

**CITY OF STARKVILLE, MISSISSIPPI**

**AUDIT REPORT**

**SEPTEMBER 30, 2008**

**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, 2008, 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, 2008, 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 May 8, 2009 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 43 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  
May 8, 2009

A handwritten signature in cursive script that reads "Watkins, Ward and Stafford, PLLC". The signature is written in dark ink and is positioned to the right of the typed date.

## **MANAGEMENT DISCUSSION AND ANALYSIS**



# **CITY OF STARKVILLE MANAGEMENT DISCUSSION AND ANALYSIS SEPTEMBER 30, 2008**

## ***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, 2008. 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 \$57,571,548 total revenues. Tax revenues account for \$8,522,790 or 15.34% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$1,877,534 or 3.26% of total revenues.

The City had \$62,541,761 in total expenses, which represents an increase of \$9,175,440 or 17.19% increase over the prior fiscal year. Expenses in the amount of \$42,917,622 were offset by charges for services, grants or outside contributions. General revenues of \$14,653,926 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$14,779,674 in revenues and \$16,281,199 in expenditures. The General Fund's fund balance decreased \$1,013,977 from the prior year.

Among major funds, the Park and Recreation Bond Series 2007 Fund had \$137,495 in revenues and \$4,146,610 in expenditures. The Park and Recreation Bond Series 2007 fund balance decreased by \$4,009,115 over the prior year which includes \$4,146,610 for the construction of a multi-purpose building.

Capital assets, net of accumulated depreciation, decreased by \$770,918.

Long-term debt decreased by \$1,779,025.

## ***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**

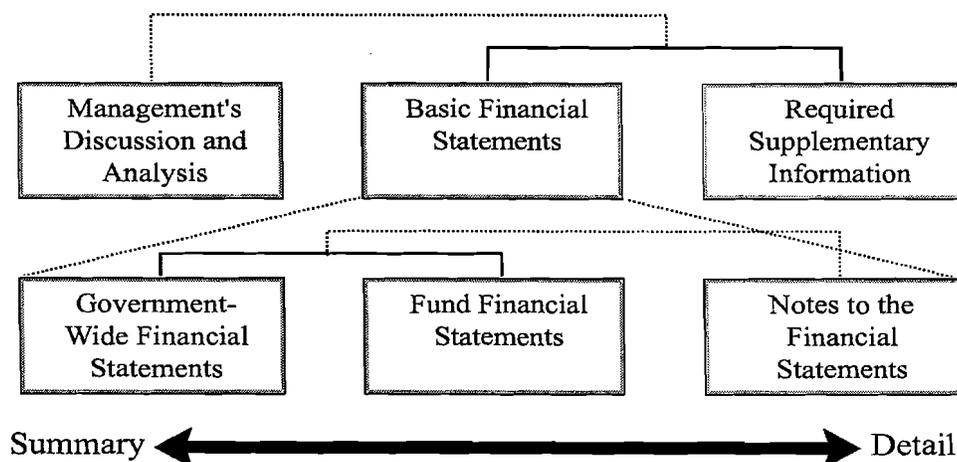


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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**

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>● Statement of net assets</li> <li>● Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>● Balance sheet</li> <li>● Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>● Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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 \$49,311,504 as of September 30, 2008.

By far, the largest portion of the City's net assets (79.04%) 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, 2008.

	2008 Governmental <u>Activities</u>
Current assets	\$ 17,414,266
Capital assets, net	<u>65,669,184</u>
Total assets	<u>\$ 83,083,450</u>
Current liabilities	10,589,630
Long-term debt outstanding	<u>23,182,316</u>
Total liabilities	<u>\$ 33,771,946</u>
Net assets:	
Invested in capital assets, net of related debt	39,868,401
Restricted	2,926,713
Unrestricted	<u>6,516,390</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.

- \$4,146,610 of long-term debt principal was retired.

**Changes in Net Assets** –The City's total revenues for the fiscal year ended September 30, 2008 was \$57,571,548. The total cost for all services provided was \$62,541,761. The decrease in net assets was \$4,970,213. The following table presents a summary of the in changes net assets for the fiscal year ended September 30, 2008.

	Current Year Amount
Revenues:	
Program revenues	
Charges for services	\$ 41,040,088
Operating grants & contributions	887,760
Capital grants & contributions	989,774
General revenues	
Property taxes	2,708,775

Sales and Use taxes	5,195,670
Other taxes	618,345
Interest income	503,866
Transfers	964,343
Miscellaneous	<u>4,662,927</u>
Total Revenues	<u>\$57,571,548</u>

Expenses:	
General government	3,748,039
Public safety	7,866,617
Highways and Streets	2,602,126
Health and sanitation	222,135
Parks & Recreation	2,203,379
Other	5,339,832
Utilities	36,531,287
Sanitation	2,396,220
Interest on long-term debt	<u>1,632,126</u>
Total Expenses	<u>\$62,541,761</u>

Decrease in Net Assets (\$4,970,213)

**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.

	Total Costs	Net Costs
General Government	\$ 3,748,039	\$ 2,169,220
Public Safety	7,866,617	7,519,310
Public Services	2,602,126	2,220,863
Parks and Recreation	2,203,379	2,117,989
Utilities	36,531,287	(1,722,285)

## ***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 \$4,168,541, a decrease of \$4,870,037. 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 General Fund is the principal operating fund of the City. The decrease in the fund balance of the P & R Bond Series 2007 for the fiscal year was \$4,009,115 which is due to the construction of a multi-purpose building.

## ***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, 2008, the City of Starkville's total capital assets were \$146,266,888. This includes infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$3,556,271.

Total accumulated depreciation as of September 30, 2008 was \$80,597,704 including \$4,367,142 of depreciation expense for the year. The balance in total net capital assets was \$65,669,184 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, 2008, the City of Starkville had \$25,737,792 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$2,555,476 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 38 of this report.

## ***CURRENT AND FUTURE ITEMS OF IMPACT***

Despite the pending recessionary outlook, the City of Starkville's future growth continues to look bright. There are several developments within the city that continue to progress. The Hilton hotel has opened its doors. A business complex and a condominium project in the city are nearing completion. With the cooperation between the City and county, one project has begun and another is in process inside the city limits. A \$200 million dollar project that includes a conference center, a full service hotel, two large anchor stores, and numerous shops, apartments, and business offices is still moving forward. The other project which also includes a hotel, two restaurants, several new stores and a revamped parking area and new streets has reached partial completion. The refurbishing of the existing structure and parking lot is complete. In the county, Highland Plantation continues to build units that are available to renters and the 528 units at the Links have opened and are available to the student and adult population for rental. These projects are providing and will provide a substantial increase in the tax base for Oktibbeha County and are contributing to the retail base for the City of Starkville.

The operation of American Eurocopter and SeverCorr and the Aurora plants continue to add to the Golden Triangle Region's growth. The Toyota plant that is planned 60 miles north should generate spin-off industries that will affect the growth of our region. The new PACCAR Plant at the Golden Triangle Regional Complex is significant to City of Starkville's growth and is nearing completion as well. The result of the additional employment in the area is that Starkville is the preferred residential destination for those who are transplanted here for these industries.

Development continues and should continue for the next several years around Starkville on the new Highway 82 and Highway 25 and Highway 12 Bypass. The City of Starkville experienced significant growth in the housing market in this fiscal year. The future looks bright for this area, and the new growth will have a positive impact on the City's assessed value.

The City of Starkville and the Oktibbeha County area continue to grow as destinations for tourists coming to participate and spectate at the expanded Mississippi Horse Park and the state of the art soccer fields that host multiple tournaments throughout the summer. Mississippi State University obviously impacts the City's sales tax and 2% revenue as the South Eastern Conference sporting events bring in thousands of visitors throughout the year. The City of Starkville continues to highlight and emphasize the importance of the quality of life issues that make the residential facet of the city's offerings most appealing. The City has received grants for hiking and biking trails and has embraced the opportunities for the continuation of such programs linking areas throughout the City.

The Golden Triangle Regional Airport has recently announced the increase in commercial passenger service. This is directly attributable to the development activity of the industries and the increase in population associated with these startup projects. Increasing the accessibility for the area will improve on the viability of the region and therefore of the City of Starkville.

Oktibbeha County has an unemployment rate of 6.2% and compares favorably with the state average rate of 7.4%. The population is subject to seasonal changes that occur as the major employer, Mississippi State University, predictably experiences reduced enrollment during the summer months.

## ***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, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,753,646	1,799,993	4,553,639
Cash - restricted	1,129,974		1,129,974
Accounts receivable, net	531,417	6,713,994	7,245,411
Other receivables, net	86,444	280,307	366,751
Notes receivable, net	41,713		41,713
Due from other departments	184,270	473,818	658,088
Due from other funds		9,445	9,445
Prepaid expense		33,734	33,734
Inventory	41,082	885,688	926,770
Capital assets			
Land and construction in progress	943,255	4,651,439	5,594,694
Property and equipment	59,619,930	81,052,264	140,672,194
Less: accumulated depreciation	(47,808,950)	(32,788,754)	(80,597,704)
Other assets		2,448,741	2,448,741
Total assets	<u>17,522,781</u>	<u>65,560,669</u>	<u>83,083,450</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	714,201	3,658,153	4,372,354
Accrued liabilities	47,024	557,144	604,168
Due to other departments		1,205,619	1,205,619
Due to other funds		56,376	56,376
Customer deposits		1,680,286	1,680,286
Other liabilities		115,351	115,351
Long-term liabilities:			
Due within one year	1,028,084	1,527,392	2,555,476
Due in more than one year	7,571,430	15,610,886	23,182,316
Total liabilities	<u>9,360,739</u>	<u>24,411,207</u>	<u>33,771,946</u>
<b><u>NET ASSETS</u></b>			
Contributed capital		8,967,665	8,967,665
Invested in capital assets, net of related debt	4,091,730	35,776,671	39,868,401
Restricted	2,926,713		2,926,713
Unrestricted	1,143,599	(3,594,874)	(2,451,275)
Total net assets	<u>\$ 8,162,042</u>	<u>41,149,462</u>	<u>49,311,504</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General government	\$ 3,748,039	248,724	340,321	989,774	(2,169,220)
Public safety					
Police	4,434,625		52,912		(4,381,713)
Fire	3,191,717	181,131	113,264		(2,897,322)
Public inspection	146,668				(146,668)
Civil defense	93,607				(93,607)
Highways and streets	2,602,126		381,263		(2,220,863)
Health and sanitation	222,135				(222,135)
Culture and recreation	1,223,190	85,390			(1,137,800)
Other	5,339,832				(5,339,832)
Interest on long-term debt	1,632,126				(1,632,126)
Total governmental activities	<u>22,634,065</u>	<u>515,245</u>	<u>887,760</u>	<u>989,774</u>	<u>(20,241,286)</u>
<b>Business-type Activities</b>					
Electric utilities	31,666,558	32,462,878			796,320
Water and sewer utilities	4,864,729	5,790,694			925,965
Sanitation and waste	2,126,426	1,997,553			(128,873)
Sanitary landfill	269,794	273,718			3,924
Total business-type activities	<u>38,927,507</u>	<u>40,524,843</u>			<u>1,597,336</u>
Total primary government	<u>\$ 61,561,572</u>	<u>41,040,088</u>	<u>887,760</u>	<u>989,774</u>	<u>(18,643,950)</u>
			<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in Net Assets:</b>					
Net (expense) / revenue			\$ (20,241,286)	1,597,336	(18,643,950)
<b>General revenues</b>					
<b>Taxes</b>					
Property taxes			2,708,775		2,708,775
Sales and use taxes			5,195,670		5,195,670
Other taxes			618,345		618,345
Investment income			322,223	181,643	503,866
Other			3,646,680	36,058	3,682,738
Transfers			964,343		964,343
Total general revenues and transfers			<u>13,456,036</u>	<u>217,701</u>	<u>13,673,737</u>
Change in net assets			(6,785,250)	1,815,037	(4,970,213)
Net assets, October 1, 2007			<u>14,947,292</u>	<u>39,334,425</u>	<u>54,281,717</u>
Net assets, September 30, 2008			<u>\$ 8,162,042</u>	<u>41,149,462</u>	<u>49,311,504</u>

See accompanying notes to the basic financial statements.

**FUND FINANCIAL STATEMENTS**

**CITY OF STARKVILLE, MISSISSIPPI  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

	<u>General</u>	<u>P &amp; R Bond Series 2007</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 505,697	1,423,806	756,461	2,685,964
Cash - restricted	166,643		889,492	1,056,135
Receivables (Net)				
Accounts	531,417			531,417
Other			86,444	86,444
Notes receivable (Net)			41,713	41,713
Due from other departments	42,685			42,685
Due from other funds	332,106		139	332,245
Inventory	4,226			4,226
	<u>1,582,774</u>	<u>1,423,806</u>	<u>1,774,249</u>	<u>4,780,829</u>
<b>Total Assets</b>	<b>\$ 1,582,774</b>	<b>1,423,806</b>	<b>1,774,249</b>	<b>4,780,829</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 455,068	222,584	8,011	685,663
Other liabilities		28,886	6,444	35,330
Due to other funds	44,350			44,350
	<u>499,418</u>	<u>251,470</u>	<u>14,455</u>	<u>765,343</u>
<b>Total Liabilities</b>	<b>499,418</b>	<b>251,470</b>	<b>14,455</b>	<b>765,343</b>
<b><u>FUND BALANCES</u></b>				
Fund balances - reserved				
Reserved for fire protection	141,850			141,850
Reserved for police protection	46,133			46,133
Reserved for airport projects	(164,547)			(164,547)
Reserved for parks and recreation	32,956			32,956
Reserved for inventory	6,180			6,180
Reserved for debt service			973,207	973,207
Reserved for capital projects		1,172,336	315,839	1,488,175
Restricted for police protection			3,264	3,264
Restricted for economic development			268,572	268,572
Fund balances - unreserved/undesignated	1,020,784		198,912	1,219,696
	<u>1,083,356</u>	<u>1,172,336</u>	<u>1,759,794</u>	<u>4,015,486</u>
<b>Total Fund Balances</b>	<b>1,083,356</b>	<b>1,172,336</b>	<b>1,759,794</b>	<b>4,015,486</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,582,774</b>	<b>1,423,806</b>	<b>1,774,249</b>	<b>4,780,829</b>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

Fund Balances - total governmental funds		\$ 4,168,541
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	60,563,185	
Less accumulated depreciation	<u>(47,808,950)</u>	12,754,235
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(8,599,514)
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>(161,220)</u>
Net Assets of Governmental Activities		<u>\$ 8,162,042</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General</u>	<u>P &amp; R Bond Series 2007</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
General property taxes	\$ 2,708,775			2,708,775
Licenses and permits	464,496			464,496
Intergovernmental:				
Federal	1,490,446			1,490,446
State of Mississippi	6,270,074		623,936	6,894,010
Oktibbeha County and Mississippi State	633,495			633,495
Fines and forfeits	1,034,981			1,034,981
Interest income	162,839	137,495	21,889	322,223
Penalties and interest - prior year taxes	74,730			74,730
Other revenues	959,649		52,943	1,012,592
Total Revenues	<u>13,799,485</u>	<u>137,495</u>	<u>698,768</u>	<u>14,635,748</u>
<b><u>EXPENDITURES</u></b>				
General government	3,609,332			3,609,332
Public safety:				
Police	4,056,381			4,056,381
Fire	3,011,650			3,011,650
Public inspection	111,529			111,529
Civil defense	58,468			58,468
Highways and streets	1,309,321			1,309,321
Health and sanitation	186,996			186,996
Culture and recreation	993,041			993,041
Other	240,400		10,552	250,952
Capital outlay	747,935	4,146,610	194,335	5,088,880
Debt service:				
Principal	871,981		1,135,000	2,006,981
Interest	103,976		632,924	736,900
Total Expenditures	<u>15,301,010</u>	<u>4,146,610</u>	<u>1,972,811</u>	<u>21,420,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,501,525)</u>	<u>(4,009,115)</u>	<u>(1,274,043)</u>	<u>(6,784,683)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	25,000			25,000
Transfers out	(513,712)		(25,000)	(538,712)
Transfers from other departments	976,260		1,452,098	2,428,358
Net other financing sources (uses)	<u>487,548</u>	<u>-</u>	<u>1,427,098</u>	<u>1,914,646</u>
Net change in fund balances	(1,013,977)	(4,009,115)	153,055	(4,870,037)
Fund balances, October 1, 2007	2,097,333	5,181,451	1,759,794	9,038,578
Fund balances, September 30, 2008	<u>\$ 1,083,356</u>	<u>1,172,336</u>	<u>1,912,849</u>	<u>4,168,541</u>

See accompanying notes to the 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, 2008**

Net change in Fund Balances - total governmental funds		\$ (4,870,037)
<p>Amounts reported for governmental activities in Statement of Activities are different because:</p>		
<p>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:</p>		
Expenditures for capital assets	(1,814,629)	
Less current year depreciation	<u>(1,974,001)</u>	(3,788,630)
<p>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:</p>		
Principal payments	<u>2,006,981</u>	2,006,981
<p>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:</p>		
Change in long-term compensated absence		(27,756)
<p>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.</p>		
		<u>(105,808)</u>
Change in Net Assets of Governmental Funds		<u><u>\$ (6,785,250)</u></u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	June 30, 2008	September 30, 2008			September 30, 2008	
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 623,410	1,074,623	27,744	74,216	1,799,993	(7,832)
Accounts receivables, net	4,652,199	1,689,532	329,463	42,800	6,713,994	
Other receivables, net	142,482	91,502		45,875	279,859	
Due from other funds				9,445	9,445	5,263
Due from other departments	444,129	29,689			473,818	2,569
Interest receivable	448				448	
Prepaid expense	33,734				33,734	
Inventory	768,056	117,632			885,688	36,856
Total current assets	6,664,458	3,002,978	357,207	172,336	10,196,979	36,856
Restricted assets:						
Cash - restricted						
Total restricted assets						
Non-current assets:						
Other assets	2,448,741				2,448,741	
Capital assets:						
Fixed assets, net of depreciation	26,763,808	25,256,414	861,754	32,973	52,914,949	62,991
Total non-current assets	29,212,549	25,256,414	861,754	32,973	55,363,690	62,991
Total Assets	35,877,007	28,259,392	1,218,961	205,309	65,560,669	99,847
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	3,355,193	211,524	87,883	3,553	3,658,153	32,379
Accrued liabilities	192,493	216,333	54,490	6,091	469,407	11,694
Due to other departments	1,202,831	2,788			1,205,619	
Due to other funds		5,509	10,924	39,943	56,376	154,003
Accrued interest - long-term debt	87,737				87,737	
Bonds payable, current	1,180,731				1,180,731	
Notes payable, current		346,661			346,661	
Total current liabilities	6,018,985	782,815	153,297	49,587	7,004,684	198,076
Non-current liabilities:						
Bonds payable, non-current	8,572,479				8,572,479	
Notes payable, non-current		7,038,407			7,038,407	
Customer deposits	1,437,050	243,236			1,680,286	
Other liabilities	115,351				115,351	
Total non-current liabilities	10,124,880	7,281,643			17,406,523	
Total Liabilities	16,143,865	8,064,458	153,297	49,587	24,411,207	198,076
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	17,010,598	17,871,346	861,754	32,973	35,776,671	62,991
Contributed capital		8,967,665			8,967,665	141,448
Unrestricted	2,722,544	(6,644,077)	203,910	122,749	(3,594,874)	(302,668)
Total Net Assets	\$ 19,733,142	20,194,934	1,065,664	155,722	41,149,462	(98,229)

See accompanying notes to the 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, 2008**

	June 30, 2008	September 30, 2008			Total Enterprise Funds	September 30, 2008
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds		Internal Service Fund
<b><u>OPERATING REVENUES</u></b>						
Charges for services	\$ 32,462,878	5,790,694	1,997,553	273,718	40,524,843	354,532
Total operating revenues	32,462,878	5,790,694	1,997,553	273,718	40,524,843	354,532
<b><u>OPERATING EXPENSES</u></b>						
Purchased power	26,512,764				26,512,764	
Operating and maintenance	3,317,060	3,651,934	1,976,840	266,215	9,212,049	454,296
Depreciation	1,217,816	1,022,171	149,586	3,568	2,393,141	2,900
Total operating expenses	31,047,640	4,674,105	2,126,426	269,783	38,117,954	457,196
Operating income (loss)	1,415,238	1,116,589	(128,873)	3,935	2,406,889	(102,664)
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Other revenue		36,058			36,058	
Interest on investments	181,643				181,643	
Amortization expense	(22,606)				(22,606)	
Interest and fiscal charges	(446,364)	(190,624)			(636,988)	
Other expenses	(149,948)			(11)	(149,959)	
Total non-operating revenues (expenses)	(437,275)	(154,566)	-	(11)	(591,852)	
Income (loss) before transfers	977,963	962,023	(128,873)	3,924	1,815,037	(102,664)
Transfers in						64,204
Change in net assets	977,963	962,023	(128,873)	3,924	1,815,037	(38,460)
Total net assets, beginning	18,755,179	19,232,911	1,194,537	151,798	39,334,425	(59,769)
Total net assets, ending	\$ 19,733,142	20,194,934	1,065,664	155,722	41,149,462	(98,229)

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	June 30, 2008	September 30, 2008			September 30, 2008	
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 32,255,403	4,902,241	1,831,706	247,640	39,236,990	
Cash received from other funds						354,532
Cash paid to employees	(2,209,255)	(1,138,225)	(511,797)	(127,738)	(3,987,015)	(121,960)
Cash paid to suppliers	(27,990,776)	(1,979,281)	(1,465,043)	(89,660)	(31,524,760)	(317,917)
Other receipts (payments)	(149,948)	(57,474)	8,141	(29,807)	(229,088)	14,183
Net Cash Flows from Operating Activities	1,905,424	1,727,261	(136,993)	435	3,496,127	(71,162)
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers in						64,204
Net Cash Flows from Noncapital Financing Activities						64,204
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from issuance of debt	505,000				505,000	
Payment of debt	(1,136,790)	(329,173)			(1,465,963)	
Payment of interest	(478,250)	(190,624)			(668,874)	
Purchase of capital assets	(3,026,358)	(1,578,979)	(194,398)	(3,563)	(4,803,298)	(976)
Other receipts (payments)	1,251,035	(21,516)			1,229,519	
Net Cash Flows from Capital and Related Financing Activities	(2,885,363)	(2,120,292)	(194,398)	(3,563)	(5,203,616)	(976)
<b>Cash Flows from Investing Activities</b>						
Receipt of interest	181,643				181,643	
Net Cash Flows from Investing Activities	181,643				181,643	
Net Change in Cash	(798,296)	(393,031)	(331,391)	(3,128)	(1,525,846)	(7,934)
Cash and Cash Equivalents, October 1, 2007	1,421,706	1,467,654	359,135	77,344	3,325,839	102
Cash and Cash Equivalents, September 30, 2008	\$ 623,410	1,074,623	27,744	74,216	1,799,993	(7,832)
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>						
Operating Income (Loss)	\$ 977,963	1,116,589	(128,873)	3,935	1,969,614	(102,664)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,364,395	1,022,171	149,586	3,568	2,539,720	2,900
Amortization	13,457				13,457	
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	(667,519)	(352,799)	(167,847)	(1,380)	(1,189,545)	
(Increase) decrease in due from other funds				(9,340)	(9,340)	(5,263)
(Increase) decrease in inventory	(116,679)	(46,884)			(163,563)	17,634
(Increase) decrease in other assets	54,170	(49,511)			4,659	(358)
Increase (decrease) in payables	247,674	9,782	(61)	(228)	257,167	16,589
Increase (decrease) in due to other funds		3,591	10,202	3,880	17,673	
Increase (decrease) in accrued liabilities		24,222			24,222	
Increase (decrease) in customer deposits	31,963				31,963	
Increase (decrease) in other liabilities						
Total adjustments	927,461	610,572	(8,120)	(3,500)	1,526,413	31,502
Net cash provided (used) by operating activities	\$ 1,905,424	1,727,161	(136,993)	435	3,496,027	(71,162)

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
SEPTEMBER 30, 2008**

	<b>Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	1,055,112
Cash - restricted	57,820	
Due from other funds		80,447
	57,820	80,447
Total Assets	57,820	1,135,559
<b><u>LIABILITIES</u></b>		
Due to other funds		150,031
Due to outside entities		985,528
		985,528
Total Liabilities		1,135,559
<b><u>NET ASSETS</u></b>		
Held in trust for unemployment benefits	\$ 57,820	

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Employee Benefit Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	
Interest	\$ 743
Total investment earnings	<u>743</u>
<b>Total Additions</b>	<u>743</u>
<b>DEDUCTIONS</b>	
Transfers out	
Total Deductions	<u>          </u>
 Change in Net Assets	 743
 Net Assets, October 1, 2007	 <u>57,077</u>
 Net Assets, September 30, 2008	 <u>\$ 57,820</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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.
- h. **Restricted for economic development** - An account that represents the portion of the fund balance that is legally restricted for economic development.

**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, 2008**

**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 \$5,541,240 on September 30, 2007, and the bank balance was \$6,201,612

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, 2008, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ 332,106	44,350
Debt Service	139	
<b>Proprietary Funds:</b>		
Water and Sewer		5,509
Landfill	9,445	39,943
Sanitation		10,924
Internal Service	5,263	154,003
<b>Fiduciary Funds:</b>		
Payroll Clearing Fund	80,447	54,208
Tax Collector Fund		150,031
	<u>\$ 427,400</u>	<u>458,968</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance				Balance September 30, 2008
	October 1, 2007	Adjustments	Increases	Decreases	
<b>Governmental Activities</b>					
Non-depreciable: Land	\$ 943,255				943,255
Depreciable:					
Buildings	3,488,710	(152,297)			3,336,413
Building Improvements	23,046	(23,046)			-
Improvements other than buildings	49,613,723	55,880			49,669,603
Vehicles	3,921,005	6,522			3,927,527
Machinery and equipment	3,243,950	118,995	124,968		3,487,913
Total	60,290,434	6,054	124,968		60,421,456
Less accumulated depreciation					
Buildings	(1,317,214)	135,218	(81,471)		(1,263,467)
Building Improvements	(20,586)	20,586			-
Improvements other than buildings	(40,107,411)	(50,946)	(1,299,084)		(41,457,441)
Vehicles	(2,173,366)	7,579	(266,429)		(2,432,216)
Machinery and equipment	(2,161,968)	(88,103)	(327,017)		(2,577,088)
Total	(45,780,545)	24,334	(1,974,001)		(47,730,212)
Net book value	14,509,889	30,388	(1,849,033)		12,691,244
<b>Internal Service Fund</b>					
Total depreciable assets	156,969		976	16,216	141,729
Less accumulated depreciation	(89,885)		(2,900)	(14,047)	(78,738)
Internal Service Fund, net	67,084	-	(1,924)	2,169	62,991
Governmental Activities Capital Assets, net	\$ 15,520,228	30,388	(1,850,957)	2,169	13,697,490
<b>Business-type Activities</b>					
Non-depreciable					
Land - Starkville Electric	\$ 473,994		179,068		653,062
Land - Landfill	16,800				16,800
Land - Water	102,738		2,885		105,623
Construction in progress - Stk Elec	5,406,704		(1,530,750)		3,875,954
Total	6,000,236		(1,348,797)		4,651,439
Depreciable					
Starkville Electric Property & equipment	28,810,261		4,378,040	(524,713)	32,663,588
Sanitation property & equipment	1,980,094		194,398		2,174,492
Landfill property & equipment	762,837		3,558	51,805	714,590
Water property & equipment	43,923,497		1,576,094		45,499,591
Total	75,476,689		6,152,090	(472,908)	81,052,261
Less accumulated depreciation					
Starkville Electric Property & Equipment	(9,253,532)	(253,543)	(1,497,468)	575,747	(10,428,796)
Sanitation property & equipment	(1,163,152)		(149,586)		(1,312,738)
Landfill property & equipment	(746,654)		(3,568)	(51,805)	(698,417)
Water property & equipment	(19,326,632)		(1,022,171)		(20,348,803)
Total	(30,489,970)	(253,543)	(2,672,793)	523,942	(32,788,754)
Net book value	44,986,719	(253,543)	3,479,297	51,034	48,263,507
Business-type Activities Capital Assets, net	\$ 50,986,955	(168,004)	2,130,500	51,034	52,914,946

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 4: CAPITAL ASSETS (CONTINUED)**

The City of Starkville updated its fixed assets subsidiary records and the adjustment column reports the appropriate corrections to the various classes of fixed assets.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 138,707
Public safety - Police	307,966
Public safety - Fire	109,789
Highways and streets	1,222,528
Culture and recreation	<u>195,011</u>

Total governmental activities depreciation expense \$ 1,974,001

Business-type activities:

Electric	\$ 1,217,816
Water and sewer	1,022,171
Sanitation	149,586
Landfill	<u>3,568</u>

Total business-type activities depreciation expense \$ 2,393,141

**NOTE 5: LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2008, was as follows:

	<u>Balance</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30, 2008</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Governmental Activities					
General obligation bonds					
Research Park 1987	\$ 135,000		135,000	-	-
Parks and Recreation, Series 2007	5,375,000		165,000	5,210,000	175,000
Public Improvement, Series 2007	915,000		170,000	745,000	175,000
Notes payable					
Capital Improvements Revolving Loan	343,781		31,020	312,761	32,822
Capital Improvements Revolving Loan	332,885		31,461	301,424	33,289
Capital Improvements - Fire Station	37,165		37,165	-	-
Public Improvement Note 8/11/2004	623,987		307,853	316,134	316,134
Capital Improvements - Fire Truck	756,191		69,832	686,359	73,016
Capital Improvements - Police Vehicles	204,470		99,475	104,995	104,995
Capital Improvements - Street Sweeper	113,717		39,804	73,913	41,554
Capital Improvements - Excavator	129,230		25,145	104,085	26,584
Capital Improvements-Pub Safety Info Sys		265,937		265,937	49,690
Compensated absences	451,150	27,756		478,906	-
Total	<u>\$ 9,417,576</u>	<u>293,693</u>	<u>1,111,755</u>	<u>8,599,514</u>	<u>1,028,084</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**NOTE 5: LONG-TERM LIABILITIES (CONTINUED)**

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008	Amount Due Within One Year
Business-type Activities					
Bonds and notes payable					
Electric Dept '96 G.O. Bond	\$ 1,440,000		330,000	1,110,000	350,000
Electric System Refunding Bonds, Series 2001	995,000		230,000	765,000	240,000
Electric System Bonds, Series 2001	3,235,000		160,000	3,075,000	165,000
Electric System Revenue Bonds, Series 2004	2,715,000		155,000	2,560,000	160,000
Electric System Revenue Bonds, Series 2006	2,000,000		95,000	1,905,000	100,000
Drinking Water Improvements Revolving Loan	514,163		27,185	486,978	28,011
Drinking Water Improvements Revolving Loan	1,207,650		53,980	1,153,670	55,901
Drinking Water Improvements Revolving Loan	1,573,986		44,365	1,529,621	55,224
Drinking Water Improvements Revolving Loan	905,847		37,934	867,913	38,893
Water Pollution Control Revolving Loan	3,512,595		165,709	3,346,886	168,632
Compensated absences	134,497	30,014		164,511	-
Total	<u>\$ 18,233,738</u>	<u>30,014</u>	<u>1,299,173</u>	<u>16,964,579</u>	<u>1,361,661</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, 2008.

**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, 2008**

**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 \$963,971, \$856,048, and \$736,938, 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 City's portion of this expense was \$372,869 in 2008. 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, 2008**

**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.

**NOTE 11: ECONOMIC DEVELOPMENT, TOURISM AND CONVENTION TAX**

In 2004, the Legislature of the State of Mississippi passed a local and private act on behalf of the City of Starkville authorizing a 2 % tax on the gross income of restaurants derived from the sale of prepared food and alcoholic and nonalcoholic beverages until June 30, 2015. The tax is collected by the Mississippi State Tax Commission in the same manner that sales taxes are collected. The proceeds of the tax less 3 % are paid monthly to the City of Starkville to be distributed to the appropriate entities as follows:

Economic Development Authority – 15%

Visitor and Convention Council – 15%

Starkville Park Commission – 40%

Mississippi State University – 20%

Used for economic and community development projects, initiatives or opportunities – 10%

The distribution of the tax is audited in the course of this audit.

**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, 2008**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
General property taxes	\$ 2,773,516	54,600	2,828,116	2,708,775	(119,341)
Licenses and permits	482,288	(195,738)	286,550	464,496	177,946
Intergovernmental					
Federal	511,321	627,819	1,139,140	1,490,446	351,306
State of Mississippi	5,870,395	322,698	6,193,093	6,270,074	76,981
Oktibbeha County and Mississippi State	2,324,672	(1,504,061)	820,611	633,495	(187,116)
Fines and forfeits	1,376,824	46,735	1,423,559	1,034,981	(388,578)
Interest income	4,000	228,000	232,000	162,839	(69,161)
Penalties and interest - prior year taxes		66,600	66,600	74,730	8,130
Other revenues	519,065	622,920	1,141,985	1,939,838	797,853
<b>Total Revenues before Prior Year Fund Balance</b>	<b>13,862,081</b>	<b>269,573</b>	<b>14,131,654</b>	<b>14,779,674</b>	<b>648,020</b>
Prior year fund balance:					
Appropriated for current year budget	2,035,517	186,746	2,222,263		(2,222,263)
<b>Total Revenues and Prior Year Fund Balance</b>	<b>15,897,598</b>	<b>456,319</b>	<b>16,353,917</b>	<b>14,779,674</b>	<b>(1,574,243)</b>
<b>EXPENDITURES</b>					
General government	3,325,853	432,460	3,758,313	3,609,332	148,981
Public safety:					
Police	3,977,177	221,814	4,198,991	4,056,381	142,610
Fire	3,405,130	(33,493)	3,371,637	3,011,650	359,987
Public inspection	114,799		116,663	111,529	5,134
Civil defense	4,000	54,660	58,660	58,468	192
Highways and streets	1,365,076	40,437	1,405,513	1,309,321	96,192
Health and sanitation	197,572	-	197,572	186,996	10,576
Culture and recreation	1,911,910	311,185	2,223,095	1,973,230	249,865
Other	379,161	-	379,161	240,400	138,761
Capital outlay	2,083,132	-	2,083,132	747,935	1,335,197
Debt service:					
Principal	858,083	13,898	871,981	871,981	-
Interest		103,976	103,976	103,976	-
<b>Total Expenditures</b>	<b>17,621,893</b>	<b>1,144,937</b>	<b>18,766,830</b>	<b>16,281,199</b>	<b>2,485,631</b>
Excess (deficiency) of revenues over (under) expenditures	(1,724,295)	(688,618)	(2,414,777)	(1,501,525)	913,252
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	25,000	-	25,000	25,000	-
Transfers out		(615,428)	(615,428)	(513,712)	101,716
Transfers from other departments	909,405	457,275	1,366,680	976,260	(390,420)
<b>Net other financing sources (uses)</b>	<b>934,405</b>	<b>(158,153)</b>	<b>776,252</b>	<b>487,548</b>	<b>(288,704)</b>
Excess of revenues and other sources over expenditures and other uses	(789,890)	(846,771)	(1,638,525)	(1,013,977)	624,548
Fund balances, October 1, 2007 (Non-GAAP budgetary basis)	1,659,156		1,659,156	2,097,333	438,177
Less budgeted fund balance	(485,881)	-	(485,881)		485,881
<b>Fund balances, September 30, 2008 (Non-GAAP budgetary basis)</b>	<b>\$ 383,385</b>	<b>(465,250)</b>	<b>(465,250)</b>	<b>1,083,356</b>	<b>1,548,606</b>

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING BALANCE SHEET BY ACTIVITY**  
**GENERAL FUND**  
**SEPTEMBER 30, 2008**

	<u>General Activities</u>	<u>Restricted Police Activities</u>	<u>Restricted Fire Activities</u>	<u>Parks and Recreation Activities</u>	<u>Airport Activities</u>	<u>Multi-Unit Task Force Operations</u>	<u>Subtotal</u>	<u>Eliminating Entries</u>	<u>Total General Fund</u>
<b><u>Assets</u></b>									
Cash and cash equivalents	\$ 422,721			57,039		25,937	505,697		505,697
Cash - restricted		24,793	141,850				166,643		166,643
Receivables (Net)									
Accounts	530,577			763	77		531,417		531,417
Other									
Due from other departments	42,685						42,685		42,685
Due from other funds	349,714						349,714	(17,608)	332,106
Inventory	4,226						4,226		4,226
<b>Total Assets</b>	<b>\$ 1,349,923</b>	<b>24,793</b>	<b>141,850</b>	<b>57,802</b>	<b>77</b>	<b>25,937</b>	<b>1,600,382</b>	<b>(17,608)</b>	<b>1,582,774</b>
<b><u>Liabilities</u></b>									
Accounts payable	\$ 269,078	4,597		16,769	164,624		455,068		455,068
Due to other funds	53,881			8,077			61,958	(17,608)	44,350
	<b>322,959</b>	<b>4,597</b>	<b>-</b>	<b>24,846</b>	<b>164,624</b>		<b>517,026</b>	<b>(17,608)</b>	<b>499,418</b>
<b><u>Fund Equity</u></b>									
Fund balances - reserved									
Reserved for fire protection			141,850				141,850		141,850
Reserved for police protection		20,196				25,937	46,133		46,133
Reserved for airport projects					(164,547)		(164,547)		(164,547)
Reserved for parks and recreation				32,956			32,956		32,956
Reserved for inventory	6,180						6,180		6,180
Fund balances - unreserved/undesignated	1,020,784						1,020,784		1,020,784
<b>Total Fund Equity</b>	<b>1,026,964</b>	<b>20,196</b>	<b>141,850</b>	<b>32,956</b>	<b>(164,547)</b>	<b>25,937</b>	<b>1,083,356</b>		<b>1,083,356</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,349,923</b>	<b>24,793</b>	<b>141,850</b>	<b>57,802</b>	<b>77</b>	<b>25,937</b>	<b>1,600,382</b>	<b>(17,608)</b>	<b>1,582,774</b>

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
<b>Revenues</b>							
Taxes							
General property taxes	\$ 2,708,775						2,708,775
Licenses and permits							
Privilege license	31,658						31,658
Permits and inspections	206,009						206,009
Franchise fees	226,829						226,829
Intergovernmental							
Federal							
DUI	124,610						124,610
FAA						989,774	989,774
FEMA	35,741						35,741
Childcare grant	340,321						340,321
State of Mississippi							
General sales tax	5,195,670						5,195,670
Liquor licenses	51,750						51,750
Municipal aid - gas tax	18,076						18,076
City utilities tax	64,282						64,282
Law enforcement assistance grants	15,300						15,300
Fire protection grants			113,264				113,264
Municipal Aid	11,399						11,399
Homestead	133,329						133,329
Tennessee Valley Authority	434,148						434,148
Housing Authority	34,525						34,525
Miscellaneous	198,331						198,331
OkTibbeha County and Mississippi State							
Road maintenance	381,263						381,263
Airport support						71,101	71,101
Fire control	181,131						181,131
Fines and forfeits	1,034,981						1,034,981
Interest income	160,606		2,221		12		162,839
Penalties and interest - prior year taxes	74,730						74,730

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
<b>Miscellaneous</b>							
Electric department administration	98,004						98,004
Mississippi Valley Gas	96,199						96,199
Rents	180					33,320	33,500
Housing Authority-policing funds	24,000						24,000
Other	516,184	13,278		85,390	19,475	73,619	707,946
<b>Total Revenues</b>	<u>12,398,031</u>	<u>13,278</u>	<u>115,485</u>	<u>85,390</u>	<u>19,487</u>	<u>1,167,814</u>	<u>13,799,485</u>
<b>Expenditures</b>							
<b>General government:</b>							
<b>Legislative</b>							
Personal services	126,628						126,628
Other services and charges	11,675						11,675
<b>Total Legislative</b>	<u>138,303</u>						<u>138,303</u>
<b>Judicial</b>							
Personal services	329,885						329,885
Supplies	11,125						11,125
Other services and charges	20,747						20,747
Capital outlay	3,260						3,260
<b>Total Judicial</b>	<u>365,017</u>						<u>365,017</u>
<b>Executive</b>							
Personal services	379,986						379,986
Supplies	9,448						9,448
Other services and charges	52,085						52,085
Capital outlay	15,028						15,028
<b>Total Executive</b>	<u>456,547</u>						<u>456,547</u>
<b>Election</b>							
Personal services	251						251
Other services and charges	8,784						8,784
<b>Total Election</b>	<u>9,035</u>						<u>9,035</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	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	271,474						271,474
Other services and charges	79,154						79,154
Total City Clerk and Tax Collector	<u>350,628</u>						<u>350,628</u>
Legal							
Personal services	146,966						146,966
Other services and charges	53,979						53,979
Total Legal	<u>200,945</u>						<u>200,945</u>
City Planner							
Personal services	172,056						172,056
Supplies	5,443						5,443
Other services and charges	11,896						11,896
Capital outlay	5,469						5,469
Total City Planner	<u>194,864</u>						<u>194,864</u>
Other Administrative							
Personal services	96,614						96,614
Supplies	13,453						13,453
Capital outlay	17,726						17,726
Other services and charges	564,356						564,356
Total Other Administrative	<u>692,149</u>						<u>692,149</u>
City Hall							
Personal services	32,288						32,288
Supplies	5,819						5,819
Other services and charges	36,913						36,913
Total City Hall	<u>75,020</u>						<u>75,020</u>
Other Miscellaneous							
Personal services						29,461	29,461
Supplies						4,867	4,867
Other services and charges	73,516					25,722	99,238
Capital outlay						993,258	993,258
Total Other Miscellaneous	<u>73,516</u>					<u>1,053,308</u>	<u>1,126,824</u>
Total General Government	<u>2,556,024</u>					<u>1,053,308</u>	<u>3,609,332</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	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							
Personal services	2,893,013				15,102		2,908,115
Supplies	238,892	11,423					250,315
Other services and charges	638,165	599					638,764
Capital outlay	248,035	11,152					259,187
Total Public Safety - Police and E911	<u>4,018,105</u>	<u>23,174</u>			<u>15,102</u>		<u>4,056,381</u>
Public Safety - Fire							
Personal services	2,642,489						2,642,489
Supplies	61,127						61,127
Other services and charges	271,261						271,261
Capital outlay	36,773						36,773
Total Public Safety - Fire	<u>3,011,650</u>						<u>3,011,650</u>
Public Safety - Public Inspection							
Personal services	88,762						88,762
Supplies	7,411						7,411
Other services and charges	13,331						13,331
Capital outlay	2,025						2,025
Total Public Safety - Public Inspection	<u>111,529</u>						<u>111,529</u>
Public Safety - Civil Defense							
Personal services							
Supplies	613						613
Other services and charges	3,850						3,850
Capital outlay	54,005						54,005
Total Public Safety - Civil Defense	<u>58,468</u>						<u>58,468</u>
Total Public Safety	<u>7,199,752</u>	<u>23,174</u>			<u>15,102</u>		<u>7,238,028</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Highways and Streets							
City Streets							
Personal services	436,997						436,997
Supplies	147,668						147,668
Other services and charges	50,442						50,442
Capital outlay	69,466						69,466
Total City Streets	<u>704,573</u>						<u>704,573</u>
Street Lights							
Other services and charges	312,178						312,178
Total Street Lights	<u>312,178</u>						<u>312,178</u>
Landscaping							
Personal services	182,010						182,010
Supplies	35,863						35,863
Other services and charges	25,136						25,136
Capital outlay	49,561						49,561
Total Landscaping	<u>292,570</u>						<u>292,570</u>
Total Highways and Streets	<u>1,309,321</u>						<u>1,309,321</u>
Health and Sanitation							
Health and welfare - animals							
Personal services	61,691						61,691
Supplies	4,834						4,834
Other services and charges	14,411						14,411
Capital outlay	60						60
Transfer to Humane Society	106,000						106,000
Total Health and Welfare - Animals	<u>186,996</u>						<u>186,996</u>
Total Health and Sanitation	<u>186,996</u>						<u>186,996</u>
Culture and Recreation							
Parks and Recreation							
Personal services				567,819			567,819
Supplies				128,540			128,540
Other services and charges				296,682			296,682
Total Parks and Recreation	-			<u>993,041</u>			<u>993,041</u>
Total Culture and Recreation	-			<u>993,041</u>			<u>993,041</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Debt Service							
Principal	765,457		106,524				871,981
Interest	82,866		21,110				103,976
Total Debt Service	<u>848,323</u>		<u>127,634</u>				<u>975,957</u>
Total Debt Service	<u>848,323</u>		<u>127,634</u>				<u>975,957</u>
Miscellaneous							
Appropriations to other entities	225,400						225,400
Capital outlay - street improvements	747,935						747,935
Other miscellaneous	15,000						15,000
Total Miscellaneous	<u>988,335</u>						<u>988,335</u>
Total Expenditures	<u>13,088,751</u>	<u>23,174</u>	<u>127,634</u>	<u>993,041</u>	<u>15,102</u>	<u>1,053,308</u>	<u>15,301,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(690,720)</u>	<u>(9,896)</u>	<u>(12,149)</u>	<u>(907,651)</u>	<u>4,385</u>	<u>114,506</u>	<u>(1,501,525)</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	25,000			980,189			1,005,189
Transfers from other departments	976,260						976,260
Operating transfers out	<u>(1,493,901)</u>						<u>(1,493,901)</u>
Total Other Financing Sources (Uses)	<u>(492,641)</u>			<u>980,189</u>		<u>-</u>	<u>487,548</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,183,361)</u>	<u>(9,896)</u>	<u>(12,149)</u>	<u>72,538</u>	<u>4,385</u>	<u>114,506</u>	<u>(1,013,977)</u>
<b>Fund Balances</b>							
October 1, 2007	<u>2,210,325</u>	<u>30,092</u>	<u>153,999</u>	<u>(39,582)</u>	<u>21,552</u>	<u>(279,053)</u>	<u>2,097,333</u>
September 30, 2008	<u>\$ 1,026,964</u>	<u>20,196</u>	<u>141,850</u>	<u>32,956</u>	<u>25,937</u>	<u>(164,547)</u>	<u>1,083,356</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 332,485		499,490	831,975
Cash - restricted		963,331		963,331
Receivables (Net)				
Other	81	86,363		86,444
Notes receivable (Net)	41,713			41,713
	<u>374,279</u>	<u>1,049,694</u>	<u>499,490</u>	<u>1,923,463</u>
Total Assets	<u>\$ 374,279</u>	<u>1,049,694</u>	<u>499,490</u>	<u>1,923,463</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	2,781	1,389	4,170
Other liabilities	6,444			6,444
	<u>6,444</u>	<u>2,781</u>	<u>1,389</u>	<u>10,614</u>
Total Liabilities	<u>6,444</u>	<u>2,781</u>	<u>1,389</u>	<u>10,614</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - reserved				
Reserved for police protection	3,264			3,264
Reserved for debt service		1,046,913		1,046,913
Reserved for capital projects			498,101	498,101
Restricted for economic development	143,527			143,527
Fund balances - unreserved/undesignated	221,044			221,044
	<u>367,835</u>	<u>1,046,913</u>	<u>498,101</u>	<u>1,912,849</u>
Total Fund Balances	<u>367,835</u>	<u>1,046,913</u>	<u>498,101</u>	<u>1,912,849</u>
Total Liabilities and Fund Balances	<u>\$ 374,279</u>	<u>1,049,694</u>	<u>499,490</u>	<u>1,923,463</u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Intergovernmental:				
State of Mississippi	\$ -	2,118		2,118
Special 2% Tax			621,818	621,818
Interest income	3,587	18,302		21,889
Miscellaneous income	52,943			52,943
Total Revenues	<u>56,530</u>	<u>20,420</u>	<u>621,818</u>	<u>698,768</u>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal		970,000	165,000	1,135,000
Interest		420,200	212,724	632,924
Capital outlay	134,443		59,892	194,335
Miscellaneous		8,612	1,940	10,552
Total Expenditures	<u>134,443</u>	<u>1,398,812</u>	<u>439,556</u>	<u>1,972,811</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,913)</u>	<u>(1,378,392)</u>	<u>182,262</u>	<u>(1,274,043)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers from other departments		1,452,098		1,452,098
Operating transfers out	(25,000)			(25,000)
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>1,452,098</u>		<u>1,427,098</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(102,913)</u>	<u>73,706</u>	<u>182,262</u>	<u>153,055</u>
<b><u>Fund Balances</u></b>				
October 1, 2007	<u>470,748</u>	<u>973,207</u>	<u>315,839</u>	<u>1,759,794</u>
September 30, 2008	<u>\$ 367,835</u>	<u>1,046,913</u>	<u>498,101</u>	<u>1,912,849</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF NET ASSETS – NON-MAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2008**

	<b>Sanitary Landfill Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 74,216
Accounts receivables, net	42,800
Other receivables, net	45,875
Due from other funds	9,445
Total current assets	172,336
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	32,973
Total non-current assets	32,973
 Total Assets	 205,309
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	3,553
Accrued liabilities	6,091
Due to other funds	39,943
Total current liabilities	49,587
 Total Liabilities	 49,587
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	32,973
Unrestricted	122,749
 Total net assets	 \$ 155,722

**CITY OF STARKVILLE, MISSISSIPPI  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Sanitary Landfill Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 273,718
Total operating revenues	<u>273,718</u>
<b><u>OPERATING EXPENSES</u></b>	
Operating and maintenance	266,215
Depreciation	<u>3,568</u>
Total operating expenses	<u>269,783</u>
Operating income (loss)	<u>3,935</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Miscellaneous	<u>(11)</u>
Total non-operating revenues (expenses)	<u>(11)</u>
Change in net assets	3,924
Total net assets, beginning	<u>151,798</u>
Total net assets, ending	<u><u>\$ 155,722</u></u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<b>Sanitary Landfill Fund</b>
<b><u>Cash Flows From Operating Activities</u></b>	
Cash received from customers	\$ 247,640
Cash paid to employees	(127,738)
Cash paid to suppliers	(89,660)
Other receipts (payments)	(29,807)
Net cash flows from operating activities	435
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers out	_____
Net cash flows from noncapital financing activities	_____
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	(3,563)
Other receipts (expenses)	_____
Net cash flows from capital and related financing activities	(3,563)
<b><u>Cash Flows from Investing Activities</u></b>	
Receipt of interest	_____
Net cash flows from investing activities	_____
Net change in cash	(3,128)
Cash and cash equivalents, October 1, 2007	77,344
Cash and cash equivalents, September 30, 2008	\$ 74,216
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>	
Operating income (loss)	\$ 3,935
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	3,568
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	(1,380)
(Increase) decrease in due from other funds	(9,340)
Increase (decrease) in payables	(228)
Increase (decrease) in due to other funds	3,880
Increase (decrease) in accrued liabilities	_____
Total adjustments	(3,500)
Net cash provided (used) by operating activities	\$ 435

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2008**

<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
Rodney Lincoln	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	Accting/Records Clerk	Travelers Casualty	\$ 50,000
Sara McHann	Accting/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, 2008**

Name and Date	Maturity Date	Interest Percent	Balance 10/1/07	Transactions		Balance 9/30/08
				Issued	Redeemed	
<b>General Obligation Bonds</b>						
<b>Governmental Activities:</b>						
Research Park, Series 1987	12/1/2007	0.00	135,000		135,000	-
<b>Total</b>			<u>135,000</u>		<u>135,000</u>	<u>-</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
<b>Total</b>			<u>5,375,000</u>	<u>-</u>	<u>165,000</u>	<u>5,210,000</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
<b>Total</b>			<u>915,000</u>	<u>-</u>	<u>170,000</u>	<u>745,000</u>
<b>Total General Obligation Bond Liability, Governmental Activities</b>			<u>\$ 6,425,000</u>	<u>-</u>	<u>470,000</u>	<u>5,955,000</u>
<b>Business-type Activities:</b>						
<b>System Improvements Bonds, 4/1/1996</b>						
	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
<b>Total</b>			<u>1,440,000</u>		<u>330,000</u>	<u>1,110,000</u>
<b>Electric System Refunding Bonds, Series 2001</b>						
	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
<b>Total</b>			<u>995,000</u>		<u>230,000</u>	<u>765,000</u>
<b>Electric System Bonds, Series 2001</b>						
	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
	4/1/2012	4.20	195,000			195,000
	Thereafter		2,355,000			2,355,000
<b>Total</b>			<u>3,235,000</u>		<u>160,000</u>	<u>3,075,000</u>
<b>Electric System Revenue Bonds, Series 2004</b>						
	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
	11/1/2011	3.50	185,000			185,000
	Thereafter		1,870,000			1,870,000
<b>Total</b>			<u>2,715,000</u>		<u>155,000</u>	<u>2,560,000</u>
<b>Electric System Revenue Bonds, Series 2006</b>						
	11/1/2008	5.25	95,000		95,000	-
	11/1/2009	5.25	100,000			100,000
	11/1/2010	5.25	105,000			105,000
	11/1/2011	5.25	105,000			105,000
	11/1/2012	4.00	115,000			115,000
	Thereafter		1,480,000			1,480,000
<b>Total</b>			<u>2,000,000</u>	<u>-</u>	<u>95,000</u>	<u>1,905,000</u>
<b>Total Bond Liability, Business-type Activities</b>			<u>\$ 10,385,000</u>	<u>-</u>	<u>970,000</u>	<u>9,415,000</u>
<b>Total Bond Liability</b>			<u>\$ 16,810,000</u>	<u>-</u>	<u>1,440,000</u>	<u>15,370,000</u>

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM NOTES  
SEPTEMBER 30, 2008**

Payee	Maturity Date	Interest Percent	Balance 10/1/2007	Transactions		Balance 9/30/2008
				Issued	Redeemed	
<b>Notes Payable</b>						
<b>Governmental Activities:</b>						
Capital Improvements - Fire Truck and Building	FY08	3.00%	37,165		37,165	-
Capital Improvements - Fire Truck	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
	FY12	4.47%	83,467			83,467
	Thereafter	4.47%	373,704			373,704
<b>Total</b>			<b>756,191</b>		<b>69,832</b>	<b>686,359</b>
Capital Improvements Revolving Loan	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
	FY12	5.66%	38,880			38,880
	Thereafter	5.66%	169,593			169,593
<b>Total</b>			<b>343,781</b>		<b>31,020</b>	<b>312,761</b>
Capital Improvements Revolving Loan	FY08	5.66%	31,461		31,461	
	FY09	5.66%	33,289			33,289
	FY10	5.66%	35,224			35,224
	FY11	5.66%	37,268			37,268
	FY12	5.66%	39,433			39,433
	Thereafter	5.66%	156,210			156,210
<b>Total</b>			<b>332,885</b>		<b>31,461</b>	<b>301,424</b>
Capital Improvements Revolving Loan	FY08	2.69%	307,853		307,853	
	FY09	2.69%	316,134			316,134
<b>Total</b>			<b>623,987</b>		<b>307,853</b>	<b>316,134</b>
Capital Improvements - Police Vehicles	FY08	5.55%	99,475		99,475	-
	FY09	5.55%	104,995			104,995
<b>Total</b>			<b>204,470</b>	<b>-</b>	<b>99,475</b>	<b>104,995</b>
Capital Improvements - Street Sweeper	FY08	4.31%	39,804		39,804	-
	FY09	4.31%	41,554			41,554
	FY10	4.31%	32,359			32,359
<b>Total</b>			<b>113,717</b>	<b>-</b>	<b>39,804</b>	<b>73,913</b>
Capital Improvements - Excavator	FY08	5.15%	25,145		25,145	-
	FY09	5.15%	26,584			26,584
	FY10	5.15%	27,986			27,986
	FY11	5.15%	29,462			29,462
	FY12	5.15%	20,053			20,053
<b>Total</b>			<b>129,230</b>	<b>-</b>	<b>25,145</b>	<b>104,085</b>
Capital Improvements - Pub Info Sys	FY08	3.49%		4,063		4,063
	FY09	3.49%		49,690		49,690
	FY10	3.49%		51,453		51,453
	FY11	3.49%		53,277		53,277
	FY12	3.49%		55,167		55,167
	Thereafter	3.49%		52,287		52,287
<b>Total</b>			<b>-</b>	<b>265,937</b>	<b>-</b>	<b>265,937</b>
<b>Total Notes Payable, Governmental Activities</b>			<b>\$ 2,541,426</b>	<b>265,937</b>	<b>641,755</b>	<b>2,165,608</b>

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

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2006</u>	<u>Transactions</u>		<u>Balance 9/30/2007</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable (Continued)</b>						
<b>Business-type activities:</b>						
Drinking Water Systems						
Improvements Revolving Loan	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
	FY12	3.00%	30,637			30,637
	Thereafter	3.00%	369,727			369,727
<b>Total</b>			<u>514,163</u>		<u>27,185</u>	<u>486,978</u>
Drinking Water Systems						
Improvements Revolving Loan	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
	FY12	3.50%	65,080			65,080
	Thereafter	3.50%	914,853			914,853
<b>Total</b>			<u>1,207,650</u>		<u>53,980</u>	<u>1,153,670</u>
Water Pollution Control						
Revolving Loan	FY08	1.75%	165,709		165,709	
	FY09	1.75%	168,632			168,632
	FY10	1.75%	171,608			171,608
	FY11	1.75%	174,636			174,636
	FY12	1.75%	177,715			177,715
	Thereafter	1.75%	2,654,295			2,654,295
<b>Total</b>			<u>3,512,595</u>		<u>165,709</u>	<u>3,346,886</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%	1,294,856			1,294,856
<b>Total</b>			<u>1,573,986</u>	<u>-</u>	<u>44,365</u>	<u>1,529,621</u>
Drinking Water Systems						
Improvements Revolving Loan	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
	FY11	2.50%	41,919			41,919
	Thereafter	2.50%	706,339			706,339
<b>Total</b>			<u>905,847</u>	<u>-</u>	<u>37,934</u>	<u>867,913</u>
<b>Total Notes Payable, Business-type Activities</b>			<u>\$ 7,714,241</u>	<u>-</u>	<u>329,173</u>	<u>7,385,068</u>
<b>Total Notes Payable</b>			<u>\$ 10,255,667</u>	<u>265,937</u>	<u>970,928</u>	<u>9,550,676</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, 2008, which collectively comprise the City of Starkville, Mississippi's basic financial statements and have issued our report thereon dated May 8, 2009. 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 2008-01, 2008-02, 2008-03 and 2008-04)

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  
May 8, 2009



**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, 2008. 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, 2008.

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  
May 8, 2009



**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, 2008, and have issued our report thereon dated May 8, 2009. 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  
May 8, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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 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**

2008-01 Finding: There were three (3) transactions that had inadequate supporting documentation or improper classification in the one hundred six (106) 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, 2008**

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

2008-02 Finding: The accounts payable and payroll liabilities as reported in the general ledger do 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.

2008-03 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.

2008-04 Finding: The City is not maintaining adequate detail fixed asset records including current additions and related depreciation calculations as required by current GAAP.

Recommendation: Accurate, complete detail fixed asset records should be maintained including the related accumulated and current depreciation amounts.

Response: The fixed asset depreciation schedule will be maintained.

**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, 2008**

<b><u>Federal Agency/ Pass-through Entity/ Program Title</u></b>	<b><u>Catalog of Federal Domestic Assistance Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through Federal-State Programs:		
Disaster Assistance Projects	97.088	\$ 31,836
Total U.S. Department of Homeland Security		<u>31,836</u>
<b><u>U.S. Department of Health and Human Services:</u></b>		
Passed-through Federal-State Programs:		
Child Care and Development Block Grant	93.575	340,321
Total U.S. Department of Health and Human Services		<u>340,321</u>
<b><u>U. S. Department of Transportation</u></b>		
Direct Programs:		
Airport Improvement Program	20.106	989,774
Passed through Federal-State Programs:		
NHTSA 154 Transfer of Funds FY08	20.607	124,610
Total U. S. Department of Transportation		<u>1,114,384</u>
<b><u>Total Expenditures of Federal Awards</u></b>		<b><u>\$ 1,486,541</u></b>

**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.