

CITY OF STARKVILLE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2007

**CITY OF STARKVILLE, MISSISSIPPI
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Starkville
Starkville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Starkville, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In connection with our audit, nothing came to our attention that caused us to believe that the municipality is not in compliance with the requirements of the State Department of Audit, as set forth in the Municipal Compliance Questionnaire.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of September 30, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2008 on our consideration of the City of Starkville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

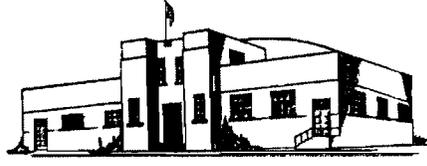
The Management Discussion and Analysis on page 4 and the budgetary comparison information on page 42 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Starkville, Mississippi's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Starkville, Mississippi. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Starkville, Mississippi
July 21, 2008

Walter Ward at Stappell PLLC

MANAGEMENT DISCUSSION AND ANALYSIS



CITY OF STARKVILLE MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2007

INTRODUCTION

The discussion and analysis of the City of Starkville's financial performance provides a narrative review of the municipality's financial activities for the year end September 30, 2007. The intent of this discussion and analysis is to look at the performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

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

The City of Starkville is located in Oktibbeha County which is in the northeastern portion of the State of Mississippi. The population, according to the 2000 census, is 21,869. The local economic base is driven by retail, manufacturing and Mississippi State University.

FINANCIAL HIGHLIGHTS

The City of Starkville is financially sound and has a stable economic base. The City has committed itself to financial conservatism for many years and has developed an efficient operation which thrives by exercising sound financial planning, budgeting and strong internal controls. The City is committed to maintaining a sound fiscal management structure. The City's desire is to foster progressive, responsible growth that will ensure the future for the City, the University and the County.

The City of Starkville continues to grow economically as well as in population. This has accounted for a steady growth in ad valorem and sales tax revenues without tax increases.

Total net assets decreased \$188,922 which represents a .33% decrease from the prior fiscal year. The City's ending cash balance increased by \$6,396,689 which represents a 86.29% increase from the prior fiscal year.

The City had \$53,177,399 total revenues. Tax revenues account for \$9,695,248 or 19.09% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$2,385,431 or 4.70% of total revenues.

The City had \$53,366,321 in total expenses, which represents an increase of \$1,864,280 or 3.62% increase over the prior fiscal year. Expenses in the amount of \$40,261,202 were offset by charges for services, grants or outside contributions. General revenues of \$12,916,197 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$13,364,949 in revenues and \$15,827,003 in expenditures. The General Fund's fund balance decreased \$226,284 from the prior year.

Among major funds, the Park and Recreation Bond Series 2007 Fund had \$5,511,640 in revenues and \$330,189 in expenditures. The Park and Recreation Bond Series 2007 Fund balance increased by \$5,181,451 over the prior year which includes \$5,375,000 from the issuance of bonds.

Capital assets, net of accumulated depreciation, decreased by \$4,480,751.

Long-term debt increased by \$7,841,247.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of 3 components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the City's Annual Report

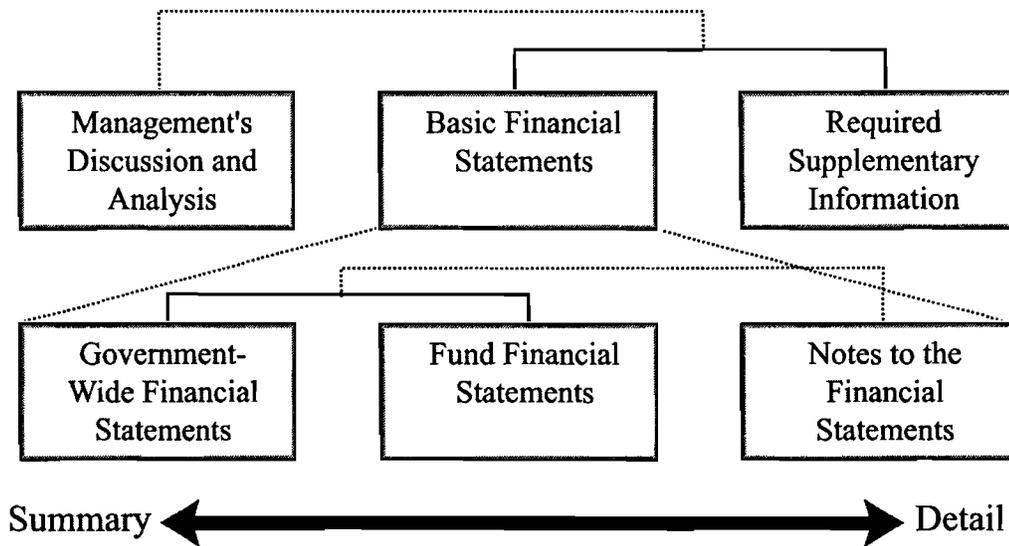


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the City’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and component units	All activities of the City that are not business-type or fiduciary in nature	The City is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in

net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). However, the city had no business-type activities. The governmental activities of the City include general government; public safety; public services (infrastructure); utilities; parks and recreation; sanitation; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 16 and 17 of this report.

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. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The City maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of

Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 19 and 21 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City 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 accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 26 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 28 through 41 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on page 43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Starkville, assets exceeded liabilities by \$54,281,717 as of September 30, 2007.

By far, the largest portion of the City's net assets (73.99%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens.

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal year ended

September 30, 2007.

	2007
	Governmental
	<u>Activities</u>
Current assets	\$ 23,359,878
Capital assets, net	<u>66,440,102</u>
Total assets	<u>\$ 89,799,980</u>
Current liabilities	10,414,530
Long-term debt outstanding	<u>25,103,733</u>
Total liabilities	<u>\$ 35,518,263</u>
Net assets:	
Invested in capital assets, net of related debt	38,923,285
Restricted	1,583,531
Unrestricted	<u>13,774,901</u>
Total net assets	<u>\$ 54,281,717</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$9,678,118 of long-term debt principal was retired.

Changes in Net Assets –The City’s total revenues for the fiscal year ended September 30, 2007 was \$53,177,399. The total cost for all services provided was \$53,366,321. The decrease in net assets was \$188,922. The following table presents a summary of the in net assets for the fiscal year ended September 30, 2007.

	Current Year
	Amount
Revenues:	
Program revenues	
Charges for services	\$ 38,875,771
Operating grants & contributions	997,776
Capital grants & contributions	1,387,655
General revenues	
Property taxes	2,727,280

Sales and Use taxes	5,610,560
Other taxes	1,357,408
Interest income	770,404
Transfers	1,204,516
Miscellaneous	1,246,029
Total Revenues	<u>\$53,177,399</u>

Expenses:

General government	4,115,461
Public safety	7,697,596
Highways and Streets	1,539,573
Health and Welfare	471,712
Parks & Recreation	2,007,290
Other	210,437
Utilities	39,507,459
Sanitation	2,155,563
Interest on long-term debt	661,230
Total Expenses	<u>\$53,366,321</u>

Decrease in Net Assets (\$188,922)

Governmental Activities – The following table presents the cost of five major functional activities of the City: General Government, Public Safety, Public Services, Parks & Recreation and Utilities.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on City of Starkville taxpayers by each of these functions.

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 4,115,461	\$ 2,001,985
Public Safety	7,697,596	7,384,061
Public Services	1,539,573	1,134,129
Parks and Recreation	2,007,290	1,915,907
Utilities	34,507,459	603,384

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – At the close of the fiscal year, the City of Starkville's governmental funds reported a combined fund balance of \$9,038,578, an increase of \$5,233,378. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The City issued park and recreation bonds in the amount of \$5,375,000.

The General Fund is the principal operating fund of the City. The decrease in the fund balance of the General Fund for the fiscal year was \$226,284 which is primarily due to the increased costs of operations.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

- Over the course of the year, the City of Starkville revised its annual operating budget on several occasions.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2007, the City of Starkville's total capital assets were \$135,767,126. This includes infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents a decrease from the previous year of \$26,435.

Total accumulated depreciation as of September 30, 2007 was \$76,270,515 including \$4,208,007 of depreciation expense for the year. The balance in total net capital assets was \$66,440,102 at year-end.

Additional information on the City of Starkville's capital assets can be found in note 4 on page 37 of this report.

Debt Administration – At September 30, 2007, the City of Starkville had \$27,651,314 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$2,413,084 is due within one year.

The State of Mississippi limits the amount of debt a City can issue to generally 15% of total assessed value. The City's outstanding debt is significantly below its current limit.

Additional information on City of Starkville's long-term debt can be found in note 5 on page 28 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The City of Starkville's future growth continues to look bright. There are several new developments within the city and some out in the county that continue to expand. A large hotel, business complex and condominium project in the city is nearing completion. With the cooperation between the City and county, two projects inside the city are projected for immediate startup. One is a \$200 million dollar project that will include a conference center, a full service hotel, two large anchor stores, and numerous shops, apartments, and business offices. The other project also includes a hotel, two restaurants, several new stores and a revamped parking area and new streets. In the county, Highland Plantation has completed over 100 units that are available to renters as well as the 528 units at the Links. These projects will provide a substantial increase in the tax base for Oktibbeha County and will contribute to the retail base for the City of Starkville.

With the completion of American Eurocopter and the completion of the SeverCorr and the Aurora plants the Golden Triangle Region continues to grow. The Toyota plant that is to be constructed 60 miles north should have spin-off industries that will affect the growth of our region. The new PACCAR Plant at the Golden Triangle Regional Complex is significant in City of Starkville's growth.

Development continues and should continue for the next several years around Starkville on the new Highway 82 and Highway 25 Bypass. A new Hilton Hotel is under construction and due for completion this year. The new USDA building has opened and a new RSC facility is has opened on the bypass. The future looks bright for this area, and the new growth will have a significant impact on the City's assessed value.

Oktibbeha County has an unemployment rate of 6.6% ranking 21st lowest out of Mississippi's 82 counties with Rankin City being 1st with a rate of 4.3% and Chickasaw City being the 82nd or highest with a rate of 13.3%. Oktibbeha County compares favorably with the state average rate of 6.9%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Starkville City Clerk's office at 101 Lampkin Street, Starkville, Mississippi 39759.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,951,054	5,858,939	13,809,993
Cash - restricted	1,081,057		1,081,057
Accounts receivable, net	509,717	5,943,789	6,453,506
Other receivables, net	86,444	194,240	280,684
Notes receivable, net	41,713		41,713
Due from other departments	164,334	91,034	255,368
Due from other funds		105	105
Prepaid expense		87,904	87,904
Inventory	67,382	722,125	789,507
Capital assets			
Land and construction in progress	943,255	6,000,236	6,943,491
Property and equipment	60,290,434	75,476,692	135,767,126
Less: accumulated depreciation	(45,780,545)	(30,489,970)	(76,270,515)
Other assets		560,041	560,041
Total assets	<u>25,354,845</u>	<u>64,445,135</u>	<u>89,799,980</u>
<u>LIABILITIES</u>			
Accounts payable	903,077	2,957,570	3,860,647
Accrued liabilities	47,024	531,060	578,084
Due to other departments		1,658,985	1,658,985
Due to other funds	39,876	38,703	78,579
Customer deposits		1,705,797	1,705,797
Other liabilities		119,354	119,354
Long-term liabilities:			
Due within one year	1,113,909	1,299,175	2,413,084
Due in more than one year	8,303,667	16,800,066	25,103,733
Total liabilities	<u>10,407,553</u>	<u>25,110,710</u>	<u>35,518,263</u>
<u>NET ASSETS</u>			
Contributed capital		8,967,665	8,967,665
Invested in capital assets, net of related debt	6,035,568	32,887,717	38,923,285
Restricted	1,583,531		1,583,531
Unrestricted	7,328,193	(2,520,957)	4,807,236
Total net assets	<u>\$ 14,947,292</u>	<u>39,334,425</u>	<u>54,281,717</u>

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
General government	\$ 4,115,461	271,759	523,277	1,318,440	(2,001,985)
Public safety					
Police	4,106,752	645	20,805		(4,085,302)
Fire	3,411,378	174,620	117,465		(3,119,293)
Public inspection	138,599				(138,599)
Civil defense	40,867				(40,867)
Highways and streets	1,539,573		336,229	69,215	(1,134,129)
Health and sanitation	471,712				(471,712)
Culture and recreation	2,007,290	91,383			(1,915,907)
Other	210,437				(210,437)
Interest on long-term debt	661,230				(661,230)
Total governmental activities	<u>16,703,299</u>	<u>538,407</u>	<u>997,776</u>	<u>1,387,655</u>	<u>(13,779,461)</u>
Business-type Activities					
Electric utilities	29,708,390	29,855,803			147,413
Water and sewer utilities	4,799,069	5,255,040			455,971
Sanitation and waste	1,933,088	1,997,438			64,350
Sanitary landfill	222,475	229,083			6,608
Total business-type activities	<u>36,663,022</u>	<u>37,337,364</u>			<u>674,342</u>
Total primary government	<u>\$ 53,366,321</u>	<u>37,875,771</u>	<u>997,776</u>	<u>1,387,655</u>	<u>(13,105,119)</u>
			Governmental Activities	Business-type Activities	Total
Changes in Net Assets:					
Net (expense) / revenue			\$ (13,779,461)	674,342	(13,105,119)
General revenues					
Taxes					
Property taxes			2,727,280		2,727,280
Sales and use taxes			5,610,560		5,610,560
Other taxes			1,357,408		1,357,408
Investment income			458,207	312,197	770,404
Other			1,228,881	17,148	1,246,029
Transfers			1,204,516		1,204,516
Total general revenues and transfers			<u>12,586,852</u>	<u>329,345</u>	<u>12,916,197</u>
Change in net assets			(1,192,609)	1,003,687	(188,922)
Net assets, October 1, 2006			20,362,354	37,024,238	57,386,592
Fixed asset adjustment (see Note 4)			(4,222,453)	1,306,500	(2,915,953)
Net assets, September 30, 2007			<u>\$ 14,947,292</u>	<u>39,334,425</u>	<u>54,281,717</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

**CITY OF STARKVILLE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	<u>General</u>	<u>P & R Bond Series 2007</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,984,154	5,210,337	756,461	7,950,952
Cash - restricted	191,565		889,492	1,081,057
Receivables (Net)				
Accounts	509,717			509,717
Other			86,444	86,444
Notes receivable (Net)			41,713	41,713
Due from other departments	25,884			25,884
Due from other funds	360,451		139	360,590
Inventory	12,892			12,892
	<u>3,084,663</u>	<u>5,210,337</u>	<u>1,774,249</u>	<u>10,069,249</u>
Total Assets	\$ 3,084,663	5,210,337	1,774,249	10,069,249
<u>LIABILITIES</u>				
Accounts payable	\$ 876,910		8,011	884,921
Other liabilities		28,886	6,444	35,330
Due to other funds	110,420			110,420
	<u>987,330</u>	<u>28,886</u>	<u>14,455</u>	<u>1,030,671</u>
Total Liabilities	987,330	28,886	14,455	1,030,671
<u>FUND BALANCES</u>				
Fund balances - reserved				
Reserved for fire protection	153,999			153,999
Reserved for police protection	51,644			51,644
Reserved for airport projects	(279,053)			(279,053)
Reserved for parks and recreation	(39,582)			(39,582)
Reserved for inventory	6,180			6,180
Reserved for debt service			973,207	973,207
Reserved for capital projects		5,181,451	315,839	5,497,290
Restricted for police protection			3,264	3,264
Restricted for economic development			268,572	268,572
Fund balances - unreserved/undesignated	2,204,145		198,912	2,403,057
	<u>2,097,333</u>	<u>5,181,451</u>	<u>1,759,794</u>	<u>9,038,578</u>
Total Fund Balances	2,097,333	5,181,451	1,759,794	9,038,578
Total Liabilities and Fund Balances	\$ 3,084,663	5,210,337	1,774,249	10,069,249

See accompanying notes to basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

Fund Balances - total governmental funds		\$ 9,038,578
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 funds		
Governmental capital assets	61,233,689	
Less accumulated depreciation	<u>(45,780,545)</u>	15,453,144
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(9,417,576)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		
		<u>(126,854)</u>
Net Assets of Governmental Activities		<u>\$ 14,947,292</u>

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General</u>	<u>P & R Bond Series 2007</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
General property taxes	\$ 2,727,280			2,727,280
Licenses and permits	459,670			459,670
Intergovernmental				
Federal	1,318,440			1,318,440
State of Mississippi	6,438,546		524,407	6,962,953
Oktribbeha County and Mississippi State	544,211			544,211
Fines and forfeits	818,113			818,113
Interest income	277,566	136,640	44,001	458,207
Penalties and interest - prior year taxes	88,997			88,997
Other revenues	692,126		16,500	708,626
Total Revenues	<u>13,364,949</u>	<u>136,640</u>	<u>584,908</u>	<u>14,086,497</u>
<u>EXPENDITURES</u>				
Current:				
General government	3,891,325			3,891,325
Public safety				
Police	3,658,335			3,658,335
Fire	2,962,961			2,962,961
Public inspection	105,433			105,433
Civil defense	7,701			7,701
Highways and streets	1,186,678			1,186,678
Health and sanitation	151,983			151,983
Culture and recreation	1,014,307	330,189		1,344,496
Other	186,386		24,051	210,437
Capital outlay	1,627,095		93,052	1,720,147
Debt service:				
Principal	879,069			879,069
Interest	155,730		505,500	661,230
Total Expenditures	<u>15,827,003</u>	<u>330,189</u>	<u>622,603</u>	<u>16,779,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,462,054)</u>	<u>(193,549)</u>	<u>(37,695)</u>	<u>(2,693,298)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	895,549			895,549
Transfers out	(1,015,749)		(25,000)	(1,040,749)
Proceeds from loans	915,000	5,375,000		6,290,000
Inception of capital leases	577,360			577,360
Transfers from other departments	863,610		1,035,906	1,899,516
Transfers to other departments			(695,000)	(695,000)
Net other financing sources (uses)	<u>2,235,770</u>	<u>5,375,000</u>	<u>315,906</u>	<u>7,926,676</u>
Net change in fund balances	(226,284)	5,181,451	278,211	5,233,378
Fund balances, October 1, 2006	2,323,617		1,481,583	3,805,200
Fund balances, September 30, 2007	<u>\$ 2,097,333</u>	<u>\$ 5,181,451</u>	<u>1,759,794</u>	<u>9,038,578</u>

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

Net change in Fund Balances - total governmental funds	\$	5,233,378
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	1,142,787	
Less current year depreciation	<u>(1,910,420)</u>	(767,633)
Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments:		
Bond and loan proceeds	(6,290,000)	
Principal payments	<u>879,069</u>	(5,410,931)
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 governmental fund:		
Change in long-term compensated absence		(62,173)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net income of the Internal Service Fund is reported with the governmental activities.		
		<u>(185,250)</u>
Change in Net Assets of Governmental Funds	\$	<u><u>(1,192,609)</u></u>

See accompanying notes to basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	June 30, 2007	September 30, 2007			Total Enterprise Funds	September 30, 2007
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-major Enterprise Funds		Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 3,954,806	1,467,654	359,135	77,344	5,858,939	102
Accounts receivables, net	4,444,724	1,336,733	161,616	716	5,943,789	
Other receivables, net	55,158	51,884		86,579	193,621	
Due from other funds				105	105	
Due from other departments	71,238	19,796			91,034	2,211
Interest receivable	619				619	
Prepaid expense	87,904				87,904	
Inventory	651,377	70,748			722,125	54,490
Total current assets	<u>9,265,826</u>	<u>2,946,815</u>	<u>520,751</u>	<u>164,744</u>	<u>12,898,136</u>	<u>56,803</u>
Restricted assets:						
Cash - restricted						
Total restricted assets						
Non-current assets:						
Other assets	560,041				560,041	
Capital assets:						
Fixed assets, net of depreciation	25,437,427	24,699,606	816,942	32,983	50,986,958	67,085
Total non-current assets	<u>25,997,468</u>	<u>24,699,606</u>	<u>816,942</u>	<u>32,983</u>	<u>51,546,999</u>	<u>67,085</u>
Total Assets	<u>35,263,294</u>	<u>27,646,421</u>	<u>1,337,693</u>	<u>197,727</u>	<u>64,445,135</u>	<u>123,888</u>
LIABILITIES						
Current liabilities:						
Accounts payable	2,664,109	201,742	87,944	3,775	2,957,570	18,156
Accrued liabilities	158,745	192,111	54,490	6,091	411,437	11,694
Due to other departments	1,656,197	2,788			1,658,985	
Due to other funds		1,918	722	36,063	38,703	153,807
Accrued interest - long-term debt	119,623				119,623	
General obligation bonds payable, current	970,000				970,000	
Notes payable, current		329,175			329,175	
Total current liabilities	<u>5,568,674</u>	<u>727,734</u>	<u>143,156</u>	<u>45,929</u>	<u>6,485,493</u>	<u>183,657</u>
Non-current liabilities:						
General obligation bonds payable, non-current	9,415,000				9,415,000	
Notes payable, non-current		7,385,066			7,385,066	
Customer deposits	1,405,087	300,710			1,705,797	
Other liabilities	119,354				119,354	
Total non-current liabilities	<u>10,939,441</u>	<u>7,685,776</u>			<u>18,625,217</u>	
Total Liabilities	<u>16,508,115</u>	<u>8,413,510</u>	<u>143,156</u>	<u>45,929</u>	<u>25,110,710</u>	<u>183,657</u>
NET ASSETS						
Invested in capital assets, net of related debt	15,052,427	16,985,365	816,942	32,983	32,887,717	67,085
Contributed capital		8,967,665			8,967,665	141,448
Unrestricted	3,702,752	(6,720,119)	377,595	118,815	(2,520,957)	(268,302)
Total Net Assets	<u>\$ 18,755,179</u>	<u>19,232,911</u>	<u>1,194,537</u>	<u>151,798</u>	<u>39,334,425</u>	<u>(59,769)</u>

See accompanying notes to basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>June 30, 2007</u>	<u>September 30, 2007</u>			<u>September 30, 2007</u>	
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>						
Charges for services	\$ 29,855,803	5,255,040	1,997,438	229,083	37,337,364	325,482
Total operating revenues	<u>29,855,803</u>	<u>5,255,040</u>	<u>1,997,438</u>	<u>229,083</u>	<u>37,337,364</u>	<u>325,482</u>
<u>OPERATING EXPENSES</u>						
Purchased power	24,748,600				24,748,600	
Operating and maintenance	3,496,687	3,477,474	1,751,461	218,987	8,944,609	434,378
Depreciation	942,076	1,073,397	125,463	3,488	2,144,424	3,092
Total operating expenses	<u>29,187,363</u>	<u>4,550,871</u>	<u>1,876,924</u>	<u>222,475</u>	<u>35,837,633</u>	<u>437,470</u>
Operating income (loss)	<u>668,440</u>	<u>704,169</u>	<u>120,514</u>	<u>6,608</u>	<u>1,499,731</u>	<u>(111,988)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Other revenue		16,759		389	17,148	
Interest on investments	312,197				312,197	
Amortization expense	(21,589)				(21,589)	
Interest and fiscal charges	(454,369)	(248,198)			(702,567)	
Other expenses	(45,069)		(56,164)		(101,233)	
Total non-operating revenues (expenses)	<u>(208,830)</u>	<u>(231,439)</u>	<u>(56,164)</u>	<u>389</u>	<u>(496,044)</u>	
Income (loss) before transfers	<u>459,610</u>	<u>472,730</u>	<u>64,350</u>	<u>6,997</u>	<u>1,003,687</u>	<u>(111,988)</u>
Transfers in						<u>145,200</u>
Change in net assets	459,610	472,730	64,350	6,997	1,003,687	33,212
Total net assets, beginning	18,295,569	17,934,186	649,682	144,801	37,024,238	(92,981)
Prior period adjustment		825,995	480,505		1,306,500	
Total net assets, restated	<u>18,295,569</u>	<u>18,760,181</u>	<u>1,130,187</u>	<u>144,801</u>	<u>38,330,738</u>	<u>(92,981)</u>
Total net assets, ending	<u>\$ 18,755,179</u>	<u>19,232,911</u>	<u>1,194,537</u>	<u>151,798</u>	<u>39,334,425</u>	<u>(59,769)</u>

See accompanying notes to basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	June 30, 2007		September 30, 2007			September 30, 2007
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows From Operating Activities						
Cash received from customers	\$ 29,643,399	4,145,155	1,991,378	229,083	36,009,015	325,482
Cash received from other funds						(155,988)
Cash paid to employees	(1,003,819)	(1,444,896)	(648,374)	(101,749)	(3,198,838)	(155,988)
Cash paid to suppliers	(27,444,426)	(2,032,578)	(1,446,029)	(117,239)	(31,040,272)	(312,441)
Other receipts (payments)	349,287	(21,932)	344,443	81,629	753,427	
Net Cash Flows from Operating Activities	1,544,441	645,749	241,418	91,724	2,523,332	(142,947)
Cash Flows from Noncapital Financing Activities						
Transfers in						145,200
Net Cash Flows from Noncapital Financing Activities						145,200
Cash Flows from Capital and Related Financing Activities						
Proceeds from issuance of debt	2,000,000	748,585			2,748,585	
Payment of debt	(840,000)	(269,180)			(1,109,180)	
Payment of interest	(433,703)	(248,198)			(681,901)	
Purchase of capital assets	(2,388,641)	(1,474,726)	(286,777)	(14,380)	(4,164,524)	(2,151)
Other receipts (payments)	48,499	840,777	(56,164)		833,112	
Net Cash Flows from Capital and Related Financing Activities	(1,613,845)	(402,742)	(342,941)	(14,380)	(2,373,908)	(2,151)
Cash Flows from Investing Activities						
Receipt of interest	312,197				312,197	
Net Cash Flows from Investing Activities	312,197				312,197	
Net Change in Cash	242,793	243,007	(101,523)	77,344	461,621	102
Cash and Cash Equivalents, October 1, 2006	3,712,013	1,224,647	460,658		5,397,318	
Cash and Cash Equivalents, September 30, 2007	\$ 3,954,806	1,467,654	359,135	77,344	5,858,939	102
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 668,440	704,169	120,514	6,608	1,499,731	(111,988)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,076,459	1,073,397	125,463	3,488	2,278,807	3,092
Amortization	13,457				13,457	
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	409,886	(1,109,885)	(6,060)	100,952	(605,107)	
(Increase) decrease in due from other funds				(105)	(105)	
(Increase) decrease in inventory	(197,482)	12,985			(184,497)	(33,659)
(Increase) decrease in restricted assets						
(Increase) decrease in other assets	(48,299)	5,937			(42,362)	7,482
Increase (decrease) in payables	(351,422)	(65,625)	(7,737)	(19,798)	(444,582)	(7,874)
Increase (decrease) in due to other funds		(2,022)	722	579	(721)	
Increase (decrease) in accrued liabilities		26,793	8,516		35,309	
Increase (decrease) in customer deposits	1,796				1,796	
Increase (decrease) in other liabilities	(28,394)				(28,394)	
Total adjustments	876,001	(58,420)	120,904	85,116	1,023,601	(30,959)
Net cash provided (used) by operating activities	\$ 1,544,441	645,749	241,418	91,724	2,523,332	(142,947)

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2007**

	Employee Benefit Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	492,268
Cash - restricted	57,820	
Due from other funds		111,770
Other assets		78,151
Total Assets	57,820	682,189
<u>LIABILITIES</u>		
Due to other funds		168,535
Due to outside entities		513,654
Other liabilities		
Total Liabilities		682,189
<u>NET ASSETS</u>		
Held in trust for unemployment benefits	\$ 57,820	

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Employee Benefit Trust Fund
ADDITIONS	
Investment earnings	
Interest	\$ 743
Total investment earnings	743
Total Additions	743
DEDUCTIONS	
Transfers out	_____
Total Deductions	_____
Change in Net Assets	743
Net Assets, October 1, 2006	57,077
Net Assets, September 30, 2007	\$ 57,820

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Starkville, Mississippi's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. REPORTING ENTITY

The citizens of Starkville, Mississippi, have elected to operate under a Code Charter as permitted by Mississippi Statutes 21-3-3, which prescribes a Mayor and Board of Aldermen form of government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Included within the reporting entity:

City of Starkville Parks and Recreation Department. The Parks and Recreation Department's governing board is appointed by the City's governing body. Its operations are included in the General Fund of the financial statements.

City of Starkville Electric Department. The Electric Department's governing board is the City's governing body. The rates for user charges and bond issuance authorizations are determined by the government's governing body.

Excluded from the reporting entity:

Starkville Public Schools. The Starkville Public Schools' governing board is appointed primarily by the City's governing body (four of the five members). The City does not hold title to any of the school's assets, nor does it have any right to the school's surpluses. The City does not have the ability to exercise influence over the daily operations or approve budgets.

Starkville Public Library. The Starkville Public Library's governing board is appointed jointly by various entities. The City's governing body appoints five of the ten members but does not have the ability to exercise influence over the daily operations or approve budgets. Additionally, the City does not hold title to any of the library's assets, nor does it have any right to the library's surpluses.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's electric, water and sewer, sanitation, and landfill services are classified as business-type activities.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes General Activities, Parks and Recreation Activities, Multi-Unit Drug Task Force Operations, Airport Activities, Restricted Police Activities, and Restricted Fire Activities.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds are the CDBG Rehabilitation Loan Program Fund, the CDBG Henderson Street Area Redevelopment Project Fund, the TVA Ivy Guest House Loan Fund, TVA Hewlett Wood Products, Inc. Loan Fund, and the Law Enforcement Grants Fund.
- c. Debt Service Funds** are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The Debt Service Funds are the City Bond and Interest Fund and the School Bond and Interest Fund.
- d. Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Fund are the Parks and Recreation Bond Series 2007 Fund and the Parks and Recreation Tourism Fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds are the Electric Department Fund, the Water and Sewer Department Fund, the Sanitation Fund, and the Sanitary Landfill Fund.
- b. Internal Service Funds** are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The Internal Service Fund is the City Vehicle Maintenance Shop Fund.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statement by type (employee benefit and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

For purposes of the statement of cash flows for the proprietary funds, the City defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

2. Inventory:

Inventory is valued at the lower of cost (first-in, first-out) or market.

3. Capital Assets:

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 50 years
Water and sewer system	30 – 50 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	10 – 50 years

4. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

6. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Basis of Budgeting

The City prepares its governmental fund type budgets in accordance with state statutes, which require the cash basis of accounting for revenues. Expenditures are budgeted and reported on the modified accrual basis of accounting. For purposes of budgetary comparisons in the financial statements, the City has elected to compare GAAP basis revenue to budget. This presentation provides a reasonable basis of comparison because the difference in beginning and ending receivables is immaterial.

9. Fund Reserves:

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

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Reserved for fire protection** - An account that represents the portion of the fund balance which is legally restricted for the payment of fire protection projects.
- b. Reserved for police protection** - An account that represents the portion of the fund balance which is legally restricted for the payment of police protection projects.
- c. Reserved for airport projects** - An account that represents the portion of the fund balance which is legally restricted for the payment of airport projects.
- d. Reserved for parks and recreation** - An account that represents the portion of the fund balance which is legally restricted for the payment of parks and recreation projects.
- e. Reserved for capital projects** - An account that represents the portion of the fund balance that is legally restricted for capital projects.
- f. Reserved for inventory** - An account that represents the portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.
- g. Reserved for debt service** - An account that represents the fund balance for the debt service fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

10. Use of Estimates

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

CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE 2: CASH, OTHER DEPOSITS, AND INVESTMENTS

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

The carrying amount of the City's deposits with financial institutions was \$11,428,512 on September 30, 2007, and the bank balance was \$11,761,746.

The balances do not reflect cash or other deposits held in the name of Starkville Electric Department which are separately secured.

NOTE 3: INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivables and payables at September 30, 2007, are:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 400,471	150,440
Debt Service	139	
Proprietary Funds:		
Water and Sewer		1,918
Landfill	105	36,063
Sanitation		722
Internal Service		153,807
Fiduciary Funds:		
Accounts Payable Clearing Fund		100
Payroll Clearing Fund	71,894	54,208
Economic Development Fund	39,876	
Tax Collector Fund		114,227
	\$ 512,485	511,485

CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance September 30, 2006	Adjustments	Increases	Decreases	Balance September 30, 2007
Governmental Activities					
Non-depreciable: Land	\$ 943,255				943,255
Depreciable:					
Buildings	3,483,721	4,989			3,488,710
Building Improvements	98,988	(75,942)			23,046
Improvements other than buildings	53,504,525	(4,884,967)	994,165		49,613,723
Vehicles	3,795,585	(369,129)	494,549		3,921,005
Machinery and equipment	2,795,382	217,135	231,433		3,243,950
Total	63,678,201	(5,107,914)	1,720,147		60,290,434
Less accumulated depreciation					
Buildings	(1,284,834)	53,971	(86,351)		(1,317,214)
Building Improvements	(27,421)	7,422	(587)		(20,586)
Improvements other than buildings	(39,305,607)	501,778	(1,303,582)		(40,107,411)
Vehicles	(2,175,030)	242,976	(241,312)		(2,173,366)
Machinery and equipment	(1,962,695)	79,315	(278,588)		(2,161,968)
Total	(44,755,587)	885,462	(1,910,420)		(45,780,545)
Net book value	18,922,614	(4,222,452)	(190,273)		14,509,889
Internal Service Fund					
Total depreciable assets	159,493	(4,675)	2,411	260	156,969
Less accumulated depreciation	(91,467)	4,674	(3,092)		(89,885)
Internal Service Fund, net	68,026	(1)	(681)	260	67,084
Governmental Activities Capital Assets, net	\$ 19,933,895	(4,222,453)	(190,954)	260	15,520,228
Business-type Activities					
Non-depreciable					
Land - Starkville Electric	\$ 344,478		129,516		473,994
Land - Landfill	11,121		5,679		16,800
Land - Water	102,738				102,738
Construction in progress - Stk Elec	4,181,665		1,225,039		5,406,704
Total	4,640,002		1,360,234		6,000,236
Depreciable					
Starkville Electric Property & equipment	27,869,067		1,034,086	(92,892)	28,810,261
Sanitation property & equipment	1,768,046		286,777	(74,729)	1,980,094
Landfill property & equipment	28,535		734,302		762,837
Water property & equipment	42,448,771		1,474,729		43,923,500
Total	72,114,419		3,529,894	(167,621)	75,476,692
Less accumulated depreciation					
Starkville Electric Property & Equipment	(8,285,290)		(1,095,239)	126,997	(9,253,532)
Sanitation property & equipment	(1,592,923)	555,234	(125,463)		(1,163,152)
Landfill property & equipment	(17,952)	(725,214)	(3,488)		(746,654)
Water property & equipment	(18,255,211)	1,976	(1,073,397)		(19,326,632)
Total	(28,151,376)	(168,004)	(2,297,587)	126,997	(30,489,970)
Net book value	43,963,043	(168,004)	1,232,307	(40,624)	44,986,722
Business-type Activities Capital Assets, net	\$ 48,603,945	(168,004)	2,592,541	(40,624)	50,986,958

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4: CAPITAL ASSETS (CONTINUED)

The City of Starkville updated its fixed assets subsidiary records and the adjustment column reflects the updated balance.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 286,563
Public safety - Police	382,084
Public safety - Fire	382,084
Highways and streets	286,563
Health and sanitation	286,563
Culture and recreation	286,563
	286,563

Total governmental activities depreciation expense \$ 1,910,420

Business-type activities:

Electric	\$ 1,095,239
Water and sewer	1,073,397
Sanitation	125,463
Landfill	3,488
	3,488

Total business-type activities depreciation expense \$ 2,297,587

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Amount Due Within One Year
Governmental Activities					
General obligation bonds					
Research Park 1987	\$ 270,000		135,000	135,000	135,000
Parks and Recreation, Series 2007		5,375,000		5,375,000	165,000
Public Improvement, Series 2007		915,000		915,000	170,000
Notes payable					
Capital Improvements Revolving Loan	373,586		29,805	343,781	31,020
Capital Improvements Revolving Loan	362,619		29,734	332,885	31,461
Capital Improvements - Fire Station	80,177		43,012	37,165	37,165
Public Improvement Note 8/11/2004	923,776		299,789	623,987	307,853
Capital Improvements - Fire Truck	822,977		66,786	756,191	69,832
Capital Improvements - Police Vehicles		315,293	110,823	204,470	99,475
Capital Improvements - Street Sweeper		124,738	11,021	113,717	39,804
Capital Improvements - Excavator		137,329	8,099	129,230	27,299
Compensated absences	388,977	62,173		451,150	
Total	\$ 3,222,112	6,929,533	734,069	9,417,576	1,113,909

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2007</u>	<u>Amount Due Within One Year</u>
Business-type Activities					
Bonds and notes payable					
Electric Dept 96 G.O. Bond	\$ 1,755,000		315,000	1,440,000	330,000
Electric System Refunding Bonds, Series 2001	1,215,000		220,000	995,000	230,000
Electric System Bonds, Series 2001	3,395,000		160,000	3,235,000	160,000
Electric System Revenue Bonds, Series 2004	2,860,000		145,000	2,715,000	155,000
Electric System Revenue Bonds, Series 2006		2,000,000		2,000,000	95,000
Drinking Water Improvements Revolving Loan	540,545		26,382	514,163	27,185
Drinking Water Improvements Revolving Loan	1,259,776		52,126	1,207,650	53,980
Drinking Water Improvements Revolving Loan	865,913	708,073		1,573,986	44,365
Drinking Water Improvements Revolving Loan	893,170	40,512	27,835	905,847	37,934
Water Pollution Control Revolving Loan	3,675,432		162,837	3,512,595	165,711
Compensated absences	246,428		111,931	134,497	
Total	<u>\$ 16,706,264</u>	<u>2,748,585</u>	<u>1,221,111</u>	<u>18,233,738</u>	<u>1,299,175</u>

All liabilities of The City of Starkville are secured by the full faith and credit of the municipality.

The five outstanding issues of General Obligation Bonds are due in annual installments ranging from \$135,000 to \$365,000 each through various dates, the last of which is the year 2021. Interest rates range from 5.2% to 7.3%.

NOTE 6: UNEMPLOYMENT COMPENSATION FUND

The City has elected to establish a revolving fund for unemployment compensation which is to be maintained in the amount of 2% of the first \$6,000 of employee wages paid in the preceding calendar year. The Unemployment Compensation Fund is fully funded at September 30, 2007.

NOTE 7: DEFINED BENEFIT PENSION PLAN

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

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2007, 2006, and 2005 were \$856,048, \$736,938, and \$640,206, respectively, which equaled the required contributions for each year.

NOTE 8: JOINT VENTURES

The City of Starkville entered into an agreement with the Golden Triangle Solid Waste Management Authority. This Authority was organized under laws of the State of Mississippi (Section 17-17-301 et seq. Miss. Code of 1972 as amended). The Authority's purpose is to operate and maintain a landfill facility. The project was permitted by DEQ in December, 1994. The City of Starkville's share of expense and liability is based on a pro rata share of waste tonnage. The members, in addition to the City of Starkville, are Noxubee County, City of West Point, Clay County, City of Columbus, Lowndes County, City of Macon, Oktibbeha County, Webster County, City of Eupora, Choctaw County, and the Town of Ackerman. Because of the nature of the Authority's operations there is no determinable equity interest of the City of Starkville. The Authority is designed to generate revenues from its members in an amount adequate only to cover its operating costs. The Authority is audited separately and financial statements are available upon request.

NOTE 9: RISK MANAGEMENT

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

NOTE 10: PROPERTY TAX

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

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

**CITY OF STARKVILLE, MISSISSIPPI
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

NOTE 10: PROPERTY TAX (CONTINUED)

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. The City taxes are collected and remitted to the City by the Oktibbeha County Tax Collector.

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

The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual</u>	<u>Variance</u>
REVENUES					
General property taxes	\$ 2,621,321		\$ 2,621,321	2,727,280	105,959
Licenses and permits	272,100	56,656	328,756	459,670	130,914
Intergovernmental					
Federal	799,083	432,692	1,231,775	1,318,440	86,665
State of Mississippi	6,725,347	201,759	6,927,106	6,438,546	(488,560)
Okibbeha County and Mississippi State	554,529		554,529	544,211	(10,318)
Fines and forfeits	730,000		730,000	818,113	88,113
Interest income	241,200		241,200	277,566	36,366
Penalties and interest - prior year taxes	77,000		77,000	88,997	11,997
Other revenues	629,938	40,598	670,536	692,126	21,590
	<u>12,650,518</u>	<u>731,705</u>	<u>13,382,223</u>	<u>13,364,949</u>	<u>(17,274)</u>
Total Revenues before Prior Year Fund Balance					
Prior year fund balance:					
Appropriated for current year budget	2,035,517	186,746	2,222,263		(2,222,263)
Total Revenues and Prior Year Fund Balance	<u>14,686,035</u>	<u>918,451</u>	<u>15,604,486</u>	<u>13,364,949</u>	<u>(2,239,537)</u>
EXPENDITURES					
Current:					
General government	3,786,161	477,766	4,263,927	4,166,469	97,458
Public safety					
Police	3,602,910	183,775	3,786,685	3,658,335	128,350
Fire	3,417,686	11,044	3,428,730	2,962,961	465,769
Public inspection	106,959		106,959	105,433	1,526
Civil defense	6,500	1,500	8,000	7,701	299
Highways and streets	1,610,583	(88,733)	1,521,850	1,186,678	335,172
Health and sanitation	179,727		179,727	151,983	27,744
Culture and recreation	993,305	18,700	1,012,005	1,014,307	(2,302)
Other	191,380	175	191,555	186,386	5,169
Capital outlay	426,872	1,145,128	1,572,000	1,049,735	522,265
Debt service:					
Principal	609,638	30,415	640,053	603,925	36,128
Interest	29,314	1,549	30,863	155,730	(124,867)
	<u>14,961,035</u>	<u>1,781,319</u>	<u>16,742,354</u>	<u>15,249,643</u>	<u>1,492,711</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,000)</u>	<u>(862,868)</u>	<u>(1,137,868)</u>	<u>(1,884,694)</u>	<u>(746,826)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	966,333		966,333	895,549	(70,784)
Transfers out	(991,333)	(35,000)	(1,026,333)	(1,015,749)	10,584
Sale of land					
Loan proceeds		915,000	915,000	915,000	
Transfers from other departments	800,000		800,000	863,610	63,610
Transfers to other departments					
	<u>775,000</u>	<u>880,000</u>	<u>1,655,000</u>	<u>1,658,410</u>	<u>3,410</u>
Excess of revenues and other sources over expenditures and other uses	500,000	17,132	517,132	(226,284)	(743,416)
Fund balances, October 1, 2006 (Non-GAAP budgetary basis)	1,236,456		1,236,456	2,323,617	1,087,161
Less budgeted fund balance	<u>(500,000)</u>	<u>(17,132)</u>	<u>(517,132)</u>		517,132
Fund balances, September 30, 2007 (Non-GAAP budgetary basis)	<u>\$ 1,236,456</u>		<u>1,236,456</u>	<u>2,097,333</u>	<u>860,877</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF STARKVILLE, MISSISSIPPI
COMBINING BALANCE SHEET BY ACTIVITY
GENERAL FUND
SEPTEMBER 30, 2007

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Airport Activities	Multi-Unit Task Force Operations	Subtotal	Eliminating Entries	Total General Fund
Assets									
Cash and cash equivalents	\$ 1,876,193			3,754	82,655	21,552	1,984,154		1,984,154
Cash - restricted		33,849	157,716				191,565		191,565
Receivables (Net)									
Accounts	508,897			743	77		509,717		509,717
Other									
Due from other departments	25,884						25,884		25,884
Due from other funds	400,028			443			400,471	(40,020)	360,451
Inventory	12,892						12,892		12,892
Total Assets	\$ 2,823,894	33,849	157,716	4,940	82,732	21,552	3,124,683	(40,020)	3,084,663
Liabilities									
Accounts payable	\$ 503,005	3,757	3,717	44,522	321,909		876,910		876,910
Due to other funds	110,564				39,876		150,440	(40,020)	110,420
	613,569	3,757	3,717	44,522	361,785		1,027,350	(40,020)	987,330
Fund Equity									
Fund balances - reserved			153,999				153,999		153,999
Reserved for fire protection									
Reserved for police protection		30,092				21,552	51,644		51,644
Reserved for airport projects					(279,053)		(279,053)		(279,053)
Reserved for parks and recreation				(39,582)			(39,582)		(39,582)
Reserved for inventory	6,180						6,180		6,180
Fund balances - unreserved/undesignated	2,204,145						2,204,145		2,204,145
Total Fund Equity	2,210,325	30,092	153,999	(39,582)	(279,053)	21,552	2,097,333		2,097,333
Total Liabilities and Fund Equity	\$ 2,823,894	33,849	157,716	4,940	82,732	21,552	3,124,683	(40,020)	3,084,663

CITY OF STARKVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Revenues							
Taxes	\$ 2,727,280						2,727,280
General property taxes							
Licenses and permits	41,763						41,763
Privilege license	250,988						250,988
Permits and inspections	166,919						166,919
Franchise fees							
Intergovernmental							
Federal							
FAA						1,215,829	1,215,829
FEMA	102,611						102,611
State of Mississippi							
General sales tax	5,041,823						5,041,823
Liquor licenses	51,525						51,525
Municipal aid - gas tax	18,077						18,077
City utilities tax	67,870						67,870
Law enforcement assistance grants	22,746						22,746
Fire protection grants			103,489				103,489
MDOT	69,215					9,000	78,215
Municipal Aid	11,399						11,399
Homestead	116,254						116,254
Tennessee Valley Authority	383,224						383,224
Housing Authority	26,930						26,930
Miscellaneous	516,994						516,994
OkTibbeha County and Mississippi State							
Road maintenance	336,229						336,229
Airport support						35,476	35,476
Fire control	172,506						172,506
Fines and forfeits	818,113						818,113
Interest income	272,862		4,655			49	277,566
Penalties and interest - prior year taxes	88,997						88,997

CITY OF STARKVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Miscellaneous							
Electric department administration	98,004						98,004
Mississippi Valley Gas	108,553						108,553
Rents	180					62,212	62,392
Housing Authority-policing funds	22,000						22,000
Other	257,162	14,982		93,893	33,790	1,350	401,177
Total Revenues	11,790,224	14,982	108,144	93,893	33,839	1,323,867	13,364,949
Expenditures							
General government:							
Legislative							
Personal services	120,318						120,318
Other services and charges	6,524						6,524
Total Legislative	126,842						126,842
Judicial							
Personal services	305,701						305,701
Supplies	8,996						8,996
Other services and charges	15,020						15,020
Capital outlay	1,897						1,897
Total Judicial	331,614						331,614
Executive							
Personal services	136,812						136,812
Supplies	8,656						8,656
Other services and charges	6,673						6,673
Total Executive	152,141						152,141
Election							
Personal services	368						368
Other services and charges	5,141						5,141
Total Election	5,509						5,509

**CITY OF STARKVILLE, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
City Clerk and Tax Collector							
Personal services	252,678						252,678
Supplies	12,206						12,206
Other services and charges	132,402						132,402
Capital Outlay	24,228						24,228
Total City Clerk and Tax Collector	421,514						421,514
Legal							
Personal services	140,469						140,469
Other services and charges	85,707						85,707
Total Legal	226,176						226,176
City Planner							
Personal services	114,247						114,247
Supplies	2,216						2,216
Other services and charges	7,546						7,546
Capital outlay	4,795						4,795
Total City Planner	128,804						128,804
Other Administrative							
Personal services	192,284						192,284
Supplies	3,542						3,542
Capital outlay	9,160						9,160
Other services and charges	80,205						80,205
Total Other Administrative	285,191						285,191
City Hall							
Personal services	30,579						30,579
Supplies	4,567						4,567
Other services and charges	26,874						26,874
Total City Hall	62,020						62,020
Other Miscellaneous							
Personal services	41,392				34,163		75,555
Supplies	1,373				517		1,890
Other services and charges	461,408				28,745		490,153
Capital outlay	2,635				1,581,281		1,583,916
Total Other Miscellaneous	506,808				1,644,706		2,151,514
Total General Government	2,246,619				1,644,706		3,891,325

CITY OF STARKVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Public Safety							
Public Safety - Police and E911	2,551,131				32,894		2,584,025
Personal services	166,671	5,732					172,403
Supplies	542,380	818			73		543,271
Other services and charges	335,730	22,906					358,636
Capital outlay	3,595,912	29,456			32,967		3,658,335
Total Public Safety - Police and E911	2,588,658						2,588,658
Public Safety - Fire	80,329						80,329
Personal services	250,059						250,059
Supplies	43,915						43,915
Other services and charges	2,962,961						2,962,961
Capital outlay							
Total Public Safety - Fire	85,049						85,049
Public Safety - Public Inspection	5,065						5,065
Personal services	14,129						14,129
Supplies	1,190						1,190
Other services and charges	105,433						105,433
Capital outlay							
Total Public Safety - Public Inspection	402						402
Public Safety - Civil Defense	3,937						3,937
Personal services	3,362						3,362
Supplies	7,701						7,701
Other services and charges	6,672,007	29,456			32,967		6,734,430
Capital outlay							
Total Public Safety - Civil Defense							
Total Public Safety							
Highways and Streets							

**CITY OF STARKVILLE, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
City Streets							
Personal services	390,876						390,876
Supplies	104,521						104,521
Other services and charges	98,113						98,113
Capital outlay	49,873						49,873
Total City Streets	643,383						643,383
Street Lights							
Other services and charges	275,665						275,665
Total Street Lights	275,665						275,665
Landscaping							
Personal services	183,949						183,949
Supplies	10,342						10,342
Other services and charges	22,621						22,621
Capital outlay	50,718						50,718
Total Landscaping	267,630						267,630
Total Highways and Streets	1,186,678						1,186,678
Health and Sanitation							
Health and welfare - animals							
Personal services	40,619						40,619
Supplies	736						736
Other services and charges	17,289						17,289
Capital outlay	339						339
Transfer to Humane Society	93,000						93,000
Total Health and Welfare - Animals	151,983						151,983
Total Health and Sanitation	151,983						151,983
Culture and Recreation							
Parks and Recreation							
Personal services				532,649			532,649
Supplies				42,763			42,763
Other services and charges				433,992			433,992
Capital outlay				4,903			4,903
Total Parks and Recreation				1,014,307			1,014,307
Total Culture and Recreation				1,014,307			1,014,307

CITY OF STARKVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Debt Service							
Principal	769,472		109,597				879,069
Interest	145,717		10,013				155,730
Total Debt Service	915,189		119,610				1,034,799
Total Debt Service	915,189		119,610				1,034,799
Miscellaneous							
Appropriations to other entities	173,900						173,900
Capital outlay - street improvements	994,165						994,165
Capital outlay - other	632,930						632,930
Other miscellaneous	12,486						12,486
Total Miscellaneous	1,813,481						1,813,481
Total Expenditures	12,985,957	29,456	119,610	1,014,307	32,967	1,644,706	15,827,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,195,733)	(14,474)	(11,466)	(920,414)	872	(320,839)	(2,462,054)
Other Financing Sources (Uses)							
Operating transfers in	25,000						25,000
Transfers from other departments	863,610			838,621		31,928	895,549
Inception of capital leases	577,360						577,360
Loan proceeds	915,000						915,000
Operating transfers out	(1,015,749)						(1,015,749)
Total Other Financing Sources (Uses)	1,365,221			838,621		31,928	2,235,770
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	169,488	(14,474)	(11,466)	(81,793)	872	(288,911)	(226,284)
Fund Balances							
October 1, 2006	2,040,837	44,566	165,465	42,211	20,680	9,858	2,323,617
September 30, 2007	\$ 2,210,325	30,092	153,999	(39,582)	21,552	(279,053)	2,097,333

CITY OF STARKVILLE, MISSISSIPPI
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 435,398		321,063	756,461
Cash - restricted		889,492		889,492
Receivables (Net)				
Other	81	86,363		86,444
Notes receivable (Net)	41,713			41,713
Due from other funds		139		139
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 477,192</u>	<u>975,994</u>	<u>321,063</u>	<u>1,774,249</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	2,787	5,224	8,011
Other liabilities	6,444			6,444
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>6,444</u>	<u>2,787</u>	<u>5,224</u>	<u>14,455</u>
<u>FUND BALANCES</u>				
Fund balances - reserved				
Reserved for police protection	3,264			3,264
Reserved for debt service		973,207		973,207
Reserved for capital projects			315,839	315,839
Restricted for economic development	268,572			268,572
Fund balances - unreserved/undesignated	198,912			198,912
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>470,748</u>	<u>973,207</u>	<u>315,839</u>	<u>1,759,794</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 477,192</u>	<u>975,994</u>	<u>321,063</u>	<u>1,774,249</u>

**CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues				
Intergovernmental:				
State of Mississippi	\$ -	7,195		7,195
Special 2% Tax			517,212	517,212
Interest income	7,122	36,879		44,001
Miscellaneous income	16,500			16,500
Total Revenues	<u>23,622</u>	<u>44,074</u>	<u>517,212</u>	<u>584,908</u>
Expenditures				
Debt Service:				
Principal		695,000		695,000
Interest		397,179	108,321	505,500
Capital outlay			93,052	93,052
Miscellaneous	24,051			24,051
Total Expenditures	<u>24,051</u>	<u>1,092,179</u>	<u>201,373</u>	<u>1,317,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(429)</u>	<u>(1,048,105)</u>	<u>315,839</u>	<u>(732,695)</u>
Other Financing Sources (Uses)				
Transfers from other departments		1,035,906		1,035,906
Operating transfers out	(25,000)			(25,000)
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>1,035,906</u>		<u>1,010,906</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>(25,429)</u>	<u>(12,199)</u>	<u>315,839</u>	<u>278,211</u>
Fund Balances				
October 1, 2006	<u>496,177</u>	<u>985,406</u>		<u>1,481,583</u>
September 30, 2007	<u>\$ 470,748</u>	<u>973,207</u>	<u>315,839</u>	<u>1,759,794</u>

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF NET ASSETS – NON-MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2007

	Sanitary Landfill Fund	Total
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 77,344	77,344
Accounts receivables, net	716	716
Other receivables, net	86,579	86,579
Due from other funds	105	105
Total current assets	164,744	164,744
Non-current assets:		
Capital assets:		
Fixed assets, net of depreciation	32,983	32,983
Total non-current assets	32,983	32,983
Total Assets	197,727	197,727
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	3,775	3,775
Accrued liabilities	6,091	6,091
Due to other funds	36,063	36,063
Total current liabilities	45,929	45,929
Total Liabilities	45,929	45,929
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	32,983	32,983
Unrestricted	118,815	118,815
Total net assets	\$ 151,798	151,798

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Sanitary Landfill Fund	Total
<u>OPERATING REVENUES</u>		
Charges for services	\$ 229,083	229,083
Total operating revenues	229,083	229,083
<u>OPERATING EXPENSES</u>		
Operating and maintenance	218,987	218,987
Depreciation	3,488	3,488
Total operating expenses	222,475	222,475
Operating income (loss)	6,608	6,608
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Miscellaneous	389	389
Total non-operating revenues (expenses)	389	389
Change in net assets	6,997	6,997
Total net assets, beginning	144,801	144,801
Total net assets, ending	\$ 151,798	151,798

CITY OF STARKVILLE, MISSISSIPPI
STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Sanitary Landfill Fund	Total
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 229,083	229,083
Cash paid to employees	(101,749)	(101,749)
Cash paid to suppliers	(117,239)	(117,239)
Other receipts (payments)	81,629	81,629
Net cash flows from operating activities	91,724	91,724
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers out		
Net cash flows from noncapital financing activities		
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of capital assets	(14,380)	(14,380)
Other receipts (expenses)		
Net cash flows from capital and related financing activities	(14,380)	(14,380)
<u>Cash Flows from Investing Activities</u>		
Receipt of interest		
Net cash flows from investing activities		
Net change in cash	77,344	77,344
Cash and cash equivalents, October 1, 2006		
Cash and cash equivalents, September 30, 2007	\$ 77,344	77,344
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>		
Operating income (loss)	\$ 6,608	6,608
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	3,488	3,488
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	100,952	100,952
(Increase) decrease in due from other funds	(105)	(105)
Increase (decrease) in payables	(19,798)	(19,798)
Increase (decrease) in due to other funds	579	579
Increase (decrease) in accrued liabilities		
Total adjustments	85,116	85,116
Net cash provided (used) by operating activities	\$ 91,724	91,724

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
SEPTEMBER 30, 2007**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Dan Camp	Mayor	Western Surety Co.	\$ 25,000
Richard Corey, II	Alderman	Ohio Casualty	\$ 100,000
Matt Cox	Alderman	Ohio Casualty	\$ 100,000
Sumner D. Davis, III	Alderman	Ohio Casualty	\$ 100,000
P. C. McLaurin, Jr.	Alderman	Ohio Casualty	\$ 100,000
James A. Mills	Alderman	Ohio Casualty	\$ 100,000
Roy A. Perkins	Alderman	Ohio Casualty	\$ 100,000
Janette L. Self	Alderman	Ohio Casualty	\$ 100,000
Markeeta Outlaw	City Clerk	Western Surety Co.	\$ 300,000
Debbie L. Clark	City Accountant	Travelers Casualty	\$ 50,000
David B. Lindley	Chief of Police	Ohio Casualty	\$ 50,000
Debra Wood	Court Clerk	Western Surety Co.	\$ 10,000
Dianne Evans	Secretary/Clerk	Western Surety Co.	\$ 10,000
Emma Gibson	Deputy Court Clerk	Travelers Casualty	\$ 50,000
Donna Betts	Deputy Court Clerk	Travelers Casualty	\$ 50,000
Tanya W. Little	Deputy Court Clerk	Travelers Casualty	\$ 50,000
Shalonda Sykes	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Diana Coste	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Estelle A. Bassett	Acting/Records Clerk	Travelers Casualty	\$ 50,000
Sara McHann	Acting/Records Clerk	Travelers Casualty	\$ 50,000
Sara Thomas	Payroll Clerk	Western Surety Co.	\$ 50,000
Tammy Tyndall	Adm Asst/Dep Clerk	Western Surety Co.	\$ 50,000
Tony Rook	Court Administrator	Travelers Casualty	\$ 50,000
Vicki Lowrey	Sec/InHouse Comp	Western Surety Co.	\$ 50,000

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF BONDED INDEBTEDNESS
SEPTEMBER 30, 2007**

Name and Date	Maturity Date	Interest Percent	Balance 10/1/06	Transactions		Balance 9/30/07
				Issued	Redeemed	
General Obligation Bonds						
Governmental Activities:						
Research Park, Series 1987	12/1/2006	0.00	135,000		135,000	
	12/1/2007	0.00	135,000			135,000
Total			<u>270,000</u>		<u>135,000</u>	<u>135,000</u>
Parks and Recreation, Series 2007	3/1/2008	3.87		165,000		165,000
	3/1/2009	3.87		175,000		175,000
	3/1/2010	3.87		180,000		180,000
	3/1/2011	3.87		190,000		190,000
	3/1/2012	3.87		200,000		200,000
	Thereafter	3.87		4,465,000		4,465,000
Total				<u>5,375,000</u>		<u>5,375,000</u>
Public Improvement, Series 2007	4/1/2008	4.10		170,000		170,000
	4/1/2009	4.10		175,000		175,000
	4/1/2010	4.10		185,000		185,000
	4/1/2011	4.10		190,000		190,000
	4/1/2012	4.10		195,000		195,000
Total				<u>915,000</u>		<u>915,000</u>
Total General Obligation Bond Liability, Governmental Activities			<u>\$ 270,000</u>	<u>6,290,000</u>	<u>135,000</u>	<u>6,425,000</u>
Business-type Activities:						
System Improvements Bonds, 4/1/1996	4/1/2007		315,000		315,000	
	4/1/2008		330,000			330,000
	4/1/2009		350,000			350,000
	4/1/2010		370,000			370,000
	4/1/2011		390,000			390,000
Total			<u>1,755,000</u>		<u>315,000</u>	<u>1,440,000</u>
Electric System Refunding Bonds, Series 2001	4/1/2007	4.00	220,000		220,000	
	4/1/2008	4.00	230,000			230,000
	4/1/2009	4.00	240,000			240,000
	4/1/2010	4.00	255,000			255,000
	4/1/2011	4.00	270,000			270,000
Total			<u>1,215,000</u>		<u>220,000</u>	<u>995,000</u>
Electric System Bonds, Series 2001	4/1/2007	6.00	160,000		160,000	
	4/1/2008	5.80	160,000			160,000
	4/1/2009	4.20	165,000			165,000
	4/1/2010	4.20	175,000			175,000
	4/1/2011	4.20	185,000			185,000
	Thereafter		2,550,000			2,550,000
Total			<u>3,395,000</u>		<u>160,000</u>	<u>3,235,000</u>
Electric System Revenue Bonds, Series 2004	11/1/2006	3.50	145,000		145,000	
	11/1/2007	3.50	155,000			155,000
	11/1/2008	3.50	160,000			160,000
	11/1/2009	3.50	170,000			170,000
	11/1/2010	3.50	175,000			175,000
	Thereafter		2,055,000			2,055,000
Total			<u>2,860,000</u>		<u>145,000</u>	<u>2,715,000</u>
Electric System Revenue Bonds, Series 2006	11/1/2007	5.25		95,000		95,000
	11/1/2008	5.25		100,000		100,000
	11/1/2009	5.25		105,000		105,000
	11/1/2010	5.25		105,000		105,000
	11/1/2011	4.00		115,000		115,000
	Thereafter			1,480,000		1,480,000
Total				<u>2,000,000</u>		<u>2,000,000</u>
Total General Obligation Bond Liability, Business-type Activities			<u>\$ 9,225,000</u>	<u>2,000,000</u>	<u>840,000</u>	<u>10,385,000</u>
Total General Obligation Bond Liability			<u>\$ 9,495,000</u>	<u>8,290,000</u>	<u>975,000</u>	<u>16,810,000</u>

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES
SEPTEMBER 30, 2007**

Payee	Maturity Date	Interest Percent	Balance 10/1/2006	Transactions		Balance 9/30/2007
				Issued	Redeemed	
Notes Payable						
Governmental Activities:						
Capital Improvements - Fire Truck and Building	FY07	3.00%	43,012		43,012	
	FY08	3.00%	37,165			37,165
Total			<u>80,177</u>		<u>43,012</u>	<u>37,165</u>
Capital Improvements - Fire Truck	FY07	4.47%	66,786		66,786	
	FY08	4.47%	69,832			69,832
	FY09	4.47%	73,016			73,016
	FY10	4.47%	76,345			76,345
	FY11	4.47%	79,827			79,827
	Thereafter	4.47%	457,171			457,171
Total			<u>822,977</u>		<u>66,786</u>	<u>756,191</u>
Capital Improvements Revolving Loan	FY07	5.66%	29,317		29,317	
	FY08	5.66%	31,020			31,020
	FY09	5.66%	32,822			32,822
	FY10	5.66%	34,719			34,719
	FY11	5.66%	36,747			36,747
	Thereafter	5.66%	208,961		488	208,473
Total			<u>373,586</u>		<u>29,805</u>	<u>343,781</u>
Capital Improvements Revolving Loan	FY07	5.66%	29,734		29,734	
	FY08	5.66%	31,461			31,461
	FY09	5.66%	33,289			33,289
	FY10	5.66%	35,224			35,224
	FY11	5.66%	39,434			39,434
	Thereafter	5.66%	193,477			193,477
Total			<u>362,619</u>		<u>29,734</u>	<u>332,885</u>
Capital Improvements Revolving Loan	FY07	2.69%	299,789		299,789	
	FY08	2.69%	307,853			307,853
	FY09	2.69%	316,134			316,134
Total			<u>923,776</u>		<u>299,789</u>	<u>623,987</u>
Capital Improvements - Police Vehicles	FY07	5.55%		110,823	110,823	
	FY08	5.55%		99,475		99,475
	FY09	5.55%		104,995		104,995
Total				<u>315,293</u>	<u>110,823</u>	<u>204,470</u>
Capital Improvements - Street Sweeper	FY07	4.31%		11,021	11,021	
	FY08	4.31%		39,804		39,804
	FY09	4.31%		41,554		41,554
	FY10	4.31%		32,359		32,359
Total				<u>124,738</u>	<u>11,021</u>	<u>113,717</u>
Capital Improvements - Excavator	FY07	5.15%		10,145	8,099	2,046
	FY08	5.15%		25,253		25,253
	FY09	5.15%		26,584		26,584
	FY10	5.15%		27,986		27,986
	FY11	5.15%		29,462		29,462
	Thereafter	5.15%		17,899		17,899
Total				<u>137,329</u>	<u>8,099</u>	<u>129,230</u>
Total Notes Payable, Governmental Activities			<u>\$ 2,563,135</u>	<u>577,360</u>	<u>599,069</u>	<u>2,541,426</u>

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF LONG-TERM NOTES (CONTINUED)
SEPTEMBER 30, 2007**

Payee	Maturity Date	Interest Percent	Balance 10/1/2006	Transactions		Balance 9/30/2007
				Issued	Redeemed	
Notes Payable (Continued)						
Business-type activities:						
Drinking Water Systems Improvements Revolving Loan	FY07	3.00%	26,382		26,382	
	FY08	3.00%	27,185			27,185
	FY09	3.00%	28,011			28,011
	FY10	3.00%	28,862			28,862
	FY11	3.00%	29,741			29,741
	Thereafter	3.00%	400,364			400,364
Total			<u>540,545</u>		<u>26,382</u>	<u>514,163</u>
Drinking Water Systems Improvements Revolving Loan	FY07	3.50%	52,126		52,126	
	FY08	3.50%	53,980			53,980
	FY09	3.50%	55,901			55,901
	FY10	3.50%	57,888			57,888
	FY11	3.50%	59,948			59,948
	Thereafter	3.50%	979,933			979,933
Total			<u>1,259,776</u>		<u>52,126</u>	<u>1,207,650</u>
Water Pollution Control Revolving Loan	FY07	1.75%	162,837		162,837	
	FY08	1.75%	165,711			165,711
	FY09	1.75%	168,632			168,632
	FY10	1.75%	171,608			171,608
	FY11	1.75%	174,636			174,636
	Thereafter	1.75%	2,832,008			2,832,008
Total			<u>3,675,432</u>		<u>162,837</u>	<u>3,512,595</u>
Drinking Water Systems Improvements Revolving Loan	FY08	4.00%	44,365			44,365
	FY09	4.00%	55,224			55,224
	FY10	4.00%	57,474			57,474
	FY11	4.00%	59,815			59,815
	FY12	4.00%	62,252			62,252
	Thereafter	4.00%	586,783	708,073		1,294,856
Total			<u>865,913</u>	<u>708,073</u>		<u>1,573,986</u>
Drinking Water Systems Improvements Revolving Loan	FY07	2.50%	27,835		27,835	
	FY08	2.50%	37,934			37,934
	FY09	2.50%	38,893			38,893
	FY10	2.50%	39,877			39,877
	FY11	2.50%	40,885			40,885
	Thereafter	2.50%	707,746	40,512		748,258
Total			<u>893,170</u>	<u>40,512</u>	<u>27,835</u>	<u>905,847</u>
Total Notes Payable, Business-type Activities			<u>\$ 7,234,836</u>	<u>748,585</u>	<u>269,180</u>	<u>7,714,241</u>
Total Notes Payable			<u>\$ 9,797,971</u>	<u>1,325,945</u>	<u>868,249</u>	<u>10,255,667</u>

**INDEPENDENT AUDITORS' 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***



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**INDEPENDENT AUDITORS' 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***

The Honorable Mayor and Board of Aldermen
The City of Starkville
Starkville, Mississippi

We 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 Starkville, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City of Starkville, Mississippi's basic financial statements and have issued our report thereon dated July 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Starkville, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Starkville, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Starkville, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (Findings 2007-01, 2007-02 and 2007-03)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

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

Starkville, Mississippi
July 21, 2008

Walter Ward and Stafford Pucc

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



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

The Honorable Mayor and Board of Aldermen
The City of Starkville
Starkville, Mississippi

Compliance

We have audited the compliance of the City of Starkville, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. City of Starkville, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Starkville, Mississippi's management. Our responsibility is to express an opinion on the City of Starkville, Mississippi's compliance based on our audit.

We conducted our 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 we 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 Starkville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Starkville, Mississippi's compliance with those requirements.

In our opinion, City of Starkville, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of City of Starkville, 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 our audit, we considered City of Starkville, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Starkville, Mississippi's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Starkville, Mississippi
July 21, 2008

Wathis Ward and Stephen Pucc

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

The Honorable Mayor and Board of Aldermen
The City of Starkville
Starkville, Mississippi

We have audited the financial statements of the City of Starkville, Mississippi, as of and for the year ended September 30, 2007, and have issued our report thereon dated July 21, 2008. We conducted our audit in accordance with generally accepted auditing standards.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi
July 21, 2008

Watkins Ward and Stafford P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Starkville, Mississippi.
2. The audit of the financial statements did not disclose any material weaknesses in internal control.
3. No instances of noncompliance material to the financial statements of City of Starkville, Mississippi were disclosed during the audit.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. The auditors' report on compliance for the major federal award programs for City of Starkville, Mississippi expresses an unqualified opinion on all major federal programs.
6. The audit did disclose significant deficiencies in internal control which are required to be reported in accordance with Government Auditing Standards.
7. The programs tested as major programs included: the Child Care and Development Block Grant, CFDA #93.575, the Capitalization Grants for Drinking Water State Revolving Funds, CFDA #66.468 and the Airport Improvement Program, CFDA #20.106.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Starkville, Mississippi was determined to be a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

2007-01 Finding: There were eight (8) transactions that had inadequate supporting documentation or improper classification in the ninety-one (91) expenditures/payables tested.

Recommendation: The accounts payable clerk should insure that adequate supporting documentation and proper classification is present before presenting the invoice for payment.

Response: The accounts payable clerk will insure that adequate supporting documentation and proper classification is present before presenting the invoice for payment.

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section 2: Findings Relating to the Financial Statements (Continued)

2007-02 Finding: The accounts payable and payroll liabilities as reported in the general ledger does not reconcile to the subsidiary ledgers.

Recommendation: The accounts payable and payroll liabilities as reported in the general ledger should be reconciled monthly to the subsidiary ledgers.

Response: The accounts payable and payroll clerks will reconcile the accounts payable and payroll liabilities as reported in the general ledger to the subsidiary ledgers on a monthly basis.

2007-03 Finding: As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance. The absence of management preparation of the financial statements creates the potential that a misstatement could occur and not be prevented or detected by the City's internal control.

Recommendation: Management should review, approve and accept auditor prepared financial statements, including disclosures prior to their issuance.

Response: Management will review, approve and accept auditor prepared financial statements, including disclosures prior to their issuance.

Section 3: Findings and Questioned Costs for Major Federal Award Programs

None

**CITY OF STARKVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Federal-State Programs:		
Disaster Assistance Projects	97.088	\$ 102,611
Total U.S. Department of Homeland Security		<u>102,611</u>
<u>U.S. Department of Health and Human Services:</u>		
Passed-through Federal-State Programs:		
Child Care and Development Block Grant	93.575	355,995
Total U.S. Department of Health and Human Services		<u>355,995</u>
<u>U. S. Department of Transportation</u>		
Direct Programs:		
Airport Improvement Program	20.106	1,224,830
Total U. S. Department of Transportation		<u>1,224,830</u>
<u>U. S. Environmental Protection Agency:</u>		
Passed-through Federal-State Programs:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	639,798
Total U. S. Environmental Protection Agency		<u>639,798</u>
<u>Total Expenditures of Federal Awards</u>		<u><u>\$ 2,323,234</u></u>

Notes to Schedule

- (1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.
- (2) The revenue and expenditure amounts include transfers in and out, respectively.