

CITY OF VICKSBURG, MISSISSIPPI

Annual Financial Report

Year Ended September 30, 2012

with

Independent Auditor's Reports

**CITY OF VICKSBURG, MISSISSIPPI
FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
I. REQUIRED SUPPLEMENTAL INFORMATION (PART A)	
Management's Discussion and Analysis (MDA)	1
II. BASIC FINANCIAL STATEMENTS	
Independent Auditor's Report	18
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund financial Statements:	
Governmental Funds:	
Balance Sheet:	
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
Statement of Net Assets	25
Statement of Revenues, Expenses and Changes in Funds Net Assets	26
Statement of Cash Flows	27
Fiduciary Funds:	
Statement of Fiduciary Net Assets	28
Notes to Financial Statements	29
	30
III. REQUIRED SUPPLEMENTAL INFORMATION (PART B)	
Budget Comparison Schedules	
Budget and Actual (with Variances) – General Fund	49
Budget and Actual (with Variances) – City Bond and Interest Fund	50
Budget and Actual (with Variances) – Capital Projects Fund	51
Notes to Required Supplemental Information	52
IV. OTHER ADDITIONAL INFORMATION	
Schedule of Surety Bonds for Municipal Officials	53
Schedule of Expenditures of Federal Awards	54
Notes to Schedule of Expenditures of Federal Awards	56
Summary Schedule of Prior Audit Findings	57
V. INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	62
Schedule of findings and Questioned Costs	64
Report of Independent Auditor's on Compliance with States Laws and Regulations	68

I. REQUIRED SUPPLEMENTAL INFORMATION (PART A)

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

The following discussion and analysis of the City of Vicksburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which immediately follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-wide - The assets of the City exceeded its liabilities at the close of the fiscal year by \$147,584,722 (reported as "net assets"). This compares to the previous year when assets exceeded liabilities by \$143,596,320. Of this amount, \$11,152,144 was reported as "unrestricted net assets", which may be used to meet the City's ongoing obligations to citizens and creditors. Governmental activities' net assets increased during the fiscal year by \$1,113,636 and business-type activities' net assets increased by \$2,874,768, resulting in an overall net assets increase of \$3,988,404.

Fund Level - As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$19,919,203, with \$15,133,029 reported as unreserved fund balance. The portion of the balance that is reserved for a specific purpose totaled \$4,786,174. This compares to the prior year ending fund balance of \$17,873,205. The proprietary funds reported total net assets of \$39,613,197. This compares to the prior year net assets of \$36,738,431.

USING THIS ANNUAL FINANCIAL REPORT

The City of Vicksburg's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements consist of the Statement of Net Assets and the Statement of Activities. Both of these statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. See Tables 1 & 2 on pages 7 and 9.

The Statement of Net Assets and the Statement of Activities report two types of activities:

Governmental Activities – The governmental activities reflect the City's basic services including general government services (executive, judicial), public safety (fire, law enforcement, emergency medical services), public works (street maintenance), and culture and recreation (parks and recreation and convention center). These services are financed primarily with taxes and intergovernmental revenues.

Business-type Activities – The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. The City Water, Gas, Sewer, and Sanitation Funds are in this category of activities.

The Statement of Net Assets – The Statement of Net Assets presents information on all of the City's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets". Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities – The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. *Revenues* - uncollected fines and *Expenses* - earned but unused vacation leave).

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

Government-Wide Financial Statements – Continued

This statement combines the expenses for all departments of the City into a few basic categories, which tells the reader how much a particular service provided by the City costs, and shows how that service is paid for. The change in net assets of the City may indicate whether the City will be able to continue to provide the same level of services in the future.

This Statement of Activities condenses expense and funding information by combining the expenses of all City departments into a few general categories of service for both the primary governmental activities and the business-type activities. The following explanation is given for those not familiar with reading the Statement of Activities. The Statement of Activities (see page 21) is divided into two sections, Top and Bottom as described below:

Top Section

- Column one lists the name of the combined generalized function or program of the City.
- Column two lists the expenses.
- Column three lists revenue from receipt of dollars charged for the service (if any).
- Column four lists (if any) State or Federal grant revenue specific to that program to be used towards its operational expenses.
- Column five lists (if any) State or Federal grant revenue specific to that program to be used towards its capital expenses.
- Column six and seven, respectively for type either governmental or business, lists the dollar amount, either net expense or net revenue, that is derived from the difference between program revenues and its related expenses. The amount listed, shown in parenthesis “()”, indicates the dollar amount of the expenses that are not covered by fees, charges, grants or contributions and that must be paid from basic taxes.
- Column eight totals the respective row, which totals out the activities of the primary government.

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

Government-Wide Financial Statements – Continued

Bottom Section

This section contains the following:

- General revenues dollars, under the same two categories of governmental or business-type activities, that are received from taxes, non restricted grants and contributions and unrestricted investment earnings or other miscellaneous revenues, such as gain on sale of asset.
- The change in net assets, derived from the difference of the total of activities (top section) less revenues (bottom section).
- Net assets, beginning year balance.
- Net assets, ending.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Information about the City's governmental funds begins on page 22. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are divided into two categories: governmental funds and proprietary funds. These categories use different accounting approaches and should be interpreted differently.

Governmental Funds – Most of the City's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, along with the balance of spendable resources available at year-end.

The governmental fund statements provide a detailed view of the City's near-term financing requirements. Governmental funds include the General Fund, City Bond and Interest Debt Service Fund, and Capital Projects Fund, which are presented separately as major funds. All other funds of the City are considered nonmajor funds and are combined into a single column on the governmental fund financial statements.

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

Fund Financial Statements – Continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the City's near-term financing decisions.

Proprietary Funds – The City maintains two types of proprietary funds: enterprise and internal service.

- *Enterprise funds* charge fees for services to outside customers such as the water, gas, sewer and refuse collection. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.
- *Internal service* funds provide vehicle maintenance services to other City departments on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statement can be found on page 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in the basic financial statements section of this report.

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule for the general fund. Required supplementary information can be found on pages 49-52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets Analysis (Table 1):

For the year ended September 30, 2012, the City's combined assets (governmental and business-type activities) totaled \$186.6 million dollars compared to \$179.9 million for fiscal year ending September 30, 2011. Cash and cash equivalents increased by \$6.6 million. Total liabilities increased by \$2.7 million from \$36.3 million to \$39.0 million dollars and capital assets increased by \$2.4 million to \$145.9 million dollars. This comparison is very helpful in reflecting the City's ability to provide uninterrupted services to the public in the future.

The total net assets of the City equaled \$147.6 million dollars after deducting total liabilities of \$39.0 million dollars from total assets.

The largest portion of the City's net assets, 91.1% or \$134.5 million dollars, consist of its investment in capital assets such as land, buildings, furniture and equipment, improvements-other and infrastructure, less any debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. The City's investment in capital assets are reported net of related debt, thus it should be noted that the resources needed to repay this debt, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining unrestricted net assets, \$11.2 million dollars, or 7.6 percent, may be used to meet the City's ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

City of Vicksburg, Mississippi
Table 1
Net Assets
September 30, 2012 and 2011
(In Millions of Dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Cash and Other Assets	31.7	29.6	9.0	6.8	40.7	36.4
Capital Assets	<u>101.9</u>	<u>103.1</u>	<u>44.0</u>	<u>40.4</u>	<u>145.9</u>	<u>143.5</u>
Total Assets	133.6	132.7	53.0	47.2	186.6	179.9
Liabilities						
Current and Other Liabilities	13.9	14.0	2.8	2.7	16.6	16.7
Long Term Liabilities	<u>11.7</u>	<u>11.9</u>	<u>10.6</u>	<u>7.8</u>	<u>22.4</u>	<u>19.7</u>
Total Liabilities	25.6	25.9	13.4	10.5	39.0	36.4
Net Assets						
Invested in Capital Assets, Net of Related Debt	100.3	90.1	34.2	29.1	134.5	119.2
Restricted-Debt Service and Capital Projects	1.9	5.6	.0	.0	1.9	5.6
Unrestricted	<u>5.7</u>	<u>11.2</u>	<u>5.4</u>	<u>7.6</u>	<u>11.2</u>	<u>18.8</u>
Total Net Assets	107.9	106.9	39.6	36.7	147.6	143.6

*Note: This table consists of information from the Statement of Net Assets expressed in millions to assist in reading the preceding Analysis of the Net Assets.

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

Statement of Activities Analysis (Table 2):

Revenues for fiscal year 2012 totaled \$54.98 million and exceeded expenses, which totaled \$50.99 million by \$3.99 million dollars. The governmental activities revenues, which totaled \$36.21 million, exceeded expenses of \$35.10 million by \$1.11 million. The business-type activity's revenues, which totaled \$18.76 million, exceeded expenses of \$15.89 million by \$2.87 million. Utility rates have continued to be raised as necessary and a purchase gas adjustment mechanism was in place to adjust the price of natural gas on a monthly basis. The decline in the price of natural gas allowed the City to remove the purchase gas adjustment in March 2009. The sanitation, water and sewer rates were also increased in March 2010 to cover prior year deficiencies.

The *major* governmental programs of service provided by the City, its cost and percentage of general cost activities are as follows:

	<u>2012</u>	<u>2011</u>
• General government.....	\$9.50 million, 27%	\$6.91 million, 21%
• Public safety.....	\$15.43 million, 44%	\$15.30 million, 45%
• Public works.....	\$5.06 million, 14%	\$5.16 million, 15%
• Culture and recreation.....	\$4.59 million, 13%	\$5.33 million, 16%

The costs of some of the services provided by the City of Vicksburg are paid directly by the recipient of those services. Revenues from charges for services totaled \$20.4 million and are \$2.0 million below charges for services for fiscal year 2011. Charges for services are primarily in the business-type activities. This group includes the water, gas, sewer utilities, and the sanitation services. Police fines and charges for emergency medical services (ambulance) make up a large portion of the program revenues for the governmental activities. The balance of the costs are paid with taxes collected directly from the taxpayers of the City along with taxes and revenues from other governments. The general revenues of the City consist of the following:

	<u>2012</u>	<u>2011</u>
• Property taxes,.....	\$11.00 million, 32%	\$10.94 million, 36%
• Franchise taxes,.....	\$7.97 million, 23%	\$8.03 million, 26%
• Public service taxes total,	\$11.08 million, 32%	\$9.18 million, 30%

The final 13% of revenues came from grants and contributions not restricted for a specific purpose, the sale of assets, interest earnings and other miscellaneous sources, which totaled \$2.09 million for 2012. For 2011, the same items respected 8% of revenues at \$2.57 million.

City of Vicksburg, Mississippi
Table 2
Changes in Net Assets
For the Years Ended September 30, 2012 and 2011
(In Millions of Dollars)

	Governmental Activities		Business Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services						
Governmental Activities	2.61	2.77			2.61	2.77
Water Utility			5.17	5.71	5.17	5.71
Gas Utility			6.39	7.53	6.39	7.53
Sewer Utility			4.51	4.60	4.51	4.60
Refuse, Sanitation Fund			1.76	1.89	1.76	1.89
Transportation Fund						
Operating Grants and Contributions	1.46	6.21			1.46	6.21
Capital Grants and Contributions						
Total Program Revenues	4.07	8.98	17.83	19.73	21.90	28.71
General Revenues:						
Property Taxes, levied for General Purposes	7.66	7.55			7.66	7.55
Property Taxes, levied for Debt Service	3.34	3.39			3.34	3.39
Franchise & Miscellaneous Taxes	7.97	8.03			7.97	8.03
Public Service Taxes	11.08	9.18			11.08	9.18
Grants and Entitlements not Restricted						
Unrestricted Investment Earnings	.12	.16	.06	.09	.18	.25
Miscellaneous	2.70	2.42	.11	.08	2.81	2.50
Gain or (Loss) on Sale of Assets	.03	.03			.03	.03
Total General Revenues	32.90	30.76	.17	.17	33.07	30.93
Total Revenues	36.97	39.74	18.00	19.90	54.97	59.64
Functions/Programs Expenses:						
General Government	9.50	6.91			9.50	6.91
Public Safety	15.42	15.30			15.42	15.30
Health, Welfare and Sanitation						
Public Works	5.06	5.16			5.06	5.16
Culture and Recreation	4.59	5.33			4.59	5.33
Interest and Fiscal Charges	.53	.98			.53	.98
Total Business Related Expenses			15.89	17.10	15.89	17.10
Total Expenses	35.10	33.68	15.89	17.10	50.99	50.78
Increase (Decrease) in Net Assets before Transfers	1.87	6.06	2.11	2.80	3.98	8.86
Transfers	(.75)	(.04)	.75	.04	0.00	0.00
Change in Net Assets	1.12	6.02	2.86	2.84	3.98	8.86

*Note: This table consists of information from the Statement of Activities expressed in millions to assist in reading Analysis of the Activities.

City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012

THE CITY'S FUNDS ANALYSIS

Budgeting Highlights (See page 54)

General Fund revenue for the fiscal year totaled \$31.29 million, and exceeded the budgeted amount of \$31.47 million by \$183 thousand. The Charges for Services category had the largest positive budget variance. The Charges for Services revenues exceeded the estimated budget by \$345 thousand. The only negative variance was in the Miscellaneous category, totaling \$892 thousand or 2.8% of total revenues. This short fall is a result of the City not fully drawing down on a line of credit.

The final amended General Fund expense budget totaled \$30.6 million dollars. The total amount expended was \$30.1 million dollars, leaving an unexpended balance of \$461 thousand dollars for uncompleted projects.

The City's Bond and Interest Fund budget variances were minor. Property taxes collected were \$622 thousand above estimates.

The City's Capital Projects Fund budgets the total amount of ongoing projects each year therefore should be below budgeted amounts.

Capital Assets and General Long-Term Obligations

Capital Assets

General capital assets include land, improvements to land, buildings, vehicles, machinery and equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives greater than one year and exceed the capitalization threshold. The City has capitalized all purchased general capital assets.

The most significant changes in reporting standards for capital assets under Governmental Accounting Standards Board, Statement No. 34 (GASB34) is in the recording of infrastructure such as roads, bridges, sidewalks and other non-building improvements such as ball-fields, playgrounds, etc.

The City completed the process of complying with GASB34 in the 2003 fiscal year. Separate fixed asset inventory records are maintained for each item of capital asset.

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

Capital Assets – Continued

Fiscal year 2012 is the tenth year that the City has complied with the GASB34 requirements concerning the statement and depreciation of its capital assets. The City continues to improve the accuracy of its data concerning its capital assets. The Mississippi, Office of State Auditor promulgates the rules for accounting for municipal fixed assets.

Easements and donated or dedicated right of way (those placed into the government's maintenance through contributions from private development) are not capitalized in this financial presentation. The City has an ongoing project to research and record all easements.

For the year ended September 30, 2012, governmental activities capital assets totaled **\$193,038,333** with accumulated depreciation of **\$91,177,648** leaving a net capital assets balance of **\$101,860,685**. Business-type activities capital assets for year ended September 30, 2012 totaled **\$79,211,842** with total accumulated depreciation of **\$35,182,950** leaving a net business-type capital assets balance of **\$44,028,892**.

See Note 6 of the "Notes to Financial Statements", for a breakdown of the individual categories with its beginning balance, additions, retirements, and ending balance.

**City of Vicksburg
Capital Assets, Net of Depreciation
September 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land(Includes Construction in Progress)	15,345,373	26,152,773	1,196,690	1,284,810	16,542,063	27,437,583
Buildings	19,353,960	16,719,959	37,362,530	34,261,382	56,716,490	50,981,341
Furniture and Equipment	4,300,240	4,685,323	1,900,979	1,798,441	6,201,219	6,483,764
Other Capital Assets	10,674,731	10,526,221	3,568,693	3,038,860	14,243,424	13,565,081
Infrastructure	52,186,382	45,006,630	-	-	52,186,382	45,006,630
Total Capital Assets	<u>101,860,686</u>	<u>103,090,906</u>	<u>44,028,892</u>	<u>40,383,493</u>	<u>145,889,578</u>	<u>143,474,399</u>

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

General Long Term Obligations

A General Obligation (GO) bond is a bond that is backed by the full faith and credit of the City; and although not required, usually means that a tax levy will be assessed to repay the debt.

Most GO bonds issued by the City are repaid within ten years. This timely repayment helps to hold down interest cost on debt and enhances the City's credit rating. The quick repayment also gives the City great flexibility in financing the future needs of the City. In February 2012, Moody's Investors Service withdrew the City's bond rating due to a lack of audited financial information. The City will obtain a bond rating before the next bond issuance.

Limits on Debt

The City of Vicksburg is subject to a general statutory debt limitation under which the City may not incur general obligation bonded indebtedness in an amount, which shall exceed fifteen percent (15%) of the assessed value of the City's taxable property. *(Bonds issued for utility system improvements if revenues of the system are exclusively dedicated for repayment, are not subject to the fifteen percent (15%) limit.)*

The City's current fifteen percent (15%) limit is \$47,171,768. At fiscal year ended, September 30, 2012, outstanding balances for bonds issued by the City, subject to the fifteen percent (15%) debt limit, totaled \$9,325,300. The City of Vicksburg would have the ability to issue additional bonds for \$37,846,468. However, as stated below the City is limited to an additional \$35,134,544 in total debt.

State law imposes an overall debt limit on municipalities of twenty percent (20%) of the assessed value of the taxable property within the City. At September 30, 2012, the twenty percent (20%) limit for the City of Vicksburg was \$62,895,690. The City's total outstanding debt, subject to this overall debt limit, totaled \$27,761,146. The City of Vicksburg has the ability to issue an additional amount of \$35,134,544. This figure represents fifty-six percent (56%) of the City's total debt capacity.

See Note 7 of the "Notes to Financial Statements", for more detailed information about our long-term liabilities.

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

General Long Term Obligations – Continued

**Statutory Debt Limits
September 30, 2012**

	Twenty Percent (20%)		Fifteen Percent (15%)	
	<u>Debt Limit</u>	<u>Percent</u>	<u>Debt Limit</u>	<u>Percent</u>
Total Statutory Debt Capacity	62,895,690		47,171,768	
Current Outstanding Debt, subject to limit	<u>27,761,146</u>	44.14%	<u>9,325,300</u>	19.77%
Balance of Bonding Capacity	35,134,544	55.86%	37,846,468	80.23%

**Statutory Debt Limits
September 30, 2011**

	Twenty Percent (20%)		Fifteen Percent (15%)	
	<u>Debt Limit</u>	<u>Percent</u>	<u>Debt Limit</u>	<u>Percent</u>
Total Statutory Debt Capacity	64,238,102		48,178,577	
Current Outstanding Debt, subject to limit	<u>21,258,951</u>	33.09%	<u>10,970,300</u>	22.77%
Balance of Bonding Capacity	42,979,151	66.91%	33,709,351	77.23%

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

General Long Term Obligations – Continued

Bonds

Listed below are the outstanding GO bonds of the City with the original amount, purpose and the amount of outstanding debt.

- The 2003 issue for \$5.8 million was used for water, gas and sewer improvements. The outstanding amount is \$2.765 million.
- The 2007 Public Improvement Bonds dated September 1, 2007 were issued for \$16.9 million for street and recreation improvements and the outstanding balance is \$9.325 million.

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

General Long Term Obligations – Continued

TIF

Tax Increment Financing Bonds are used by the City to encourage development by providing the necessary infrastructure for a development project. The increased taxes are pledged by the City to repay the debt. The City does not pledge the full faith and credit of the City to repay the TIF bonds. The City is not obligated to repay the debt if the tax increment is insufficient to make the annual payments.

The City has issued \$3,268,000 in Tax Increment Financing (TIF) bonds for new developments since 1991. The total balance outstanding for TIF bonds is \$906,000.

State Loans

The City made four state loans (SRF) in 1995, 1996, 2003 and 2008 for sewer improvements with a total outstanding balance of \$4,805,840.

Future Long Term Obligation

The City has no immediate plans to issue any bonds.

**City of Vicksburg
Long Term Obligations
September 30, 2012 and 2011**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligations Bonds	9,325,300	10,970,300	2,765,000	3,160,000	12,090,300	14,130,300
Revenue Bonds	-	-	-	-	-	-
State Loans	-	-	4,805,840	5,397,937	4,805,840	5,397,937
Tax Increment Financing (TIF) Bonds	906,000	1,175,000	-	-	906,000	1,175,000
Other	2,572,868	555,714	7,386,138	-	9,959,006	555,714
Total Long Term Obligations	<u>12,804,168</u>	<u>12,701,014</u>	<u>14,956,978</u>	<u>8,557,937</u>	<u>27,761,146</u>	<u>21,258,951</u>

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

Revenue Section Highlights

Governmental Funds revenues for the governmental funds totaled \$34.91 million for the fiscal year 2012 as compared to \$33.84 million for 2011. The General Fund revenues totaled \$32.17 million dollars and the Bond and Interest Fund income for the year was \$3.15 million. The only revenue in the Capital Projects Fund was interest earnings of \$279. The other funds of the Governmental Funds revenues totaled a combined \$2.74 million.

The largest components of the General Fund revenue are as follows for 2012:

Three Major Revenue Groups	Millions	Percent
Gaming taxes	\$6.3	20%
Sales taxes: 18.5% of the state, 7% sales taxes on sales in City	\$7.7	24%
Property taxes: real estate, business, public utilities, auto	\$7.6	23%

The largest components of the General Fund revenue are as follows for 2011:

Three Major Revenue Groups	Millions	Percent
Gaming Taxes	\$6.3	22%
Sales taxes: 18.5% of the state, 7% sales taxes on sales in City	\$7.2	25%
Property taxes: real estate, business, public utilities, auto	\$7.6	26%

Utility System Revenues

The City is continuing to evaluate its utility system revenues and making adjustments when necessary. The effects of the adjustments are reflected in this fiscal year. In fiscal year 2011 the total operating income for the proprietary funds was a profit of \$2.99 million, for fiscal year 2012 total operating income was a profit of \$2.31 million. In addition, the City's steps to stabilize the effect of the volatile cost of natural gas, by formulating an automatic purchased gas adjustment rate on a monthly basis gave the gas proprietary fund an operating profit of \$.63 million in 2012 compared to a profit of \$1.06 million for 2011.

**City of Vicksburg, Mississippi
Management's Discussion and Analysis (MDA)
For the Year Ended September 30, 2012**

CONTACT INFORMATION

Financial reports of the City of Vicksburg are for use by residents as well as groups and entities, such as investors and creditors, to assess the financial condition of the City.

The citizens of Vicksburg should be able to use the reports to tell them how their taxes and fees for services have been used and to determine if their taxes or fees for services will increase. The citizens should also be able to assess the City's ability to continue the services which the citizens desire and if the City is making proper financial decisions to insure that the infrastructure of the City is being maintained.

Investors and creditors have a need for proper financial reports to evaluate the financial condition of the City. Investors need assurances of a sound financial condition when making decisions to provide the financing needs of the City or to invest directly in the City. Citizens benefit by the City having the most favorable credit rating.

For more information regarding this report and the City of Vicksburg's financial condition, contact the City Clerk's office located at 1401 Walnut Street, Vicksburg, MS. Phone: 601-634-4553 or E-mail: Waltero@vicksburg.org. You may also visit the City's website at www.vicksburg.org.

II. BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vicksburg, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Vicksburg, Mississippi's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vicksburg, Mississippi, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 27, 2013 on my consideration of the City of Vicksburg, Mississippi's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles general accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 17 and 59 through 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for the placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about

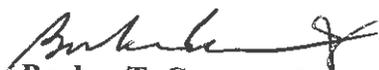
Honorable Mayor and Board of Aldermen
City of Vicksburg

Page Two

the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vicksburg, Mississippi's basic financial statements. The accompanying supplementary information, such as the Schedule of Surety Bonds for Municipal Officials, in the table of contents, combining and individual non-major fund financial statements and the accompanying schedule of expenditures of federal awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vicksburg, Mississippi's basic financial statements. The Schedule of Surety Bonds has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide assurance on it.



Booker T. Camper, Jr

November 27, 2013
Memphis, Tennessee

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF VCKSBURG, MISSISSIPPI
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government		
	Governmental Activities	Business -Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 14,371,800	\$ 9,741,911	\$ 24,113,711
Investments	2,258,700	-	2,258,700
Receivables	11,604,653	1,419,927	13,024,581
Internal balances(Due From)	2,964,869	(2,788,299)	176,570
Due from other governmental agencies	184,500	-	184,500
Inventories	256,700	-	256,700
Total current assets	\$ 31,641,223	\$ 8,373,539	\$ 40,014,762
Noncurrent assets			
Restricted cash	-	600,877	600,877
Other noncurrent assets	75,992	-	75,992
Capital Assets:			
Land, improvements and construction in progress not depreciated	15,345,373	1,196,690	16,542,063
Infrastructure and infrastructure in progress net of depreciation	52,186,382	-	52,186,382
Buildings, net of depreciation	19,353,960	37,362,530	56,716,489
Equipment and furniture, net of depreciation	4,300,240	1,900,979	6,201,219
Other capital assets, net of depreciation	10,674,731	3,568,693	14,243,423
Capital assets, net	101,860,685	44,028,892	145,889,577
Total noncurrent assets	101,936,677	44,629,770	146,566,446
Total Assets	\$ 133,577,900	\$ 53,003,308	\$ 186,581,207
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 2,445,769	1,668,595	4,114,364
Due to other governmental agencies	298,308	69,458	367,766
Deferred revenues	9,126,526	-	9,126,526
Other current due within one year:			
Bonds, capital leases and contracts	1,996,000	1,014,054	3,010,054
Accrued Interest	1,036	13,799	14,835
Compensated absences	-	-	-
Claims and judgements	-	-	-
Total current liabilities	\$ 13,867,639	\$ 2,765,906	\$ 16,633,544
Noncurrent liabilities			
Bonds, capital leases and contracts	10,679,503	10,447,843	21,127,346
Accrued Interest	-	-	-
Compensated absences	976,990	176,362	1,153,352
Claims and judgements	82,243	-	82,243
Total noncurrent liabilities	11,738,736	10,624,205	22,362,941
Total Liabilities	\$ 25,606,376	\$ 13,390,111	\$ 38,996,485
NET ASSETS			
Invested in capital assets, net of related debt	\$ 100,287,366	34,210,138	134,497,504
Restricted for:			
Capital Projects	2,154,130	-	2,154,130
Debt Service	(219,054)	-	(219,057)
Other Projects	-	-	-
Unrestricted	5,749,085	5,403,059	11,152,143
Total Net Assets	\$ 107,971,527	\$ 39,613,197	\$ 147,584,722

See accompanying notes to financial statements

CITY OF VICKSBURG, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Function/Programs	Program Revenues			Net(Expenses)Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 9,501,551	\$ -	\$ -	\$ -	\$ (9,501,551)	\$ -	\$ (9,501,551)
Public safety	15,425,677	2,614,946	-	-	(12,810,731)	-	(12,810,731)
Public works	5,055,944	-	1,457,314	-	(3,598,629)	-	(3,598,629)
Culture and recreation	4,587,449	-	-	-	(4,587,449)	-	(4,587,449)
Interest and redemption long term debt	527,463	-	-	-	(527,463)	-	(527,463)
Total governmental activities	<u>35,098,083</u>	<u>2,614,946</u>	<u>1,457,314</u>	<u>-</u>	<u>(31,025,823)</u>	<u>-</u>	<u>(31,025,823)</u>
Business-type activities							
Water	4,861,403	5,173,150	-	-	311,747	311,747	311,747
Gas	5,799,917	6,386,615	-	-	586,699	586,699	586,699
Sewer	3,866,886	4,513,134	-	-	646,249	646,249	646,249
Refuse	1,355,592	1,760,547	-	-	404,956	404,956	404,956
Transportation	5,475	-	-	-	(5,475)	(5,475)	(5,475)
Total business-type activities	<u>15,889,272</u>	<u>17,833,447</u>	<u>-</u>	<u>-</u>	<u>1,944,174</u>	<u>1,944,174</u>	<u>1,944,174</u>
Total primary governmental	<u>\$ 50,987,355</u>	<u>\$ 20,448,392</u>	<u>\$ 1,457,314</u>	<u>\$ -</u>	<u>\$ (31,025,823)</u>	<u>\$ 1,944,174</u>	<u>\$ (29,081,648)</u>
General revenues							
Taxes:							
Property taxes, levied for general purposes					\$ 7,665,958	\$ -	\$ 7,665,958
Property taxes, levied for specific purpose					3,337,172	-	3,337,172
Franchise and miscellaneous taxes					7,967,335	-	7,967,335
Public service taxes					11,079,626	-	11,079,626
Grants and contributions unrestricted					119,504	61,547	181,052
Miscellaneous					2,696,342	114,200	2,810,542
Gain(loss) on sale of assets					28,367	-	28,367
Transfers(In)out and Other					(754,846)	754,846	-
Total general revenue and transfers					<u>32,139,459</u>	<u>930,593</u>	<u>33,070,052</u>
Change in net assets					1,113,636	2,874,768	3,988,404
Net assets, October 1, 2011					106,857,887	36,738,431	143,596,320
Prior Period Adjustment					-	-	-
Net assets, September 30, 2012					<u>\$ 107,971,524</u>	<u>\$ 39,613,197</u>	<u>\$ 147,584,722</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**CITY OF VICKSBURG, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012**

	General Fund	City Bond and Interest	Capital Projects Fund	Other Non-major Government Funds	Total Government Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,398,283	\$ 1,067,374	\$ 2,389,735	\$ 1,636,544	\$ 14,491,935
Investments	-	-	-	2,258,700	2,258,700
Taxes receivable, net	6,130,189	2,144,207	-	-	8,274,396
Due from other funds	5,295,930	1,013	133,295	-	5,430,238
Receivables from other governments	184,500	-	-	-	184,500
Other Receivables	3,212,500	-	5,318	72,406	3,290,224
Inventories	42,097	-	-	64,182	106,279
Prepaid expenses	76,279	-	-	(287)	75,992
Total Assets	<u>24,339,778</u>	<u>3,212,593</u>	<u>2,528,348</u>	<u>4,031,545</u>	<u>34,112,264</u>
LIABILITIES					
Current liabilities					
Accounts Payable	1,758,989	2,263	374,218	223,323	2,358,793
Due to other funds	164,881	1,298,000	-	945,517	2,408,398
Payable to other governments	298,308	-	-	-	298,308
Deferred Revenue	6,984,571	2,130,351	-	11,604	9,126,526
Other accrued expenses	-	-	-	-	-
Other payables	-	1,036	-	-	1,036
Total liabilities	<u>9,206,749</u>	<u>3,431,650</u>	<u>374,218</u>	<u>1,180,444</u>	<u>14,193,061</u>
FUND BALANCES					
Unassigned	15,133,029	-	-	-	15,133,029
Assigned:					
Debt Service	-	(219,057)	-	-	(219,057)
Capital Projects	-	-	2,154,130	-	2,154,130
Encumbrances and other	-	-	-	2,851,101	2,851,101
Total Fund Balances	<u>\$ 15,133,029</u>	<u>\$ (219,057)</u>	<u>\$ 2,154,130</u>	<u>\$ 2,851,101</u>	<u>\$ 19,919,203</u>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENT FUNDS
TO THE STATEMENT OF NET ASSETS
CITY OF VICKSBURG, MISSISSIPPI
September 30, 2012**

Fund Balances - total governmental funds	\$	19,919,203
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statement.		
Governmental capital assets		
Less accumulated depreciation		101,860,685
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statement.		
		(172,437)
The assets and liabilities of certain internal service funds are not included in the fund financial statement.		
		98,809
Some liabilities (such as Notes Payable, Capital Lease Payable, Long term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement.		
		<u>(13,734,736)</u>
Net Assets of Governmental Activities	\$	<u><u>107,971,524</u></u>

See accompanying notes to financial statements

CITY OF VICKSBURG, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012

	General Fund	City Bond and Interest	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 7,582,371	\$ 3,120,936	\$ -	\$ 216,237	\$ 10,919,543
Sales and miscellaneous taxes	15,484,786	-	-	-	15,484,786
Fees and fines	967,281	-	-	-	967,281
Licenses and permits	207,145	-	-	-	207,145
Intergovernmental	2,101,916	-	-	-	2,101,916
Charges for services	2,195,267	-	-	-	2,195,267
Investment earnings(loss)	30,717	32,994	279	55,514	119,504
Miscellaneous	2,723,111	-	-	2,467,522	5,190,633
Program Income	-	-	-	-	-
Total Revenues	<u>31,292,593</u>	<u>3,153,930</u>	<u>279</u>	<u>2,739,273</u>	<u>34,031,867</u>
Expenditures					
Current(Operating)					
General government	4,399,216	2,315	-	-	4,401,531
Public safety	15,425,677	-	-	412,154	15,837,831
Public works	3,944,465	-	-	-	3,944,465
Culture and recreation	2,655,240	-	-	642,446	3,297,685
Debt service:					
Principal	387,925	1,645,000	-	269,000	2,301,925
Interest and other charges	27,937	443,756	-	61,277	532,970
Capital Outlay	3,266,084	-	43,243	759,497	4,068,824
Total Expenditures	<u>30,106,544</u>	<u>2,091,071</u>	<u>43,243</u>	<u>2,144,374</u>	<u>34,385,232</u>
Excess of revenues over (under) expenditures	<u>1,186,049</u>	<u>1,062,858</u>	<u>(42,964)</u>	<u>594,900</u>	<u>(353,365)</u>
Other financing sources and uses, including transfers					
Other Sources(Uses)					
Transfers In(Out)	785,528	-	(879,780)	(660,594)	(754,846)
Total other financing sources(uses)	<u>785,528</u>	<u>-</u>	<u>(879,780)</u>	<u>(660,594)</u>	<u>(754,846)</u>
Net change in fund balances	1,971,577	1,062,858	(922,744)	(65,695)	2,045,997
Fund Balances, October 1, 2011	13,161,450	(1,281,915)	2,943,580	3,050,090	17,873,204
Prior Period Adjustment	-	-	133,295	(133,295)	-
Fund Balances, October 1, 2012	<u>\$ 15,133,029</u>	<u>\$ (219,057)</u>	<u>\$ 2,154,130</u>	<u>\$ 2,851,100</u>	<u>\$ 19,919,203</u>

See accompanying notes to financial statements

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2012

Net Change in Fund Balances - total governmental funds	\$ 2,045,997
Amounts reported for governmental activities in Statement of of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.	715,285
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(67,093)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	<u>(1,580,554)</u>
Change in Net Assets of the Governmental Funds	\$ <u><u>1,113,636</u></u>

See accompanying notes to financial statements

PROPRIETARY FUNDS

CITY OF VICKSBURG, MISSISSIPPI
STATEMENT OF NET ASSETS
Proprietary Funds
September 30, 2012

	Business -Type Activities - Enterprise Funds					Internal Service Funds
	Water Fund	Gas Fund	Sewer Fund	Other	Total	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,955,522	\$ 6,021,000	\$ 824,489	\$ 940,900	\$ 9,741,911	\$ -
Accounts receivable, net	262,981	674,572	366,677	115,698	1,419,927	40,033
Due from other funds	-	2,521,791	-	-	2,521,791	-
Receivables from other governments	-	-	-	-	-	-
Inventories	-	-	-	-	-	150,422
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>2,218,502</u>	<u>9,217,363</u>	<u>1,191,166</u>	<u>1,056,598</u>	<u>13,683,629</u>	<u>190,455</u>
Noncurrent assets:						
Restricted cash and cash equivalents	381,407	-	219,470	-	600,877	-
Capital Assets:						
Land and improvements	4,681,631	588,998	388,548	442,949	6,102,126	30,536
Utility system	23,810,284	6,213,449	29,191,786	-	59,215,519	51,433
Construction in progress	1,422,490	1,424,849	975,274	-	3,822,613	-
Buildings	27,359	504,833	566,510	-	1,098,702	122,118
Equipment and furniture	3,785,452	2,654,527	2,213,631	406,052	9,059,662	196,365
Less accumulated depreciation	(16,327,443)	(6,276,154)	(12,140,825)	(525,308)	(35,269,730)	(276,123)
Capital assets, net	<u>17,399,772</u>	<u>5,110,502</u>	<u>21,194,925</u>	<u>323,693</u>	<u>44,028,892</u>	<u>124,329</u>
Total noncurrent assets	<u>17,781,179</u>	<u>5,110,502</u>	<u>21,414,395</u>	<u>323,693</u>	<u>44,629,770</u>	<u>124,329</u>
Total Assets	<u>\$ 19,999,683</u>	<u>\$ 14,327,865</u>	<u>\$ 22,605,561</u>	<u>\$ 1,380,291</u>	<u>\$ 58,313,399</u>	<u>\$ 314,785</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 579,873	\$ 742,913	\$ 122,852	\$ 222,957	\$ 1,668,595	86,976
Overdrafts	-	-	-	-	-	120,135
Accrued interest payable	5,825	3,353	4,621	-	13,799	-
Due to other funds	1,275,418	274,332	2,808,734	1,021,065	5,379,548	56,970
Payable to other governments	-	-	-	-	-	-
Other accrued expenses	46,473	71,714	58,175	-	176,362	-
Capital lease obligation	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	-
Bonds, notes and loans payable	-	-	-	-	-	-
Total current liabilities	<u>1,907,589</u>	<u>1,092,312</u>	<u>2,994,381</u>	<u>1,244,022</u>	<u>7,238,304</u>	<u>264,081</u>
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	17,948
Capital lease obligation	-	-	-	-	-	-
Bonds, notes and loans payable	2,760,372	2,138,940	6,562,585	-	11,461,897	-
Total noncurrent liabilities	<u>2,760,372</u>	<u>2,138,940</u>	<u>6,562,585</u>	<u>-</u>	<u>11,461,897</u>	<u>17,948</u>
Total Liabilities	<u>\$ 4,667,961</u>	<u>\$ 3,231,253</u>	<u>\$ 9,556,966</u>	<u>\$ 1,244,022</u>	<u>\$ 18,700,201</u>	<u>\$ 282,029</u>
NET ASSETS						
Invested in capital assets, net of related debt	15,332,505	4,379,963	14,063,395	434,277	34,210,140	131,563
Unrestricted	(783)	6,716,649	(1,014,801)	(298,007)	5,403,059	(98,809)
Total Net Assets	<u>\$ 15,331,722</u>	<u>\$ 11,096,613</u>	<u>\$ 13,048,595</u>	<u>\$ 136,269</u>	<u>\$ 39,613,197</u>	<u>\$ 32,754</u>

CITY OF VICKSBURG, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
Proprietary Fund
September 30, 2012

	Business -Type Activities			Internal Service Funds
	Water Fund	Gas Fund	Sewer Fund	
OPERATING REVENUES:				
Charge for services	\$ 5,118,915	\$ 6,396,389	\$ 4,505,211	\$ 17,781,063
Other Revenue	57,089	106	109,389	166,584
Total Operating Revenue	<u>5,176,003</u>	<u>6,396,495</u>	<u>4,614,600</u>	<u>17,947,646</u>
			<u>1,760,547</u>	<u>803,697</u>
OPERATING EXPENSES:				
Personnel services	1,148,513	1,747,767	1,245,878	4,142,158
Contractual services	1,519,131	3,449,138	1,082,434	7,380,996
Utilities	410,520	35,945	179,982	626,447
Repairs and maintenance	244,263	143,555	203,913	592,669
Other supplies and expenses	775,735	170,042	288,287	1,237,149
Insurance claims and expenses	54,287	55,024	32,756	151,225
Depreciation	641,316	167,361	671,413	1,497,682
Total Operating Expenses	<u>4,793,766</u>	<u>5,768,832</u>	<u>3,704,662</u>	<u>15,628,326</u>
Operating Income(Loss)	<u>382,237</u>	<u>627,664</u>	<u>909,938</u>	<u>2,319,320</u>
			<u>399,480</u>	<u>(73,913)</u>
NON-OPERATING REVENUE(EXPENSES)				
Interest and investment income	13,368	38,160	5,662	61,547
Operating grants and contributions				
Interest expense	(67,637)	(31,088)	(162,223)	(260,948)
Total Non-operating revenue(expenses)	<u>(54,269)</u>	<u>7,071</u>	<u>(156,561)</u>	<u>(199,401)</u>
Income(loss) before transfers	<u>327,969</u>	<u>634,735</u>	<u>753,378</u>	<u>2,119,919</u>
			<u>403,838</u>	<u>(73,913)</u>
TRANSFERS & Other Sources(Uses)				
Other				
Transfers in(out)	754,846			754,846
Total Transfers & Other sources(uses)	<u>754,846</u>			<u>754,846</u>
Change in net assets	<u>1,082,815</u>	<u>634,735</u>	<u>753,378</u>	<u>2,874,766</u>
			<u>403,838</u>	<u>(73,913)</u>
NET ASSETS -BEGINNING OF YEAR	14,248,907	10,461,875	12,295,218	36,738,430
Prior Period Adjustment				102,271
NET ASSETS -BEGINNING OF YEAR(Restated)	<u>14,248,907</u>	<u>10,461,875</u>	<u>12,295,218</u>	<u>36,738,430</u>
NET ASSETS - END OF YEAR	<u>15,331,722</u>	<u>11,096,613</u>	<u>13,048,595</u>	<u>39,613,197</u>
			<u>136,269</u>	<u>\$ 32,755</u>

See accompanying notes to financial statements

CITY OF VICKSBURG, MISSISSIPPI
 STATEMENT OF CASH FLOWS
 Proprietary Fund
 September 30, 2012

	Business - Type Activities				Total	Internal Service Fund
	Water Fund	Gas Fund	Sewer Fund	Other Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 5,171,278	\$ 6,396,495	\$ 4,614,600	\$ 1,760,547	\$ 17,942,920	\$ 803,687
Receipts from interfund services provided	(1,484,805)	(481,723)	(539,485)	(1,436,946)	(3,942,959)	(515,587)
Payments to suppliers	(2,621,854)	(5,196,905)	(2,328,302)		(10,147,061)	(377,835)
Payments to employees						
Payments from interfund services used						
Net cash provided by operating activities	1,064,619	717,867	1,746,813	323,601	3,852,900	(89,735)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from capital debt						
Capital contributions						
Acquisition and construction of capital assets	(499,866)	(22,293)	(923,641)	(14,900)	(1,460,700)	
Principal paid on capital debt and leases	(67,637)	(31,088)	(162,223)		(260,948)	
Interest paid on capital debt						
Net Cash Provided(Used) by Capital and Related Financing Activities	(567,503)	(53,381)	(1,085,864)	(14,900)	(1,721,648)	
CASH FLOWS FROM INVESTING ACTIVITIES:						
Operating contributions						
Interest and dividends received	13,368	52,454	6,226	858	72,906	132,513
Net cash provided by (used for) investing activities	13,368	52,454	6,226	858	72,906	132,513
Net increase(decrease) in cash and cash equivalents	510,484	716,940	667,175	309,559	2,204,158	42,778
CASH BEGINNING OF YEAR	1,826,445	5,304,060	376,784	631,341	8,138,630	(42,778)
CASH END OF YEAR	<u>2,336,929</u>	<u>6,021,000</u>	<u>1,043,959</u>	<u>940,900</u>	<u>10,342,788</u>	<u>(0)</u>
Reconciliation of Operating Income to Net Cash Provided(Used) by Operating Activities:						
Operating income	\$ 382,237	\$ 627,664	\$ 909,938	\$ 399,480	\$ 2,319,320	\$ (73,913)
Adjustments to reconcile operating loss to net cash provided by operating activities:						
Depreciation	641,316	167,361	671,413	17,592	1,497,682	5,028
Increase(Decrease) in:						
Receivables	31,084	(88,649)	54,262	12,681	9,378	8,278
Due from other funds	(3,329)		(126)		(3,455)	
Prepaid expenses and Inventories						
Increase(Decrease) in:						
Accounts payable	18,036	11,491	111,326	(106,153)	34,700	47,921
Other accrued expenses	(4,725)				(4,725)	(120,135)
Due to other funds						
Customer deposits						
Capital lease payable						
Net cash provided by operating activities	<u>1,064,619</u>	<u>717,867</u>	<u>1,746,813</u>	<u>323,600</u>	<u>3,852,900</u>	<u>\$ (89,735)</u>

FIDUCIARY FUNDS

**CITY OF VCKSBURG, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2012**

ASSETS

Cash and cash Equivalents	\$	
Other receivables		0
Total Assets		<u>0</u>

LIABILITIES

Other payables		1,144
Total Liabilities	\$	<u>1,144</u>

NET ASSETS

Held in trust for benefit and other purposes	\$	<u>(1,144)</u>
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**CITY OF VICKSBURG, MISSISSIPPI
FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Vicksburg was incorporated in 1825. The City operates under a Mayor-Aldermen form of government. As authorized by its charter, the City provides various services: public safety (police and fire), highway and streets, sanitation, health and social services, culture, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates a water and sewer system.

The City complies with accounting principles accepted in the United States of America ("GAAP"). In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflicts with or contradict GASB pronouncements, in which case, GASB prevails. For proprietary funds, GASB Statement 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The more significant accounting policies of the city are described below.

A. Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations. In determining the financial reporting entity the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*. The criteria for including organizations as component units within the City's reporting entity included whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Vicksburg has no component units.

B. Financial Statement Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report financial information for the City as a whole excluding fiduciary activities. Adjustments have been made to minimize the double-counting of interfund activity. These statements distinguish between governmental activities and business-type activities. Governmental activities are primarily financed through taxes and intergovernmental revenues, whereas business-type activities are primarily financed through charges for services to external parties.

**CITY OF VICKSBURG, MISSISSIPPI
FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

B. Financial Statement Presentation - Continued

The statements of activities present a comparison between direct expenses and program revenues for each function of the City's governmental activities, and for each of the business-type activities. Direct expenses are those that are clearly identified with a specific program or segment. Indirect expenses allocations are displayed separately from the direct expenses. Program revenue include (a) fees, fines, and charges for service, and (b) operating grants and contributions, which finance annual operating activities including restricted investment income; and (c) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs users. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements report information about the City's funds, including the fiduciary funds. Separate columns are presented for each major governmental and propriety funds.

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all financial transactions not required to be accounted for in another fund.

City Bond and Interest Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds and interest.

Capital Projects Fund – accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Special Revenue Fund – accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

The City reports the following major proprietary funds:

Water Fund – accounts for the operations of the water distribution system of the City.

Gas Fund – accounts for the operating activities of the City's gas utilities services.

Sewer Fund – accounts for the operating activities of the City's sewer utilities services.

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Statement Presentation – Continued

Gas Fund – accounts for the operating activities of the City’s gas utilities services.

Sewer Fund – accounts for the operating activities of the City’s sewer utilities services.

Other Fund Types

The City also reports the following fund types:

Internal Service Funds – accounts for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These include garage services. The City’s internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

Agency Fund – accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund use a flow of economic resource measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to business in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both “measurable” and “available to finance expenditures of the current period.” The City considers amounts collected on grants within 120 days after the year-end, and amounts collected within 60 days after year-end on all other on all other governmental funds, to be available and thus recognizes them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Revenue of the City which are susceptible to accrual under the modified accrual basis include property taxes, other taxes, public service taxes, grant revenues, interest revenue, and charges for services. In applying the “susceptible to accrual” concept to inter-governmental revenues (grants, entitlements and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be earned by the City; therefore, revenues are recognized based upon when the expenditures are made if they meet the criterion of availability. In other, moneys are essentially unrestricted as to purpose of expenditures and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the measured on the accrual basis of accounting.

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

The City’s proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the City’s utility type funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Allocation of Indirect Expenses

The City allocates indirect expenses primarily comprised of central government services to operating functions and programs benefiting from those services. Central services include overall City management, accounting, financial reporting, payroll, procurement contracting and oversight, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

D. Fund Balance Presentation

- **Nonspendable.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted.** This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- **Committed.** This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the City. Such formal action may be in the form of an ordinance or resolutions and may only be modified or rescinded by a subsequent formal action.

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Balance Presentation – Continued

- **Assigned.** This classification includes amounts that are intended by the City to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the governing body or official.
- **Unassigned.** This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. The City uses restricted amounts first when both restricted and unrestricted fund balances are available.

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes permit the City to invest funds in excess of sums required for immediate expenditure or current obligation in certificates of deposit and other time deposits with financial institutions approved for the deposit of State funds, debt instruments of the U. S. government and its agencies of the State of Mississippi, or of any county or municipality when such county or municipal bonds have been properly approved.

The City pools its cash resources of its various funds in order to maximize investment opportunities. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements and is considered to be cash equivalents. Investment income is allocated based on each fund's average daily balance in the pooled cash account.

F. Interfund Balances and Activity

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

H. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

I. Capital Assets

The accounting treatment over fixed assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide of fund financial statements.

Government-wide Statements

Fixed assets are accounted for as capital assets. Capital assets with useful lives of more than one year are stated at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market at the date of donations. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2003. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets, unless State guidelines require a Lower threshold. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations.

Infrastructure assets include roads, bridges, traffic signals, etc. The infrastructure assets are likely to be the largest asset class of the City. Prior to September 30, 2003, neither their historical cost nor related depreciation has been reported in the financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets – Continued

<u>Description</u>	<u>Estimated Lives</u>
Building	40 years
Improvements other than buildings	20 years
Roads	20 years
Bridges – concrete	50 years
Bridges – timber	30 years
Computer equipment	3 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

The cost of normal maintenance and repair that does not add to the value of capital assets or materially extend their respective lives is not capitalized. Interest expenditures are not capitalized on capital assets.

J. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying accounts to specified maximums depending on tenure with the City. The City does not provide for the payment of accumulated sick leave. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

K. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Principal and interest payments are treated as period costs when paid.

L. Post Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however, the retired employees pay 100% of the premiums.

Continued

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Net Assets

The government-wide statement of net assets reports a total of \$ 1,935,073 of restricted assets for governmental activities, of which the same amount is restricted by enabling legislation.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the City, which are either unusual in nature or infrequent in occurrence.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statements date and the reported amounts of revenues, expenses or expenditures during the reporting period. Actual results could differ from those estimates.

P. Budgets and Budgetary Accounting

The City's Accountant submits to the Mayor and Aldermen a proposed operating budget for the fiscal year commencing October 1. The operating budget includes expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted by adoption of a resolution that is recorded in the minutes of the city Board. Revisions that alter the expenditures of any fund must be approved by the City Board. The budgets presented in this report are amended. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted as a basis consistent with generally accepted accounting principles (GAAP). All budgetary appropriations lapse at the end of each fiscal year.

Q. New Accounting Pronouncement

Effective October 1, 2011, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The effect of this adoption is to establish new categories for fund balance reporting and revise the definitions of governmental fund types.

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The collateral for public entities' deposits in financial institutions are now 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 City'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 these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. At September 30, 2012, all of the City's bank deposits were covered under the collateral pool administered by the State Treasurer, with the exception of the amounts held in the Perpetual Care trust accounts at an in-state bank.

At September 30, 2012, the carrying amount (recorded on the City's books) of the City's demand deposits was \$24,727,631 and the bank balance was \$28,684,563.

The City also has \$2,258,700 (carrying value) of investments held in trust at two local trust departments for the perpetual care non-expendable trust. Fair market value is based on quoted market prices. This amount consists of the following:

<u>Government Obligations</u>	<u>Cost</u>	<u>FMV</u>
Treasury and federal agencies	\$ 715,022	\$ 1,485,997
Equity mutual funds	2,000	2,839
Fixed income mutual funds	732,148	727,270
Preferred Stock	90	86
Cash and equivalents	78,220	42,508
	<u>\$ 1,945,072</u>	<u>\$ 2,258,700</u>

Interest Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of September 30, 2012, the maturities of investments subject to interest risk are as follows:

Investment maturities at fair value (in years):

Investment Type	Less than 1	1-5	6-10	More than 10
Mutual Funds	\$ 695,335	-	-	-
U. S. Government agencies	\$ 459,500	\$ 1,103,865	-	-

Custodial Credit Risk: All investments are not exposed to custodial credit risk as they are entirely uninsured and unregistered but in custodial accounts at two local banks in the name of the City.

**CITY OF VICKSBURG, MISSISSIPPI
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED SEPTEMBER 30, 2012**

NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Credit Risk: The City has no investment policy that would further restrict its investment choices other than those set by State of Mississippi statute. Following is a list of investments which are stated in state statute and are limited to the investment of funds in excess of sums required by immediate expenditure or current obligations:

Certificates of deposit with municipal depositories approved annually by the State Treasurer

Bonds of direct obligations of the:

United States of America

State of Mississippi

County or Municipality of Mississippi

School Districts

State statute allows the investment of funds received from the sale of bond, notes or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

As of September 30, 2012, investments subject to credit risk were down rated by Standard & Poor's or Moody's, in the absence of a Standard and Poor's rating, because audits were not issued on a current basis.

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied in September on the assessed (appraised) value of all real and business personal property located in the city and are payable by the following February 1. An enforceable lien on property is attached as of January 1. However, taxpayers are permitted pay ad valorem taxes in installments by paying one-half by February 1, one-quarter by May 1, and one-quarter by July 1. Installments bear interest at the rate of 12% per annum. City property tax revenues are recognized when levied. Major tax payments are received in February through May. An allowance is established for delinquent taxes to the extent that their collectibility is doubtful. The City has an interlocal agreement with the county to collect all City and school taxes.

For the current year, the City levied taxes in the amount of 35.88 mills for the following purposes:

General	22.79
City debt service	7.95
Police and fire disability relief fund	<u>5.14</u>
Total mills	<u>35.88</u>

An additional millage rate of 5.05 was levied for the business promotion area.

General Accounts Receivables and Uncollectible Accounts

Significant receivables include amounts for fines and forfeitures from the court system and charges for ambulance transportation. The court system receivables are due when the City has an enforceable legal claim against the organization or individual. Revenues and receivables for court fines and forfeitures are reported net of any amounts the City, based on historical trends, estimated will be uncollectible based on noncompliance with partial payment agreements. The other significant receivable is for charges incurred due to utilization of ambulance services. These

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE

receivables are due at the time of service. Revenues and receivables are reported net of contractual allowances due to agreements between the City and various insurance companies and an allowance for uncollectible amounts based on historical trends for non-payments related primarily to self-pay accounts.

Enterprise Receivables and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due prior to the next billing cycle, which is every month. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund.

Receivables from Other Governments and Deferred Revenue

Other government receivables are primarily comprised of amounts due from federal and state governments for miscellaneous taxes and grants. Revenue is recorded as earned when eligibility requirements are met for grants. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables at September 30, 2012 were as follows:

	Accounts	Taxes	Allowance	Total
Governmental activities				
Total governmental activities	<u>\$7,830,253</u>	<u>\$ 6,345,519</u>	<u>\$ (2,571,119)</u>	<u>\$11,604,653</u>
Business-type activities				
Total business --type activities	<u>\$1,657,636</u>	<u>\$ -----</u>	<u>\$ (237,709)</u>	<u>\$ 1,419,927</u>

Payables at September 30, 2012 were as follows:

	Salaries &			
	Vendor	Benefits	Other	Total
Governmental activities				
Total governmental activities	<u>\$1,836,933</u>	<u>\$ 401,281</u>	<u>\$ 207,555</u>	<u>\$ 2,445,769</u>
Business-type activities				
Total business --type activities	<u>\$1,420,559</u>	<u>\$ 76,157</u>	<u>\$ 171,879</u>	<u>\$ 1,668,595</u>

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2012 for Governmental funds and Business-Type Activities, resulting from interfund goods and services, transactions recorded in the accounting system and payments between funds, are recorded and total amount of the interfund balances are in agreement with each interfund balance.

In accordance with matching requirements, general fund transfers funds to the special revenue.

CITY OF VICKSBURG
NOTES TO FINANCIAL STATEMENT-CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

NOTE 6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2012, for the primary government is as follows:

	Beginning Balance	Additions	Retirement/ Transfers	Ending Balance
Governmental activities:				
Land	\$ 11,546,338			\$ 11,546,338
Buildings	26,151,892	3,160,893		29,312,785
Furniture and equipment	19,165,566	788,977	793,721	19,160,821
Other capital assets	19,018,728	847,382		19,866,110
Infrastructure	100,254,183	9,099,061		109,353,244
Construction in progress	14,606,434	997,222	11,804,622	3,799,034
Total capital assets	<u>\$ 190,743,142</u>	<u>\$ 14,893,534</u>	<u>\$ 12,598,344</u>	<u>\$ 193,038,333</u>
Less accumulated depreciation for:				
Buildings	9,431,933	526,893		9,958,826
Furniture and equipment	14,480,243	1,019,167	638,829	14,860,581
Other capital assets	8,492,507	698,873		9,191,379
Infrastructure	55,247,553	1,919,309	-	57,166,862
Total accumulated depreciation	<u>87,652,236</u>	<u>4,164,242</u>	<u>638,829</u>	<u>91,177,648</u>
Net governmental activities capital assets	<u>\$ 103,090,907</u>	<u>\$ 10,729,292</u>	<u>\$ 11,959,515</u>	<u>\$ 101,860,685</u>
Business-type activities:				
Land	\$ 1,196,690	\$ -	\$ -	\$ 1,196,690
Buildings, plant and system	59,296,533	308,433		59,604,966
Furniture and equipment	8,624,120	411,200	45,955	8,989,365
Other capital assets	4,905,436	745,424	3,147	5,647,713
Construction in progress	88,120	3,734,637	49,650	3,773,107
Total capital assets	<u>74,110,900</u>	<u>5,199,693</u>	<u>98,752</u>	<u>79,211,842</u>
Less accumulated depreciation for:				
Buildings, plant and system	25,035,151	977,274		26,012,425
Furniture and equipment	6,825,679	298,417	32,718	7,091,378
Other capital assets	1,866,576	212,570		2,079,147
Total accumulated depreciation	<u>33,727,406</u>	<u>1,488,261</u>	<u>32,718</u>	<u>35,182,950</u>
Net business-type activities capital assets	<u>\$ 40,383,494</u>	<u>\$ 3,711,432</u>	<u>\$ 66,034</u>	<u>\$ 44,028,892</u>

Capital assets and depreciation activity as of and for the year ended September 30, 2012, for the primary government are as follows:

Depreciation expense of \$5,596,646 for the year ended September 30, 2012, was charged to the following governmental functions:

Governmental activities:	\$ <u>4,108,385</u>
Business-type activities:	\$ <u>1,488,261</u>

Continued

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 7. LONG-TERM OBLIGATIONS

Bonds and Note Payable

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

Other

State Revolving fund Loan (SRFL)

SRFLs are also special obligations of the City solely secured by a special pledge of the City's sales tax revenues.

Tax Increment Financial (TIF) Bonds

TIF Bonds are commonly issued to encourage economic development in a defined area. Resources for payment of interest and principal on the bonds result from the tax increases in the defined area. These bonds usually carry a higher interest rate due to the risk of economic downturn or limited tax revenue growth in the defined TIF area.

Restricted Assets

Certain proceeds of the city's Proprietary Fund bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

The following is a summary of the city's long-term debt transactions for the year ended September 30, 2012:

	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>
<u>Governmental Activities:</u>			
General Obligation Bonds:			
Unredeemed Bond (Old Compromise)	N/A	\$	0%
2007 General Obligation Bond	September 2017	\$ 16,900,000	4.0-4.5%
Other:			
1995 Tax Increment Limited Obligation Bond	March 2015	\$ 600,000	6.2-8%
1999 Tax Increment Limited Obligation Bond	December 2014	\$ 1,150,000	4.5-6.25%
2003 Tax Increment Limited Obligation Bond	December 2013	\$ 900,000	3.25-3.6%
2010 Tax Increment Limited Obligation Bond	April 2018	\$ 343,000	4.6%
<u>Business-Type Activities</u>			
General Obligation Bonds:			
2003 Public Improvement	September 2018	\$ 5,800,000	3.0-4.25%

Continued

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

Other:

1995 State Revolving Fund Loan	August 2015	\$	1,994,959	4.5%
1996 State Revolving Fund Loan	September 2016	\$	3,667,095	4.5%
2008 State Revolving Fund Loan	November 2027	\$	4,163,589	1.75%
2003 State Water Pollution Control	May 2013	\$	350,000	4.0%

<u>Description of Debt</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Government Activities:</u>					
General Obligation Bonds:					
Unredeemed Bond (Old Compromise)					
	\$ 300	\$ -	\$ -	\$ 300	\$ -
2007 General Obligation Bond	10,970,000		1,645,000	9,325,000	1,715,000
Other:					
1995 Tax Increment Limited Obligation Bond	170,000		40,000	130,000	40,000
1999 Tax Increment Limited Obligation Bond	410,000		95,000	315,000	100,000
2003 Tax Increment Limited Obligation Bond	315,000		100,000	215,000	105,000
2010 Tax Increment Limited Obligation Bond	280,000		34,000	246,000	36,000
<u>Business-Type Activities:</u>					
General Obligation Bonds:					
2003 Public Improvement					
	3,160,000		395,000	2,765,000	415,000
Other:					
1995 State Revolving Fund Loan	550,064		131,379	418,685	137,415
1996 State Revolving Fund Loan	1,254,156		228,819	1,025,337	239,331
2008 State Revolving Fund Loan	3,523,346		190,240	3,333,106	193,596
2003 State Water Pollution Control	<u>\$ 70,372</u>	<u>-</u>	<u>41,660</u>	<u>28,712</u>	<u>28,712</u>
TOTAL	<u>\$20,703,238</u>	<u>\$ -</u>	<u>\$2,901,098</u>	<u>\$ 17,802,140</u>	<u>\$ 3,010,054</u>

The debt service requirement on long-term obligations at September 30, 2012, is as follows:

	<u>Governmental Activities</u>			
	<u>General Obligation Bonds</u>		<u>Other</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending September 30,				
2013	1,715,000	377,956	281,000	43,476
2014	1,785,000	309,356	293,000	30,445
2015	1,860,000	237,956	200,000	16,787
2016	1,940,000	163,556	42,000	6,072
2017	2,025,000	83,531	44,000	4,140
2018-2022	-	-	46,000	2,116
2023-2027	-	-	-	-
Total	<u>\$ 9,325,000</u>	<u>\$1,172,356</u>	<u>\$ 906,000</u>	<u>\$ 103,036</u>

Continued

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

Business-Type Activities

	<u>General Obligation Bonds</u>		<u>Other</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending September 30,				
2013	\$ 415,000	\$ 106,384	\$ 599,054	\$ 114,488
2014	430,000	91,340	591,065	93,332
2015	450,000	75,430	599,855	71,756
2016	470,000	58,330	477,878	53,075
2017	490,000	40,000	207,623	42,755
2018-2022	510,000	10,200	1,094,365	157,524
2023-2027	-	-	1,194,360	57,529
2028-2032	-	-	41,640	90
Total	<u>\$ 2,765,000</u>	<u>\$ 381,684</u>	<u>\$ 4,805,840</u>	<u>\$ 590,549</u>

The payments on the General Obligation Bonds for Governmental Activities are made by the City's Bond and Interest Fund with ad valorem taxes. Payments on the General Obligation Bonds for the Business-Type Activities are made from charges to customers. The Tax Increment Limited Obligation Bonds payments are made with incremental taxes received from outside sources in the other governmental funds.

Compensated Absences

The annual changes to compensated absences included in general long-term debt as of September 30, 2012, area as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Beginning Balance	\$ 1,015,317	\$ 181,087
Additions	849,669	188,835
Reduction	(887,996)	(193,560)
Ending Balance	<u>\$ 976,990</u>	<u>\$ 176,362</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund. In the past, 100% has been paid by the General Fund.

Capital Leases

Lease arrangements for heavy equipment are considered capital leases for financial accounting purposes.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

Year ending September 30,	<u>Governmental Activities</u>	<u>Business Type Activities</u>
2013	\$ 358,070	\$ 209,008
2014	275,691	608,806
2015	213,746	622,118
2016	218,604	635,722
2017	119,325	596,459
2018-2022	459,951	3,091,928
2023-2027	524,887	729,519
2028-2032	56,402	29,538
Total minimum lease payments	<u>\$ 2,226,676</u>	<u>\$ 6,523,097</u>
Less: amount representing interest	<u>346,192</u>	<u>863,041</u>
Present value of minimum lease payments	<u>\$ 2,572,868</u>	<u>\$ 7,386,138</u>
Current principal portion due in one year	<u>\$ 358,070</u>	<u>\$ 209,008</u>

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

The General Fund makes payments on these capital leases by utilizing general revenue sources.

Range of interest rates is from 2.91% to 3.595%.

Claims and Judgments

The City established a limited risk management program for health insurance in prior years. Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claim expenditures reported in the general fund. As of September 30, 2012, such interfund premiums did not exceed reimbursable expenditures.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City has excess stop loss agreements that cover losses in excess of specific and aggregate retention levels. Liabilities include an amount for claims that have been incurred but not reported (IBNRs) which were determined based on subsequent year settlement of claims incurred during year under audit by the insurance carrier. Changes in the balances of claims liabilities during the past year are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>
<u>2012</u>		
Balance, beginning of year	\$ 82,243	\$ 14,190
Claims incurred	3,633,492	799,368
Claims payments	<u>3,702,302</u>	<u>814,506</u>
Balance, end of year	<u>\$ 13,433</u>	<u>\$ (948)</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>
<u>2011</u>		
Balance, beginning of year	\$ 95,181	\$ 17,036
Claims incurred	3,431,008	754,822
Claims payments	<u>3,443,946</u>	<u>757,668</u>
Balance, end of year	<u>\$ 82,243</u>	<u>\$ 14,190</u>

The claims and judgment liability related to IBNR will generally be liquidated by charging the individual funds based on management's assessment of the relative risk that should be consumed by individual funds. Currently, the General Fund bears approximately 100% of the claims costs and the percentage approximates the percentage in prior years.

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 8. DEFINED BENEFIT PENSION PLAN AND OTHER EMPLOYEE BENEFITS

Plan Description: The City of Vicksburg 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 information may be obtained by writing to Public Employee Retirement System, PERS building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy: PERS members are required to contribute 9.00% of their annual covered salary and the City of Vicksburg is required to contribute at an actuarially determined rate. The rate was increased twice during the fiscal year. On January 1, 2012 the employer rate was increased from 12.00% to 12.93%. The rate was again increased on July 1, 2012 to 14.26%, which is the rate at September 30, 2012. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Vicksburg's contributions to PERS for the years ending September 30, 2012, September 30, 2011 and September 30, 2010 were \$ 2,237,676, \$ 2,192,821 and \$2,090,631 respectively, equal to the required contributions for each year.

NOTE 9. FUND EQUITY

A net deficit of \$ 219,057 exists in another governmental – debt service fund resulting from debt payment not transferred until after year end; accordingly funds were transferred in the subsequent period. In addition, there is a net asset of \$ 136,269 in the sanitation fund and the income from the fund exceeded expenses by \$ 403,838.

NOTE 10. CONTINGENCIES AND COMMITMENTS

Litigation

The City is a defendant in a number of lawsuits, most of which involve small claims and for which the City feels they are adequately covered by insurance. The City, after consultation with legal counsel, does not believe that the ultimate disposition of the above legal proceedings will have a material adverse effect on the financial position of the City.

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

NOTE 10. CONTINGENCIES AND COMMITMENTS, CONTINUED

Grants

In the normal course of operations, the City received federal and state grants for specific purposes that are subject to review and additional audits by federal and state agencies. Such audits could result in a request for reimbursement by federal or state agencies for expenditures disallowed under the terms and conditions of the grants. In the opinion of City management, such disallowances, if any, will be immaterial.

Commitments

The City has entered into a long term contract with a management company for the convention center. The contract is through September, 2012, for a monthly management fee of \$10,940 per month.

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions, injuries to employees (workers' compensation), employees health; and natural disasters for which the City carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 12. SUBSEQUENT EVENTS

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions, injuries to employees (workers' compensation), employees health; and natural disasters for which the City carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage for the current year or the three prior years.

Management has evaluated the activity of the City through November 27, 2013, (the date of the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

- In regard to Environmental Protection Agency and the City of Vicksburg's Water and Sanitary system, the City of Vicksburg entered into an Administrative Order on Consent (AOC) (injunction relief) on April 10, 2013 and a Consent Agreement (civil penalty) on May 28, 2013. The AOC requires the City to evaluate its system and make improvements. The Consent Agreement requires the City to pay a fine in amount of \$ 17,000.00 and make certain evaluations and approvals for the next ten (10) years. The City has paid the \$ 17,000.00 fine and is performing the required evaluations and obtaining the necessary approvals. On December 3, 2013, the City has approved capital improvement plan for the next five (5) years for sewer treatment plant and sewer system for \$ 3.6 Million per year for the next ten (10) years.

III. REQUIRED SUPPLEMENTAL INFORMATION (PART B)

BUDGET COMPARISON SCHEDULES

**CITY OF VICKSBURG
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 7,033,200	\$ 7,576,900	\$ 7,582,371	\$ 5,471
Sales and miscellaneous taxes	14,671,100	15,280,085	15,484,786	204,701
Fees and fines	875,000	900,000	967,281	67,281
Licenses and permits	160,250	199,850	207,145	7,295
Intergovernmental	1,985,000	2,030,000	2,101,916	71,916
Charges for services	2,162,600	1,850,600	2,195,267	344,667
Investment earnings (loss)	35,000	23,000	30,717	7,717
Miscellaneous	2,726,585	3,615,023	2,723,111	(891,912)
Total revenues	<u>\$ 29,648,735</u>	<u>\$ 31,475,458</u>	<u>\$ 31,292,594</u>	<u>\$ (182,864)</u>
EXPENDITURES				
Current:				
General government	4,482,767	4,547,757	4,399,216	(148,541)
Public safety	14,669,124	15,635,988	15,425,677	(210,311)
Public works	4,209,153	4,054,473	3,944,466	(110,007)
Culture and recreation	2,774,546	2,821,293	2,655,240	(166,053)
Debt service:				
Principal	318,617	398,467	387,925	(10,542)
Interest and other charges	22,714	25,677	27,937	2,260
Capital outlay	1,866,851	3,084,367	3,266,084	181,717
Total expenditures	<u>28,343,772</u>	<u>30,568,022</u>	<u>30,106,544</u>	<u>(461,478)</u>
Excess (deficiency) of revenues over expenditures	<u>1,304,963</u>	<u>907,436</u>	<u>1,186,050</u>	<u>278,614</u>
OTHER FINANCING SOURCES (USES)				
Other Sources(Uses)				
Transfers in(out)	(1,282,369)	(389,657)	785,528	1,175,185
Total other financing sources and uses	<u>(1,282,369)</u>	<u>(389,657)</u>	<u>785,528</u>	<u>1,175,185</u>
Net change in fund balances	22,594	517,779	1,971,578	1,453,799
Fund balances - beginning	13,161,450	13,161,450	13,161,450	-
Fund balances - ending	<u>\$ 13,184,044</u>	<u>\$ 13,679,229</u>	<u>\$ 15,133,029</u>	<u>\$ 1,453,800</u>

**CITY OF VICKSBURG
BUDGET AND ACTUAL (WITH VARIANCES)
CITY BOND AND INTEREST FUND
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 2,498,732	\$ 2,498,732	\$ 3,120,936	\$ 622,204
Sales and miscellaneous taxes	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings (loss)	13,000	13,000	32,994	19,994
Miscellaneous	-	-	-	-
Total revenues	<u>\$ 2,511,732</u>	<u>\$ 2,511,732</u>	<u>\$ 3,153,930</u>	<u>\$ 642,198</u>
EXPENDITURES				
Current:				
General government	4,500	4,500	2,315	(2,185)
Public safety	-	-	-	-
Public works	-	-	-	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	1,645,000	1,645,000	1,645,000	-
Interest and other charges	443,756	443,756	443,756	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,093,256</u>	<u>2,093,256</u>	<u>2,091,071</u>	<u>(2,185)</u>
Excess (deficiency) of revenues over expenditures	<u>418,476</u>	<u>418,476</u>	<u>1,062,859</u>	<u>644,383</u>
OTHER FINANCING SOURCES (USES)				
Transfers in(out)	1,500,000	1,500,000	-	(1,500,000)
Total other financing sources and uses	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
Net change in fund balances	1,918,476	1,918,476	1,062,859	(855,617)
Fund balances - beginning	(1,281,915)	(1,281,915)	(1,281,915)	-
Fund balances - ending	<u>\$ 636,561</u>	<u>\$ 636,561</u>	<u>\$ (219,056)</u>	<u>\$ (855,617)</u>

**CITY OF VICKSBURG
BUDGET AND ACTUAL (WITH VARIANCES)
CAPITAL PROJECTS FUND
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	-	-	-	-
Fees and fines	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings (loss)	200	200	279	79
Miscellaneous	-	-	-	-
Total revenues	<u>200</u>	<u>200</u>	<u>279</u>	<u>79</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	3,000,000	3,000,000	43,243	(2,956,757)
Total expenditures	<u>3,000,000</u>	<u>3,000,000</u>	<u>43,243</u>	<u>(2,956,757)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,999,800)</u>	<u>(2,999,800)</u>	<u>(42,964)</u>	<u>2,956,836</u>
OTHER FINANCING SOURCES (USES)				
Other Sources(Uses)				
Transfers in(out)	(500,000)	(500,000)	(879,780)	(379,780)
Total other financing sources and uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(879,780)</u>	<u>(379,780)</u>
Net change in fund balances	<u>(3,499,800)</u>	<u>(3,499,800)</u>	<u>(922,744)</u>	<u>2,577,056</u>
Fund balances - beginning	<u>3,076,875</u>	<u>3,076,875</u>	<u>3,076,875</u>	<u>-</u>
Fund balances - ending	<u>\$ (422,925)</u>	<u>\$ (422,925)</u>	<u>\$ 2,154,130</u>	<u>\$ 2,577,055</u>

**CITY OF VICKSBURG, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTMEBER 30, 2012**

BUDGETS

General Budget Policies. Preliminary budgets for the ending year are prepared by the City Accountant prior to October 1 of each year. The availability of the proposed budgets for public inspection and the date of the public hearing on the proposed budgets are then advertised in the official journal. In August, the City holds a public hearing on the proposed budgets in order to receive comments from the residents of the City. Changes are made to the proposed budgets based on the public hearing and the desire of the City as a whole. The budgets are then adopted during the City's regular September meeting, and the adopted budget is then published in the official journal.

The City Accountant presents necessary budget amendments to the Mayor and Alderman during the year when, in his judgment, actual operations are differing materially from those anticipated in the original budget. During a regular meeting, the Mayor and Aldermen review the proposed amendments, make changes, as it deems necessary, and formally adopt the amendments. The adoption of the amendments is included in Mayor and Aldermen minutes published in the official journal.

The City exercised budgetary control at the functional level. Within functions, the City Accountant has the discretion to make changes, as he deems necessary for proper control. Unexpended appropriations lapse at the year-end and must be reappropriated in the next year's budget to be expended. The City does use encumbrance accounting in its accounting system. Formal budgetary integration is employed as a management control devise.

For the year ended September 30, 2012, GAAP basis budgets were adopted for all the funds.

Encumbrances. Encumbrances accounting is recognized within the accounting record for budgetary control purposes. Authorization for the eventual expenditure will be included in the following year's budget appropriation.

Budget Basis of Accounting. All governmental funds' budgets are prepared on the GAAP basis of accounting, which is different from state law. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. States statutes require the Board to amend its budgets when expenditures within a department are expected to exceed budgeted expenditures or estimates of revenues are less than anticipate. The City publishes these changes in its official journal.

IV. OTHER ADDITIONAL INFORMATION

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
YEAR ENDED SEPTEMBER 30, 2012**

OFFICIAL'S ADMINISTRATION OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

Name	Position	Company	Bond
Paul E. Winfield	Mayor and Treasurer	Lexon Insurance Company	\$ 150,000
Michael A. Mayfield, Sr.	Alderman	Western Surety Company	\$ 150,000
Sidney H. Beauman, Jr.	Alderman	Western Surety Company	\$ 150,000
Walter Lee Armstrong	Police Chief	Western Surety Company	\$ 50,000
Public Employees Bond (Blanket Bond)	Blanket Bond	St. Paul Insurance Company	\$ 250,000
Walter W. Osborne, Jr.	City Clerk	Western Surety Company	\$ 150,000
Janice Carter	Municipal Court Clerk	Western Surety Company	\$ 50,000
Tasha Wynn Jordon	Deputy City Clerk	Western Surety Company	\$ 150,000
John Dolan	Deputy Chief of Police	Western Surety Company	\$ 50,000
Mitchell Dent	Deputy Chief of Police	Western Surety Company	\$ 50,000

Continued

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor or Cluster	Federal CFDA #	Pass-through Entity Identifying #	Federal Expenditures
U.S. Department of Justice:			
Direct Programs:			
Justice Department Grant (JAG)	16.738	2010-DJ-BX-0598	\$ 2,798
ARRA - Community Oriented Policing Service (COPS)	16.710	2009-RK-WX-0514	26,727
Bulletproof Vests Partnership Program	16.607	FY2011	<u>5,775</u>
			<u>35,300</u>
Pass through programs from the MS Division of Public Safety Planning			
Occupant Protection (Seat Belt) Grant	20.600	12-OP-234-1	11,870
STOP Violence Against Women Act (VAWA)	16.588	11-SC-234-1	5,992
STOP Violence Against Women Act (VAWA)	16.588	10-SC-234-1	<u>19,663</u>
			<u>37,525</u>
Total U. S. Department of Justice			<u>72,825</u>
U. S. Department of Homeland Security			
Pass through program from Mississippi Emergency Management Agency:			
Hazard Mitigation Grant Program (FY2008 Flood Buyout Program)	97.039	HMGP 1764-0001	2,674
Hazard Mitigation Grant Program (FY11 Flood Buyout Program – Phase I)	97.039	HMGP 1983-3	<u>1,200</u>
Total U.S. Department of Homeland Security			<u>3,874</u>
U.S. Department of Health and Human Services			
Pass through program from MS Department of Human Services			
Administration for Children and Families:			
CCDF Matching Children & Development Fund Grant, Office of Children And Youth for Good Shepherd Community Center – (FY11)	93.575	229Q611A	208,481
CCDF Matching Children & Development Fund Grant, Office of Children And Youth for Good Shepherd Community Center – (FY12)	93.596	229Q621A	<u>41,141</u>
Total U.S. Department of Human Services			<u>249,622</u>
U.S. Department of the Interior			
Direct Programs:			
National Park Service	15.929	28-07-PA-3022	<u>9,434</u>
Total U.S. Department of Interior			<u>9,434</u>
U.S. Department of Agriculture			
Direct Programs:			
USDA Farmers Market Promotion Program	10.168	12-25-G-1372	<u>10,443</u>
Total U.S. Department of Agriculture			<u>10,443</u>
U.S. Department of Energy			
Pass through from Mississippi Development Authority			
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000763/GT11-0810-0093	<u>70,790</u>
Total U.S. Department of Energy			<u>70,790</u>

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor or Cluster Title	Federal CFDA #	Pass-through Entity Identifying #	Federal Expenditures
U.S. Department of Transportation			
Direct Programs:			
Federal Aviation Administration	20.106	3-28-0073-004-2011	<u>111,911</u>
			<u>111,911</u>
Pass through program from Mississippi Department of Transportation ARRA - Highway Planning & Construction	20.205	STP-0440-00(011)/105615701	<u>109,274</u>
			<u>109,274</u>
Pass through program from Federal Highway Administration MS Dept of Wildlife, Fisheries & Parks	20.219	28-RTP-196	<u>7,556</u>
			<u>7,556</u>
Total U.S. Department of Transportation			<u>228,741</u>
U.S. Department of Housing & Urban Development (HUD)			
Pass through program from Mississippi Development Authority CDBG Disaster Funds (Water Plant Generator Project)	14.228	GV-310-374-01	<u>660,783</u>
Total U.S. Department of Housing & Urban Development (HUD)			<u>660,783</u>
Total Expenditures of Federal Awards			<u>\$ 1,306,512</u>

CITY OF VICKSBURG, MISSISSIPPI
NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Vicksburg under programs of the federal government for the year ended September 30, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Vicksburg, Mississippi, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Vicksburg, Mississippi.

NOTE B – Summary of Significant Accounting

Expenditures reported on the schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**CITY OF VICKSBURG, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
YEAR ENDED SEPTEMBER 30, 2012**

The City has taken corrective actions on findings from the prior reports from October 1, 2007 through September 30, 2012, except as follows.

2007-3; 2010-1; 2011-1. Fixed Asset Recordkeeping and Reconciliation

Condition: The Enterprise Fund and GASB 34 fixed asset subsidiary ledger is not updated and reconciled monthly. Additionally, some dates captured in the GASB 34 fixed asset subsidiary ledger are inconsistent with the financial records with respect to acquisition date, amount and description.

Recommendation: The fixed assets subsidiary ledger should be reconciled to the financial records monthly. Only items requiring capitalization in accordance with GASB 34 should be posted to the capital outlay accounts. The annual activity since the adoption of GASB 34 should be reviewed to ensure proper recording of additions and dispositions. Any errors identified should be corrected so that the fixed asset subsidiary agrees with the general ledger and/or GASB 34 financial statements.

Current Status: Not corrected

2007-16; 2010-5; 2011-5. Financial Record Maintenance Procedure

Condition: The City's procedures do not include account review and reconciliations in a number of significant account balances and transaction classes. In addition, the City personnel were unable to locate supporting documentation for several transactions.

Recommendation: Adequate personnel resources need to be devoted to performing the necessary procedures. The city should assign the responsibility for performing periodic account review and reconciliation of significant asset and liability accounts to appropriately trained employees. The procedures should include standards for documentation of work performed as well as documentation that the work has been reviewed by supervisory personnel. Supporting documents should be properly labeled and filed in a system that is easily retrievable for later reference.

Current Status: Not corrected

2007-19; 2010-7; 2011-7. Annual Audits

Condition: The City did not complete its annual audit in compliance with state law deadline or the reporting deadline mentioned in OMB Circular A-133 due to significant turnover of accounting and administrative staff.

Recommendation: The City should strive to meet all reporting deadlines of financial transactions.

Current Status: Although prior annual audits were filed after report deadline, subsequent annual audit for FY 2013 audit is scheduled to be completed by due date.

**CITY OF VICKSBURG, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2012**

2009-9 2010-8; 2011-8. Cash Receipts System – Fines and Fees – Police Station

Condition: Initial cash receipts tickets are accounted for individually in a separate reporting system and not in the City's management and accounting system.

Recommendation: The City should establish a new system that is compatible with the current accounting system to safeguard assets and account for all transactions.

Current Status: Not corrected

2011-9 City incurred costs for unallowed activities in the U. S. Department of Housing & Urban Development (HUD) pass through program from Mississippi Development Authority

Information on the federal program

U.S. Department of Housing & Urban Development (HUD)
Pass through program from Mississippi Development Authority

CDBG	14.228	R-110-374-01-GZ	FY10	\$	301,316
			FY11	\$	20,770

Condition: The City spent funds for T-Hangers that were not approved in the grant agreement.

Criteria: Costs incurred did not meet one of the three national objectives of CDBG Entitlement Grants program which was to meet the community development needs having a particular urgency and the costs for Airport T- Hangers was an unallowable activity not approved in the grant agreement.

Questioned costs: The costs questioned are \$ 322,086.

Context: Total population of costs incurred is \$ 901,313 under grant agreement # R-110-374-01-GZ, representing \$ 729,723 for FY 10 and \$ 171,590 for FY11, respectively. Total costs incurred for the T-Hangers were \$ 322,086, \$ 20,770 was incurred in FY11 and \$ 301,316 was incurred in FY10.

Effect: Reported unallowable costs to the Grantor of \$ 322,086 as a part of the expenses incurred and was reimbursed for that amount.

Cause: Undeterminable at this time.

Recommendation: The City should establish a new system of monitoring with budgeting restraints to oversee operation of grant activities in accordance with the terms of the grant agreement and make the necessary adjustments before unallowable expenses are incurred.

Views of responsible officials and planned corrective actions: The City is utilizing all efforts to review the applicability of the above issue, establish safeguards and administrative measures to prevent unallowable costs in the future and prepare a corrective action plan.

**CITY OF VICKSBURG, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2012**

2011-10 Program Monitoring Procedures and Performance Reporting of Grants and Contracts

Condition: The City did not provide adequate monitoring of its U. S. Department of HUD's contract passed through program from MDA's Disaster Recovery Division for community benefit and allowability in accordance with grant agreement. Also the City did not have proof of publication of bids and there were not documentation of solicitations of women or minority owned business for the Fire Station contract.

Criteria: OMB Circular A-133 Compliance Supplement requires that all activities must meet of the National objectives of the CDBG Entitlement Grants Program, which requires that the activity must meet community development needs for having a particular urgency, benefit low- and moderate-income persons, and prevent or eliminate slums or blight (24 CFR sections 570.200 and 570.208).

Effect: The City incurred costs for unallowable expenditures that were not authorized by the grant.

Recommendation: The City should reimburse the State of Mississippi for the questioned costs and establish monitoring program procedures and personnel to review and incur allowable expenses within the contract guidelines.

Response: The City is utilizing all efforts to review the applicability of the above issue, establish safeguards and administrative measures to prevent unallowable costs in the future and prepare a corrective action plan.

V. INTERNAL CONTROL AND COMPLIANCE



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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vicksburg, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Vicksburg, Mississippi's basic financial statements and have issued my report thereon dated November 27, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Vicksburg, Mississippi is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered City of Vicksburg, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Vicksburg, Mississippi's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Vicksburg, Mississippi's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses, and other deficiencies that I consider to be significant deficiencies

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 misstatements on timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as 2012-7.

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

Page Two

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 charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as 2012-1, 2012-2, 2012-5, 2012-7, and 2012-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City , Mississippi's Financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-7.

I noted certain other matters that I reported to management of City of Vicksburg, Mississippi in a separate letter contained in this report dated November 27, 2013 and an additional letter on compliance contained in this report with state laws and regulations dated November 27, 2013.

The City of Vicksburg, Mississippi's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Vicksburg, Mississippi's response and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, Mississippi State Department of Audit, and federal awarding agencies and pass-through entitles and is not intended to be and should not be used by anyone other than these specified parties.


Booker T. Camper, Jr.

November 27, 2013

Memphis, Tennessee



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN OMB CIRCULAR A-133

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi
Compliance

I have audited the compliance of City of Vicksburg, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2012. The City of Vicksburg, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of City of Vicksburg, Mississippi's management. My responsibility is to express an opinion on City of Vicksburg, Mississippi's compliance based on my audit.

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

In my opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

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

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

Page Two

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-7.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, 2012-5 and 2012-8 to be significant deficiencies.

The City of Vicksburg, Mississippi's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Vicksburg, Mississippi's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, the Board of Alderman, Mississippi State Department of Audit, 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.



Booker T. Camper, Jr.

November 27, 2013
Memphis, Tennessee

CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012
SCHEDULE I- SCHEDULE OF FINDINGS AND QUESTIONED COSTS
A. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS:

1. The audit's report expresses an unqualified opinion on the financial statements of the City of Vicksburg, Mississippi.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2. Five (5) instances of deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters required by *Government Auditing Standards*. One (1) instance is reported as a material weakness and four (4) instances are reported as significant deficiencies.

NONCOMPLIANCE MATERIAL TO FINANCIAL STATEMENT:

3. Four (4) instances of noncompliance material to the financial statements of the City of Vicksburg, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

FEDERAL AWARDS:

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

TYPE OF AUDITOR'S REPORT ISSUED:

5. The auditor's report on compliance for the major federal award programs for the City of Vicksburg, Mississippi expresses an unqualified opinion on all major federal programs.

AUDIT FINDINGS:

6. Audit findings are required to be reported in accordance with Section 510(a) of OMB A-133 in Section III- Federal Award Findings and Questioned Costs.

IDENTIFICATION OF MAJOR PROGRAMS:

7. The program tested as major program was: U. S. Department of Housing & Urban Development (HUD), pass through program from Mississippi Development Authority CDBG Disaster Funds (Water Plant Generator Project) CFDA# 14.228.

DOLLAR THRESHOLD

8. The threshold for distinguishing Types A and B programs was \$300,000.

AUDITEE QUALIFIED AS:

9. The City of Vicksburg, Mississippi did not qualify as a low-risk auditee.

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS:

2012-1 Fixed Asset Recordkeeping and Reconciliation

Condition: The Enterprise Fund and GASB 34 fixed asset subsidiary ledger is not updated and reconciled monthly. Additionally, some data captured in the GASB 34 fixed asset subsidiary ledger is inconsistent with the financial records with respect to acquisition date, amount and description.

Criteria: The Enterprise Fund and GASB 34 detailed fixed asset records should be timely reconciled and mirror the data recorded in the financial records.

Effect: The GASB 34 fixed asset subsidiary ledger differs from the financial records and such differences may distort recording of depreciation expense and dispositions.

Recommendation: The fixed assets subsidiary ledger should be reconciled to the financial reports monthly. Only items requiring capitalization in accordance with GASB 34 should be posted to the capital outlay accounts. The annual activity since the adoption of GASB 34 should be reviewed to ensure proper recording of additions and dispositions. Any errors identified should be corrected so that the fixed asset subsidiary agrees with the general ledger and/or GASB 34 financial statements.

Response: The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

2012-2 Reconciliations of Cash and Investment Accounts

Condition: Bank statements were not timely reconciled to the appropriate general ledger accounts and approved in the minutes and material errors were detected once the reconciliations were prepared. Additionally, investment accounts held by the trustee are only reconciled annually. Cash activity at the Convention Center is posted annually in conjunction with the audit to the City's general ledger.

Criteria: Monthly bank account reconciliations are the primary internal control procedure relating to the City's cash accounts.

Effect: Not timely recording cash activity and reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis and management may base decisions on erroneous data.

Recommendation: I recommend that all cash activity be timely posted to the general ledger and that bank accounts be reconciled each month prior to preparation of the monthly financial statements. The benefit of monthly reconciliations is that errors do not accumulate and can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. These steps can be performed at the same date, if possible. In addition, the reconciliation should be performed by someone other than the preparer of the deposits and the person preparing the checks. This will reduce the risk that misappropriation of cash assets could be concealed.

Response: The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS: - CONTINUED

2012-5 Financial Record Maintenance Procedures

Condition: The City's procedures do not include account review and reconciliations in a number of significant account balances and transaction classes.

Criteria: Appropriate accounting procedures should exist to check the accuracy and internal integrity of information in the accounting system in order to provide the City with the ability to prepare accurate and timely financial reports.

Effect: Significant errors can occur in the accounting process and not be detected in a timely manner. My audit revealed that material adjustments were required in cash, accounts receivable, enterprise accounts and fixed assets that were not detected by the City employees in the course of performing their accounting duties. Such errors, if uncorrected, can result in the financial statement being materially misstated. In addition, the City should review with appropriate City personnel the record retention policy in order to maintain accessibility of supporting documents for financial transactions.

Recommendation: Adequate personnel resources need to be devoted to performing the necessary procedures. The City should assign the responsibility for performing periodic account review and reconciliations of significant asset and liability accounts to appropriately trained employees. The procedures should include standards for documentation of work performed as well as documentation that the work has been reviewed by supervisory personnel. Supporting documents should be properly labeled and filed in a system that is easily retrievable for later reference.

Response: The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

COMPLIANCE AND OTHER MATTERS

2012-7 Annual Audits

Condition: The City did not complete its annual audit in compliance with state law deadlines or the reporting deadlines of June 30, 2013 as mentioned in OMB Circular A-133, due to significant turnover of accounting and administrative staff.

Criteria: OMB Circular A-133 states that the reporting package, which includes the audit reports, must be submitted no later than nine months after the end of the audit period.

Effect: Since many government funding agencies review financial statements in determination of grant funding, revenues could be lost or delayed.

Recommendation: The City should strive to meet all reporting deadlines of financial information.

Response: The City of Vicksburg is in compliance with OMB Circular A-133 as of the issuance date of the FY 12 audit report. The FY 13 audit report is expected to be issued no later than June 30, 2014 to be in compliance with State of Mississippi law.

**CITY OF VICKSBURG, MISSISSIPPI
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED
YEAR ENDED SEPTEMBER 30, 2012**

B. SCHEDULE II - FINANCIAL STATEMENTS FINDINGS: - CONTINUED

2012-8 Cash Receipts System – Fines and Fees – Police Station

Condition: Initial cash receipts tickets are accounted for individually in a separate reporting system and not in the City's management and accounting system.

Criteria: Internal control requires that initial cash receipt records for fines and fees be annotated into the initial and intermediate journal of the City's accounting and management information system (MUNIS) to safeguard assets and account for all cash receipts, rather than in entry into an incompatible system which does not interface with the current system.

Effect: Unable to trace total receipts to individual tickets and account for all cash receipts for the given period.

Recommendation: The City should establish a new system that is compatible with the current accounting system to safeguard assets and account for all transactions.

Response: The City is utilizing all efforts to review the applicability of the above issue and resolve this finding as soon as possible.

C. SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES:

NONE



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

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

I have audited the financial statements of the City of Vicksburg, Mississippi as of and for the year ended September 30, 2012, and have issued my report thereon dated November 27, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and my audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. My findings and recommendations are as follows:

Annual Audit: - The City is in violation of Section 21-35-31 of the Mississippi Code of 1972, which prescribes the annual audit requirements. The City did not meet the deadline of having their books audited prior to the close of the next succeeding fiscal year.

Response: - The City has engaged the auditor to complete the 2013 audit by the due date.

Investments: - The perpetual care trust fund, which is managed by the trust department of two local banks, had investments other than ones approved by state statute. State of Mississippi statute dictates the types of investments allowed for excess operating funds.

Response: - The City's legal department will review state statute and recommend to the City's board its compliance or noncompliance.

Honorable Mayor and Board of Aldermen
City of Vicksburg, Mississippi

Page Two

The instances of noncompliance of the prior year have been corrected by management unless it is specifically stated otherwise in the findings and recommendations noted above.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken. This report is intended for the information of the City of Vicksburg, Mississippi's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.



Booker T. Camper, Jr.

November 27, 2013
Memphis, Tennessee