(1,202)
Interest	10,000	33,100	33,481	23,100	381
Franchise fees	130,000	138,500	141,243	8,500	2,743
Industrial rents	36,050	36,050	34,526	-	(1,524)
Miscellaneous	116,104	175,863	143,272	59,759	(32,591)
Total Revenues	2,343,034	2,761,583	2,717,222	418,549	(44,361)
Expenditures:					
General government	465,714	568,110	572,019	(102,396)	(3,909)
Public safety	1,018,517	973,511	1,024,739	45,006	(51,228)
Public works	581,430	672,637	611,831	(91,207)	60,806
Health and welfare	5,100	5,100	5,525	-	(425)
Culture and recreation	267,933	327,794	291,734	(59,861)	36,060
Library	40,840	43,140	43,745	(2,300)	(605)
Economic development	12,000	12,000	12,250	-	(250)
Debt service:					
Principal	32,000	32,000	52,539	-	(20,539)
Interest and other charges	8,000	8,000	13,835	-	(5,835)
Total Expenditures	2,431,534	2,642,292	2,628,217	(210,758)	14,075
Excess (deficiency) of revenues over expenditures	(88,500)	119,291	89,005	629,307	(58,436)
Other Financing Sources (Uses):					
Insurance recoveries	22,000	6,000	21,457	(16,000)	15,457
Refunds of expenditures	7,000	8,500	9,576	1,500	1,076
Operating transfers in	59,500	49,500	48,480	(10,000)	(1,020)
Total Other Financing Sources and Uses	88,500	64,000	79,513	(24,500)	15,513
Net change in fund balances	-	183,291	168,518	604,807	(42,923)
Fund Balances:					
October 1, 2008			357,251		
Prior period adjustments			(140,449)		
October 1, 2008, as adjusted			216,802		
September 30, 2009			<u>\$ 385,320</u>		

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

CITY OF CRYSTAL SPRINGS

Notes to the Required Supplementary Information
For the Year ended September 30, 2009

Budgetary Comparison Schedule

(1) Basis of Comparison

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

(2) Budget amendments and revisions.

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

CITY OF CRYSTAL SPRINGS

SUPPLEMENTAL INFORMATION

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CITY OF CRYSTAL SPRINGS
 Schedule of Surety Bonds of City Officials
 September 30, 2009

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

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CITY OF CRYSTAL SPRINGS

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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

May 18, 2010

Mayor and Board of Alderman
City of Crystal Springs

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Crystal Springs as of and for the year ended September 30, 2009, which collectively comprise the City of Crystal Springs' basic financial statements and have issued our report thereon dated May 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the city's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Findings 2008-1, 2008-2, 2008-3, 2008-4 and 2008-5 to be a significant deficiency in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the alderman and management, 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
Dribben & Associates, Ltd
McComb, MS

CITY OF CRYSTAL SPRINGS

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

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

May 18, 2010

Mayor and Board of Alderman
City of Crystal Springs

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of and for the year ended September 30, 2009, which collectively comprise City of Crystal Springs's basic financial statement and have issued our report thereon dated May 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, and the procedures prescribed by the Office of the State Auditor, and accordingly, include such tests of the accounting records and other such auditing procedures as we considered necessary in the circumstances.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Crystal Springs had not complied with the requirements of the Office of the State Auditor, as set forth in the Municipal Compliance Questionnaire. With respect to the items tested, the results of those procedures and our audit of the financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the city disclosed no instances of noncompliance with state laws and regulations.

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

Sincerely,



D. Scott Nieman, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

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CITY OF CRYSTAL SPRINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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CITY OF CRYSTAL SPRINGS

Schedule of Findings and Questioned Costs
For the Year Ending September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements

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

Section 2: Financial Statement Findings

Significant deficiencies not considered to be material weaknesses.

09-01 Finding

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

09-02 Finding

Criteria:	Certain internal control weaknesses were noted during our examination of accounts payable.
Condition:	During our test of expenditures, we noted the following: a. On one payment of \$5,200 for a hotel, there was not invoice.

CITY OF CRYSTAL SPRINGS

Schedule of Findings and Questioned Costs
For the Year Ending September 30, 2009

- b. On one travel reimbursement, the travel expense report was not signed by the requestor.
- c. On one payment to Consolidated Pipe, Inc., the number of items ordered (3) on the purchase order did not agree with the number of items invoiced (30).

Cause: Policy and procedures were not followed for accounts payable.

Recommendation: We recommend that policies and procedures to implemented to correct the above noted weaknesses. The City should verify purchase orders to invoices prior to payment, obtain hotel invoice for travel expenses and verify that travel expense reports are signed by the requestor prior to reimbursement.

09-03 Finding

Criteria: The water department should make deposits in a timely manner.

Condition: During our test of receipts and deposits, a material weakness was noted:
a. There were three deposits that were not made timely, with (2) deposits being made 4 days after funds were received.

Cause: Policy and procedures were not followed for timely deposits of monies collected.

Recommendation: We recommend that policies and procedures for timely deposits of monies collected be implemented and that daily deposits are made to ensure that the assets of the city are safe guarded.

09-04 Finding

Criteria: Material weaknesses were found in receipts from the Parks and Recreation department do not balance with funds received by the City from that department and four deposits were not made timely.

Condition: When the deposits made by the City were compared to the receipts from the Parks and Recreation department, the receipts totaled more than the deposits. Also, there were four deposits in the month of October 2008 that were not made timely.

Cause: Policy and procedures should be followed to ensure that all monies collected in the Parks & Recreation department are turned in daily to the City. Policy and procedures were not followed for timely deposits of monies collected.

CITY OF CRYSTAL SPRINGS

Schedule of Findings and Questioned Costs
For the Year Ending September 30, 2009

Recommendation: We recommend that policies and procedures are developed and implemented for monies collected in the Parks and Recreation department. We also recommend that policies and procedures be followed in the timely deposits of monies collected in the Parks and Recreation department and that daily deposits are made to ensure that assets of the city are safe guarded.

2009-05 Finding

Policies and Procedures should be in place to document and record into general fixed assets data base all fixed assets placed in service.

During our review of fixed assets, the following discrepancies were found:

1. Four items had no inventory tag.
2. Six items did not have the serial numbers recorded and one item had an incorrect serial number recorded.

There is a weak internal control over the completeness function of the general fixed assets.

The effect of the general fixed assets not being complete could possibly cause an understatement of assets, or an item not being accounted for.

We recommend that all assets purchased or placed into service by the city be properly recorded into the general fixed assets.

CITY OF CRYSTAL SPRINGS

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CITY OF CRYSTAL SPRINGS

AUDITEE'S CORRECTIVE ACTION PLAN

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



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

City of Crystal Springs

CORRECTIVE ACTION PLAN

May 13, 2010

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

Gentlemen:

The City of Crystal Springs, Mississippi respectfully submits the following corrective action plan for the year ended September 30, 2009.

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
09-01	<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 depreciated items that included assets that were above and below the threshold. The Clerk's office has removed all items from fixed assets that are below the threshold and placed them in a miscellaneous fixed asset excel file.</p> <p>c. Anticipated Completion Date:</p>

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

Before fiscal year end 2010.

09-02

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

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

- b. Corrective Action Plan

The Clerk has addressed the finding of turning in hotel receipts after returning from said conference to attach to the travel documents. The Clerk will address the required signatures for travel reimbursement. The Clerk will address policy and procedures for accounts payable as it relates to purchase orders. The Clerk has requested signatures from all Department Heads on invoices that has come in.

- c. Anticipated Completion Date:

The turning in of hotel receipts and signatures required on invoices has been addressed as of January 2010. The Clerk will address the signatures for reimbursement and policy and procedures at its next regular board meeting and department head meeting.

09-03

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

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

- b. Corrective Action Plan

The Clerk will conference with the staff at the Water Department about making timely deposits.

- c. Anticipated Completion Date:

Completed and corrected.

09-04

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

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

b. Corrective Action Plan

The Clerk will conference with the staff in Parks and Recreation about making timely deposits. The Clerk has addressed this issue on more than one occasion. The Clerk will also do an internal audit to determine the reason(s) why receipts were more than deposits.

c. Anticipated Completion Date:

Discussed and completed on May 17, 2010.

09-05

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

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

b. Corrective Action Plan

The Clerk depreciated items that included assets that were above and below the threshold. The Clerk's office has removed all items from fixed assets that are below the threshold and placed them in a miscellaneous fixed asset excel file.

c. Anticipated Completion Date

July, 2010

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur L. Evans, Jr.", followed by a large, stylized flourish or mark.

Arthur L. Evans, Jr.
Mayor