

**CITY OF STARKVILLE, MISSISSIPPI**

**AUDIT REPORT**

**SEPTEMBER 30, 2010**

**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, 2010, 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, 2010, 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 March 7, 2011, 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.

Walter W. Ward III

Starkville, Mississippi  
March 7, 2011

## **MANAGEMENT DISCUSSION AND ANALYSIS**



# **CITY OF STARKVILLE**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **SEPTEMBER 30, 2010**

#### ***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, 2010. The intent of this discussion and analysis is to view the performance as a whole. Readers should also review the notes to the basic financial statements as well as the financial statements to enhance their understanding of the City's overall 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 mandated as part of the presentation.

The City of Starkville is located in Oktibbeha County which is in the northeastern portion of the State of Mississippi, approximately 37 miles from the Alabama state line along U.S Highway 82. The population, according to the 2010 census, is 23,630. The unofficial census records show that the population has continued to grow incrementally to have passed the previously larger neighboring city, Columbus, Mississippi. The local economic base is driven by retail, manufacturing, healthcare and Mississippi State University with some emphasis on transportation and sciences research.

#### ***FINANCIAL HIGHLIGHTS***

The City of Starkville is financially sound and has a stable and expanding economic base. The City has committed itself to financial conservatism for many years and has developed a highly 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 its future and reflect positively on that of the University and the County as well.

Despite the nationwide downturn, the City of Starkville continues to benefit from a relatively stable economic environment. Though the sales tax figures have been showing

consistent acceptable though minimal growth, the contrasting regions have had significant reductions in their revenue sources. . The Board of Aldermen have recognized the potential volatility of sales tax as a revenue source and have committed to increasing fund balances to insure the strength of the City's financial ability to meet its commitments.

The City leaders also understand the need for maintenance and improvement in the infrastructure that services the municipality. The elected officials have committed substantial resources to new roads and improvements to existing roads and drainage as well as the infrastructure supporting commercial development through increased access to upgraded and expanded water lines. The recent construction ongoing for a new fire station to serve the west side of the community will greatly enhance the long term future of the development on a previously underserved area in town and should be key to providing great benefit to the business community by improving the fire rating and thereby reducing the insurance premiums.

Mississippi State University continues to increase its enrollment which benefits the local economy through increased sales tax figures and retail and restaurant activity within the region. There are multiple special events that are hosted in this area as a result of the local student population and the activities that they generate through concerts and sports.

The Mississippi Horse Park as a joint venture between the City, Oktibbeha County and Mississippi State University has increased the number and type of events that it hosts and that activity has had a positive impact on the influx of recognition and participation from out of town guests to the community. Through this unique partnership, the economic impact of the Horse Park has been well over two million dollars for the City of Starkville and the region.

There have been several plans for hotel construction that have been presented to the Building Department for the current and near term building activity. This increased construction activity and focus on hotel and restaurant construction is reasonably attributed to the additional activities at the Mississippi Horse Park, the increased success of the University's sports programs, the incremental growth of the special events including state wide soccer tournaments and activities utilizing the vast park system that is available through a joint agreement between the University and the City.

Both the Starkville George M. Bryan field and the Golden Triangle Regional Airport have been the beneficiaries of significant Federal Aviation Administration grants that have provided additional space for lease revenue opportunities while also increasing potential flight capacity with commercial carriers and private aviation participation.

Total net assets decreased \$1,365,359 which represents a 2.92% decrease from the prior fiscal year. The City's ending cash balance increased by \$3,486,296 which represents a 52.11% increase from the prior fiscal year.

The City had \$65,329,494 total revenues. Tax revenues account for \$9,539,874 or 14.60% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$5,719,447 or 8.75% of total revenues.

The City had \$66,694,853 in total expenses, which represents an increase of \$1,505,904 or 2.31% increase over the prior fiscal year. Expenses in the amount of \$49,721,547 were offset by charges for services, grants or outside contributions. General revenues of \$15,607,947 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$19,267,835 in revenues and \$18,566,358 in expenditures. The General Fund's fund balance increased \$762,057 from the prior year.

Among major funds, the Road Maintenance Bond Fund had \$25,934 in revenues and \$2,346,320 in expenditures. The Road Maintenance Bond Fund balance increased by \$679,614 over the prior year which includes \$3,000,000 from the issuance of bonds.

Capital assets, net of accumulated depreciation, increased by \$624,851.

Long-term debt increased by \$2,107,211.

### ***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**

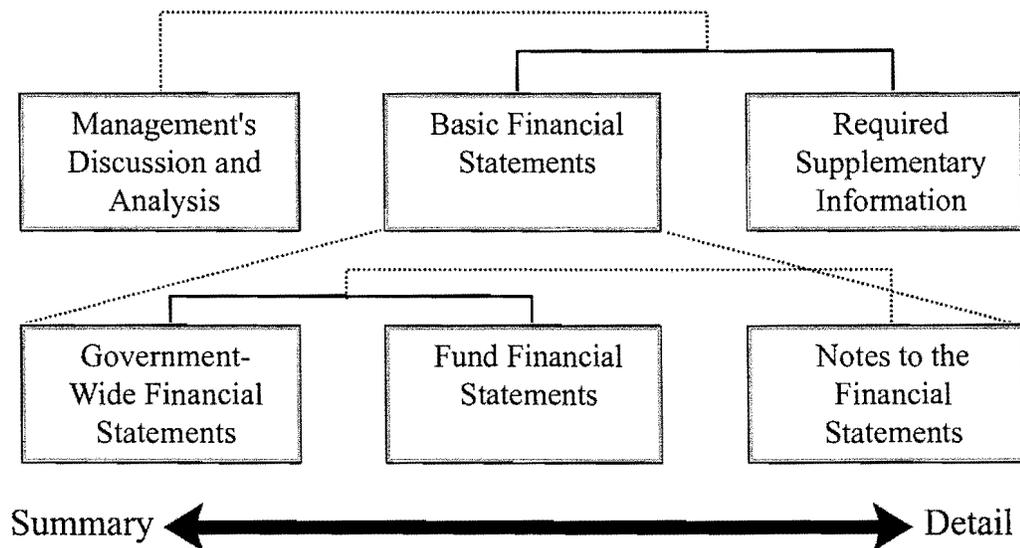


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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 17 and 18 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 21 and 23, 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 20 and 22 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 27 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 29 through 42 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 44 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 75 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 \$45,362,112 as of September 30, 2010

By far, the largest portion of the City’s net assets (78%) 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, 2010.

	2010 Governmental Activities
Current assets	\$ 18,706,905
Capital assets, net	<u>65,322,879</u>
Total assets	<u>\$ 84,029,784</u>
Current liabilities	\$ 9,604,252
Long-term debt outstanding	<u>29,024,632</u>
Total liabilities	<u>\$ 38,628,884</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 35,429,202
Restricted	3,206,881
Unrestricted	<u>6,726,029</u>
Total net assets	<u>\$ 45,362,112</u>

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

- \$2,423,293 of long-term debt principal was retired.

**Changes in Net Assets** – The City's total revenues for the fiscal year ended September 30, 2010 was \$65,329,494. The total cost for all services provided was \$66,694,835. The decrease in net assets was \$1,365,359. The following table presents a summary of the change in net assets for the fiscal year ended September 30, 2010.

	Current Year Amount
Revenues:	
Program revenues	
Charges for services	\$ 44,002,100
Operating grants & contributions	2,285,420
Capital grants & contributions	3,434,027
General revenues	
Property taxes	3,647,956
Sales and Use taxes	5,404,471

Other taxes	487,447
Interest income	112,438
Transfers	1,965,545
Miscellaneous	<u>3,990,090</u>
Total Revenues	<u>\$ 65,329,494</u>

Expenses:

General government	6,330,592
Public safety	8,360,838
Highways and Streets	2,734,854
Health and Welfare	237,883
Parks & Recreation	1,834,140
Other	4,345,773
Utilities	39,694,328
Sanitation	2,378,468
Interest on long-term debt	<u>777,977</u>
Total Expenses	<u>\$ 66,694,853</u>

Decrease in Net Assets (\$ 1,365,359)

**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	\$ 6,330,592	\$ 2,327,925
Public Safety	8,360,838	7,992,322
Public Services	2,972,737	1,313,770
Parks and Recreation	1,834,140	1,614,160
Utilities	42,072,796	1,398,621

## ***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 \$2,177,315, a decrease of \$2,789,868. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The City issued Road and Drainage bonds in the amount of \$3,000,000.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$762,057 which is primarily due to increased grants.

## ***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, 2010, the City of Starkville's total capital assets were \$153,559,746. This includes infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase over the previous year of \$3,430,638.

Total accumulated depreciation as of September 30, 2010 was \$89,052,386 including \$4,428,052 of depreciation expense for the year. The balance in total net capital assets was \$64,507,360 at year-end.

Additional information on the City of Starkville's capital assets can be found in note 4 on page 38 of this report.

**Debt Administration** – At September 30, 2010, the City of Starkville had \$29,024,632 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$4,148,382 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 pages 39 and 40 of this report.

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

The City of Starkville's future growth continues to be encouraging. The developments that are in progress include residential and commercial projects. These projects will be of significance in not only the economic impact but also the quality of life. The City of Starkville Electric Department administrative office is complete and provides the citizens an asset that is user friendly and that serves to provide revitalization of a downtown area.

There continue to be strong economic forces investing in the region. The County owned local hospital has begun the construction on the twenty seven million dollar addition and renovation to the existing hospital. This increased investment in healthcare should substantially increase the presence of healthcare as a dynamic economic influence in the region. The local school district has completed its improvements to the district school facilities also fostering a renewed understanding of the economic importance of a thriving school district.

The Golden Triangle Region continues to be considered as a participant in several large projects that would impact research and development that plays to the strengths of Mississippi State University and the regional airport.

Development projects continue to be planned for Starkville on the new Highway 82 and Highway 25 Bypass and the Highway 82 and Highway 12 bypass.

The preliminary figures for the 2010 census numbers reflect a continued and steady increase in the population. This growth is in part indicated by the increase in ad valorem and sales tax revenues. In the fiscal year under consideration there was not an increase in the ad valorem tax rate.

Oktibbeha County has an unemployment rate of 9.9% ranking 13th lowest out of Mississippi's 82 counties with Rankin County being 1<sup>st</sup> with a rate of 7.1% and Noxubee County being the 82<sup>nd</sup> or highest with a rate of 22.4%. Oktibbeha County compares favorably with the state average rate of 11.1%.

## ***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, 2010**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,909,871	4,733,221	9,643,092
Cash - restricted	533,391		533,391
Accounts receivable, net	530,980	6,600,134	7,131,114
Other receivables, net	97,669	42,951	140,620
Notes receivable, net	41,713		41,713
Due from other departments	41,090	117,459	158,549
Prepaid expense		146,087	146,087
Inventory	50,616	861,723	912,339
Capital assets:			
Land and construction in progress	1,247,782	7,323,716	8,571,498
Property and equipment	61,079,982	83,823,692	144,903,674
Less: accumulated depreciation	(51,652,402)	(37,315,350)	(88,967,752)
Other assets		815,519	815,519
Total assets	<u>16,880,692</u>	<u>67,149,152</u>	<u>84,029,844</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	1,030,523	4,570,459	5,600,982
Accrued liabilities	352,363	457,220	809,583
Due to other departments		1,228,618	1,228,618
Due to other funds		2,136	2,136
Customer deposits		1,740,347	1,740,347
Long-term liabilities:			
Due within one year	1,281,939	1,594,800	2,876,739
Due in more than one year	12,038,552	14,370,775	26,409,327
Total liabilities	<u>14,703,377</u>	<u>23,964,355</u>	<u>38,667,732</u>
<b><u>NET ASSETS</u></b>			
Contributed capital		8,967,665	8,967,665
Invested in capital assets, net of related debt	(2,702,284)	38,131,486	35,429,202
Restricted	3,206,881		3,206,881
Unrestricted	1,672,718	(3,914,354)	(2,241,636)
Total net assets	<u>\$ 2,177,315</u>	<u>43,184,797</u>	<u>45,362,112</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) / Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities					
General government	\$ 6,330,592	293,648	274,992	3,434,027	(2,327,925)
Public safety					
Police	4,662,966		232,354		(4,430,612)
Fire	3,472,570		119,107		(3,353,463)
Public inspection	184,039	17,055			(166,984)
Civil defense	41,263				(41,263)
Highways and streets	2,734,854		1,658,967		(1,075,887)
Health and sanitation	237,883				(237,883)
Culture and recreation	1,834,140	219,980			(1,614,160)
Other	4,345,773				(4,345,773)
Interest on long-term debt	790,384				(790,384)
Total governmental activities	<u>24,634,464</u>	<u>530,683</u>	<u>2,285,420</u>	<u>3,434,027</u>	<u>(18,384,334)</u>
Business-type Activities					
Electric utilities	33,360,396	35,540,438			2,180,042
Water and sewer utilities	6,333,932	5,457,012			(876,920)
Sanitation and waste	2,185,256	2,200,754			15,498
Sanitary landfill	193,212	273,213			80,001
Total business-type activities	<u>42,072,796</u>	<u>43,471,417</u>			<u>1,398,621</u>
Total primary government	<u>\$ 66,707,260</u>	<u>44,002,100</u>	<u>2,285,420</u>	<u>3,434,027</u>	<u>(16,985,713)</u>
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in Net Assets:					
Net (expense) / revenue			\$ (18,384,334)	1,398,621	(16,985,713)
General revenues					
Taxes					
Property taxes			3,647,956		3,647,956
Sales and use taxes			5,404,471		5,404,471
Other taxes			487,447		487,447
Investment income			86,550	25,888	112,438
Other			3,990,090		3,990,090
Transfers			1,977,952		1,977,952
Total general revenues and transfers			<u>15,594,466</u>	<u>25,888</u>	<u>15,620,354</u>
Change in net assets			(2,789,868)	1,424,509	(1,365,359)
Net assets, October 1, 2009			<u>4,967,183</u>	<u>41,760,288</u>	<u>46,727,471</u>
Net assets, September 30, 2010			<u>\$ 2,177,315</u>	<u>43,184,797</u>	<u>45,362,112</u>

See accompanying notes to the basic financial statements.

**FUND FINANCIAL STATEMENTS**

**CITY OF STARKVILLE, MISSISSIPPI  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General</u>	<u>Road Maintenance Bond Fund</u>	<u>Park Commission</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 1,305,254	2,904,247	39,917	660,453	4,909,871
Cash - restricted	45,107			488,284	533,391
Receivables (Net)					
Accounts	530,980				530,980
Other	11,181		43	86,445	97,669
Notes receivable (Net)				41,713	41,713
Due from other departments	41,090				41,090
Due from other funds	224,926				224,926
Inventory	19,212				19,212
	<u>2,177,750</u>	<u>2,904,247</u>	<u>39,960</u>	<u>1,276,895</u>	<u>6,398,852</u>
Total Assets	<u>\$ 2,177,750</u>	<u>2,904,247</u>	<u>39,960</u>	<u>1,276,895</u>	<u>6,398,852</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 661,598	276,234	34,678	28,886	1,001,396
Other liabilities	295,174		171	6,476	301,821
Due to other funds	72,578				72,578
	<u>1,029,350</u>	<u>276,234</u>	<u>34,849</u>	<u>35,362</u>	<u>1,375,795</u>
Total Liabilities	<u>1,029,350</u>	<u>276,234</u>	<u>34,849</u>	<u>35,362</u>	<u>1,375,795</u>
<b><u>FUND BALANCES</u></b>					
Fund balances - reserved					
Reserved for fire protection	148,749				148,749
Reserved for police protection	51,792			3,264	55,056
Reserved for airport projects	(6,238)				(6,238)
Reserved for parks and recreation	4,690		5,111		9,801
Reserved for inventory	6,180				6,180
Reserved for debt service				574,648	574,648
Reserved for capital projects		1,948,399		470,286	2,418,685
Fund balances - unreserved/undesignated	943,227	679,614		193,335	1,816,176
	<u>1,148,400</u>	<u>2,628,013</u>	<u>5,111</u>	<u>1,241,533</u>	<u>5,023,057</u>
Total Fund Balances	<u>1,148,400</u>	<u>2,628,013</u>	<u>5,111</u>	<u>1,241,533</u>	<u>5,023,057</u>
Total Liabilities and Fund Balances	<u>\$ 2,177,750</u>	<u>2,904,247</u>	<u>39,960</u>	<u>1,276,895</u>	<u>6,398,852</u>

See accompanying notes to basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

Fund Balances - total governmental funds		\$ 5,023,057
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	62,412,338	
Less accumulated depreciation	<u>(51,737,036)</u>	10,675,302
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(13,320,491)
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>(200,553)</u>
Net Assets of Governmental Activities		<u><u>\$ 2,177,315</u></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, 2010**

	<u>General</u>	<u>Road Maintenance Bond Fund</u>	<u>Park Commission</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>					
General property taxes	\$ 3,647,956				3,647,956
Licenses and permits	293,648				293,648
Intergovernmental:					
Federal	3,975,951			1,658,967	5,634,918
State of Mississippi	6,331,927			555,053	6,886,980
Oktibbeha County and Mississippi State	723,437				723,437
Fines and forfeits	1,236,658				1,236,658
Interest income	58,646	25,934		1,970	86,550
Penalties and interest - prior year taxes	13,987				13,987
Other revenues	745,989		219,980	65,838	1,031,807
Total Revenues	<u>17,028,199</u>	<u>25,934</u>	<u>219,980</u>	<u>2,281,828</u>	<u>19,555,941</u>
<b><u>EXPENDITURES</u></b>					
General government	6,285,044				6,285,044
Public safety:					
Police	4,350,035				4,350,035
Fire	3,211,091				3,211,091
Public inspection	146,917				146,917
Civil defense	4,141				4,141
Highways and streets	1,461,907				1,461,907
Health and sanitation	200,760				200,760
Culture and recreation	1,375,721		219,419		1,595,140
Other	392,951			56,573	449,524
Capital outlay	79,756	2,346,320		1,828,085	4,254,161
Debt service:					
Principal	811,731			219,046	1,030,777
Interest	246,304			544,080	790,384
Total Expenditures	<u>18,566,358</u>	<u>2,346,320</u>	<u>219,419</u>	<u>2,647,784</u>	<u>23,779,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,538,159)</u>	<u>(2,320,386)</u>	<u>561</u>	<u>(365,956)</u>	<u>(4,223,940)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	106,928				106,928
Transfers out	(81,928)			(25,000)	(106,928)
Inception of capital leases	560,665				560,665
Proceeds of bond issuance		3,000,000			3,000,000
Transfers from other departments	1,714,551			346,352	2,060,903
Net other financing sources (uses)	<u>2,300,216</u>	<u>3,000,000</u>	<u>-</u>	<u>321,352</u>	<u>5,621,568</u>
Net change in fund balances	762,057	679,614	561	(44,604)	1,397,628
Fund balances, October 1, 2009	386,343	1,948,399	4,550	1,286,137	3,625,429
Fund balances, September 30, 2010	<u>\$ 1,148,400</u>	<u>2,628,013</u>	<u>5,111</u>	<u>1,241,533</u>	<u>5,023,057</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, 2010**

Net change in Fund Balances - total governmental funds \$ 1,397,628

Amounts reported for governmental activities in Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	357,912	
Less current year depreciation	<u>(1,922,052)</u>	(1,564,140)

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:

Issuance of bonds, notes and capital leases	(3,560,665)	
Principal payments	<u>1,030,777</u>	(2,529,888)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:

Change in long-term compensated absence		(44,680)
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net income of the Internal Service Fund is reported with the governmental activities.

		<u>(48,788)</u>
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Change in Net Assets of Governmental Funds

		<u><u>\$ (2,789,868)</u></u>
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See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	June 30, 2010	September 30, 2010			Total Enterprise Funds	September 30, 2010
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-major Enterprise Funds		Internal Service Fund
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,480,497	2,607,904	291,853	352,967	4,733,221	(38,788)
Accounts receivables, net	4,800,570	1,421,223	347,668	30,673	6,600,134	
Other receivables, net	42,063	-		716	42,779	
Due from other funds		3,440		-	3,440	
Due from other departments	72,057	41,962			114,019	6,409
Interest receivable	172				172	
Prepaid expense	146,087				146,087	
Inventory	671,121	190,602			861,723	31,404
Total current assets	<u>7,212,567</u>	<u>4,265,131</u>	<u>639,521</u>	<u>384,356</u>	<u>12,501,575</u>	<u>(975)</u>
Restricted assets:						
Cash - restricted						
Total restricted assets						
Non-current assets:						
Other assets	811,950				811,950	
Capital assets:						
Fixed assets, net of depreciation	29,594,201	23,223,122	813,699	204,605	53,835,627	57,095
Total non-current assets	<u>30,406,151</u>	<u>23,223,122</u>	<u>813,699</u>	<u>204,605</u>	<u>54,647,577</u>	<u>57,095</u>
Total Assets	<u>37,618,718</u>	<u>27,488,253</u>	<u>1,453,220</u>	<u>588,961</u>	<u>67,149,152</u>	<u>56,120</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	3,719,459	491,495	29,806	329,699	4,570,459	29,127
Accrued liabilities	261,923	190,105	54,490	6,091	512,609	11,694
Due to other departments	1,223,267	2,788	279	2,284	1,228,618	
Due to other funds		2,136			2,136	34,503
Accrued interest - long-term debt	63,604				63,604	
Bonds payable, current	1,170,000				1,170,000	
Notes payable, current		1,696,443			1,696,443	
Total current liabilities	<u>6,438,253</u>	<u>2,382,967</u>	<u>84,575</u>	<u>338,074</u>	<u>9,243,869</u>	<u>75,324</u>
Non-current liabilities:						
Bonds payable, non-current	6,155,000				6,155,000	
Notes payable, non-current		6,682,698			6,682,698	
Customer deposits	1,547,205	193,142			1,740,347	
Other liabilities	142,441				142,441	
Total non-current liabilities	<u>7,844,646</u>	<u>6,875,840</u>			<u>14,720,486</u>	
Total Liabilities	<u>14,282,899</u>	<u>9,258,807</u>	<u>84,575</u>	<u>338,074</u>	<u>23,964,355</u>	<u>75,324</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	22,269,201	14,843,981	813,699	204,605	38,131,486	57,095
Contributed capital		8,967,665			8,967,665	141,448
Unrestricted	1,066,618	(5,582,200)	554,946	46,282	(3,914,354)	(217,747)
Total Net Assets	<u>\$ 23,335,819</u>	<u>18,229,446</u>	<u>1,368,645</u>	<u>250,887</u>	<u>43,184,797</u>	<u>(19,204)</u>

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, 2010**

	<u>June 30, 2010</u>	<u>September 30, 2010</u>			<u>Total Enterprise Funds</u>	<u>September 30, 2010</u>
	<u>Electric Department</u>	<u>Water &amp; Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-Major Enterprise Funds</u>		<u>Internal Service Fund</u>
<b><u>OPERATING REVENUES</u></b>						
Charges for services	\$ 35,540,438	5,448,138	2,200,754	273,213	43,462,543	443,861
Total operating revenues	<u>35,540,438</u>	<u>5,448,138</u>	<u>2,200,754</u>	<u>273,213</u>	<u>43,462,543</u>	<u>443,861</u>
<b><u>OPERATING EXPENSES</u></b>						
Purchased power	28,073,923				28,073,923	
Operating and maintenance	3,622,319	4,968,077	2,035,973	185,203	10,811,572	501,430
Depreciation	1,225,513	1,127,635	149,283	3,569	2,506,000	2,948
Total operating expenses	<u>32,921,755</u>	<u>6,095,712</u>	<u>2,185,256</u>	<u>188,772</u>	<u>41,391,495</u>	<u>504,378</u>
Operating income (loss)	<u>2,618,683</u>	<u>(647,574)</u>	<u>15,498</u>	<u>84,441</u>	<u>2,071,048</u>	<u>(60,517)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Other revenue		8,874			8,874	
Interest on investments	25,888				25,888	
Amortization expense	(21,779)				(21,779)	
Interest and fiscal charges	(339,908)	(238,220)		(4,440)	(582,568)	
Other expenses	(76,954)				(76,954)	
Total non-operating revenues (expenses)	<u>(412,753)</u>	<u>(229,346)</u>	<u>-</u>	<u>(4,440)</u>	<u>(646,539)</u>	
Income (loss) before transfers	<u>2,205,930</u>	<u>(876,920)</u>	<u>15,498</u>	<u>80,001</u>	<u>1,424,509</u>	<u>(60,517)</u>
Transfers in						<u>50,000</u>
Change in net assets	2,205,930	(876,920)	15,498	80,001	1,424,509	(10,517)
Total net assets, beginning	<u>21,129,889</u>	<u>19,106,366</u>	<u>1,353,146</u>	<u>170,886</u>	<u>41,760,287</u>	<u>(8,687)</u>
Total net assets, ending	<u>\$ 23,335,819</u>	<u>18,229,446</u>	<u>1,368,644</u>	<u>250,887</u>	<u>43,184,796</u>	<u>(19,204)</u>

See accompanying notes to the basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	June 30, 2010	September 30, 2010			September 30, 2010	
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b><u>Cash Flows From Operating Activities</u></b>						
Cash received from customers	\$ 35,540,438	6,302,529	2,200,754	322,841	44,366,562	
Cash received from other funds						443,861
Cash paid to employees	(2,095,746)	(1,173,980)	(593,364)	(79,405)	(3,942,495)	(125,259)
Cash paid to suppliers	(32,921,755)	(4,783,742)	(1,589,002)	(159,868)	(39,454,367)	(376,171)
Other receipts (payments)	3,119,473	8,874	22,895		3,151,242	63,702
<b>Net Cash Flows from Operating Activities</b>	<b>3,642,410</b>	<b>353,681</b>	<b>41,283</b>	<b>83,568</b>	<b>4,120,942</b>	<b>6,133</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>						
Transfers in						50,000
<b>Net Cash Flows from Noncapital Financing Activities</b>						<b>50,000</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>						
Proceeds from issuance of debt		200,278		195,077	395,355	
Payment of debt	(1,247,480)	(379,705)			(1,627,185)	
Payment of interest	(339,908)	(238,220)			(578,128)	
Purchase of capital assets	(2,931,976)	(72,345)	(22,895)		(3,027,214)	
Other receipts (payments)	1,519,440	716,898			2,236,338	
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>(2,999,924)</b>	<b>226,908</b>	<b>(22,895)</b>	<b>195,077</b>	<b>(2,600,834)</b>	<b>-</b>
<b><u>Cash Flows from Investing Activities</u></b>						
Receipt of interest	25,888				25,888	
<b>Net Cash Flows from Investing Activities</b>	<b>25,888</b>				<b>25,888</b>	
<b>Net Change in Cash</b>	<b>668,374</b>	<b>580,589</b>	<b>18,388</b>	<b>278,645</b>	<b>1,545,996</b>	<b>56,133</b>
<b>Cash and Cash Equivalents, October 1, 2009</b>	<b>812,123</b>	<b>2,027,315</b>	<b>273,465</b>	<b>74,322</b>	<b>3,187,225</b>	<b>(94,921)</b>
<b>Cash and Cash Equivalents, September 30, 2010</b>	<b>\$ 1,480,497</b>	<b>2,607,904</b>	<b>291,853</b>	<b>352,967</b>	<b>4,733,221</b>	<b>(38,788)</b>
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>						
Operating Income (Loss)	\$ 2,205,930	(876,920)	15,498	80,001	1,424,509	(60,517)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,297,078	1,127,635	149,283	3,569	2,577,565	2,948
Amortization	13,456				13,456	
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	(34,822)	(74,056)		46,628	(62,250)	17,518
(Increase) decrease in due from other funds		(3,440)			(3,440)	9,583
(Increase) decrease in inventory	(28,058)	(54,245)			(82,303)	16,184
(Increase) decrease in other assets	(89,762)	(12,273)			(102,035)	
Increase (decrease) in payables	329,024	249,054	(110,376)	(42,687)	425,015	20,568
Increase (decrease) in due to other funds		372	(13,401)	(3,943)	(16,972)	(151)
Increase (decrease) in accrued liabilities	(111,581)	(10,993)			(122,574)	
Increase (decrease) in customer deposits	61,145	12,273			73,418	
Increase (decrease) in other liabilities		(3,726)	279		(3,447)	
Total adjustments	1,436,480	1,230,601	25,785	3,567	2,696,433	66,650
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,642,410</b>	<b>353,681</b>	<b>41,283</b>	<b>83,568</b>	<b>4,120,942</b>	<b>6,133</b>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
SEPTEMBER 30, 2010**

	<b>Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	385,856
Cash - restricted	57,820	1,061,712
Due from other funds		71,558
Total Assets	57,820	1,519,126
<b><u>LIABILITIES</u></b>		
Due to other funds		190,707
Due to outside entities		538,939
Total Liabilities		729,646
<b><u>NET ASSETS</u></b>		
Held in trust	\$ 57,820	789,480

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, 2010**

	<b>Employee Benefit Trust Fund</b>
<b>ADDITIONS</b>	
Investment earnings	
Interest	\$ -
Total investment earnings	-
<b>Total Additions</b>	-
<b>DEDUCTIONS</b>	
Transfers out	
Total Deductions	-
Change in Net Assets	-
Net Assets, October 1, 2009	57,820
Net Assets, September 30, 2010	\$ 57,820

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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 component units is the scope of public service.

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

**Starkville Park Commission.** The Starkville Park Commission's governing board is appointed by the City's governing body.

**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, 2010**

**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 revenues 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, 2010**

**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, 2010**

**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 fund is the Employee Benefit Trust Fund.

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, 2010**

**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 non-operating 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, 2010**

**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 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, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. Use of Estimates**

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

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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 \$8,695,986 on September 30, 2010, and the bank balance was \$10,451,401.

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, 2010, are:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ 224,926	72,578
<b>Proprietary Funds:</b>		
Internal Service		34,503
<b>Fiduciary Funds:</b>		
Payroll Clearing Fund	71,558	190,707
	\$ 296,484	297,788

**CITY OF STARKVILLE, MISSISSIPPI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance October 1, 2009	Adjustments	Increases	Decreases	Balance September 30, 2010
<b>Governmental Activities</b>					
Non-depreciable: Land	\$ 1,190,627	57,155			1,247,782
<b>Depreciable:</b>					
Buildings	3,336,413				3,336,413
Building Improvements	-				-
Improvements other than buildings	49,669,603				49,669,603
Vehicles	3,977,655		317,995		4,295,650
Machinery and equipment	3,596,670		39,917		3,636,587
Total	60,580,341	-	357,912		60,938,253
<b>Less accumulated depreciation</b>					
Buildings	(1,344,938)		(81,471)		(1,426,409)
Building Improvements	-				-
Improvements other than buildings	(42,756,526)		(1,299,084)		(44,055,610)
Vehicles	(2,677,292)		(245,076)		(2,922,368)
Machinery and equipment	(2,866,960)		(296,421)		(3,163,381)
Total	(49,645,716)	-	(1,922,052)		(51,567,768)
Net book value	10,934,625	-	(1,564,140)		9,370,485
<b>Internal Service Fund</b>					
Total depreciable assets	141,729				141,729
Less accumulated depreciation	(81,686)		(2,948)		(84,634)
Internal Service Fund, net	60,043	-	(2,948)	-	57,095
Governmental Activities Capital Assets, net	\$ 12,185,295	-	(1,567,088)	-	10,675,362
<b>Business-type Activities</b>					
<b>Non-depreciable</b>					
Land - Starkville Electric	\$ 662,152		14,819		676,971
Land - Landfill	16,800				16,800
Land - Water	105,623				105,623
Construction in progress - Sfk Elec	4,645,099	3,754	1,875,469		6,524,322
Total	5,429,674	3,754	1,890,288	-	7,323,716
<b>Depreciable</b>					
Starkville Electric Property & equipment	33,901,675		1,041,688	(169,550)	34,773,813
Sanitation property & equipment	2,415,620		22,896		2,438,516
Landfill property & equipment	714,590		175,201		889,791
Water property & equipment	45,754,852		72,343		45,827,195
Total	82,786,737		1,312,128	(169,550)	83,929,315
<b>Less accumulated depreciation</b>					
Starkville Electric Property & Equipment	(11,317,568)	64,191	(1,297,078)	169,550	(12,380,905)
Sanitation property & equipment	(1,475,534)		(149,283)		(1,624,817)
Landfill property & equipment	(701,986)		(3,569)		(705,555)
Water property & equipment	(21,476,438)		(1,127,635)		(22,604,073)
Total	(34,971,526)	64,191	(2,577,565)	169,550	(37,315,350)
Net book value	47,815,211	64,191	(1,265,437)	-	46,613,965
Business-type Activities Capital Assets, net	\$ 53,244,885	(168,004)	624,851	-	53,937,681

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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	\$ 45,548
Public safety - Police	238,688
Public safety - Fire	187,236
Highways and streets	1,248,703
Culture and recreation	201,877
	<u>201,877</u>

Total governmental activities depreciation expense \$ 1,922,052

Business-type activities:

Electric	\$ 1,225,513
Water and sewer	1,127,635
Sanitation	149,283
Landfill	3,569
	<u>3,569</u>

Total business-type activities depreciation expense \$ 2,506,000

**NOTE 5: LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Balance</u> <u>October 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30, 2010</u>	<u>Within One</u> <u>Year</u>
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 5,035,000		180,000	4,855,000	190,000
Public Improvement, Series 2007	570,000		185,000	385,000	190,000
Public Improvement, Series 2009	3,000,000	3,000,000	255,000	5,745,000	520,000
Notes payable					
Capital Improvements Revolving Loan	279,939		34,242	245,697	36,231
Capital Improvements Revolving Loan	268,135		35,224	232,911	37,268
Capital Improvements - Police Comm	-	152,631	26,293	126,338	27,320
Capital Improvements - Fire Comm	-	89,614	15,619	73,995	17,449
Capital Improvements - Fire Truck	613,343		76,345	536,998	79,827
Capital Improvements - Police Vehicles	-	318,420	111,256	207,164	101,105
Capital Improvements - Street Sweeper	32,359		32,359	-	-
Capital Improvements - Excavator	77,501		27,986	49,515	29,462
Capital Improvements-Pub Safety Info Sys	216,247		51,453	164,794	53,277
Compensated absences	653,399	44,680		698,079	
Total	<u>\$ 10,745,923</u>	<u>3,605,345</u>	<u>1,030,777</u>	<u>13,320,491</u>	<u>1,281,939</u>

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amount Due Within One Year
Business-type Activities					
Bonds and notes payable					
Electric Dept '96 G.O. Bond	\$ 760,000		370,000	390,000	390,000
Electric System Refunding Bonds, Series 2001	525,000		255,000	270,000	270,000
Electric System Bonds, Series 2001	2,910,000		175,000	2,735,000	185,000
Electric System Revenue Bonds, Series 2004	2,400,000		170,000	2,230,000	175,000
Electric System Revenue Bonds, Series 2006	1,805,000		105,000	1,700,000	105,000
Drinking Water Improvements Revolving Loan	458,967		28,862	430,105	29,741
Drinking Water Improvements Revolving Loan	1,097,769		57,889	1,039,880	59,948
Drinking Water Improvements Revolving Loan	1,474,397		57,474	1,416,923	59,815
Drinking Water Improvements Revolving Loan	829,020		39,877	789,143	40,885
Water Pollution Control Revolving Loan	3,178,254		171,608	3,006,646	174,636
Water Pollution Control Revolving Loan	271,753		10,800	260,953	11,101
CATD6R Lease		175,201	27,250	147,951	33,694
MDA Capital Improvements Loan		481,948	3,272	478,676	19,865
MDA Capital Improvements Loan	769,730	200,278	13,195	956,813	40,115
Compensated absences	134,498		30,013	104,485	-
Total	<u>\$ 16,614,388</u>	<u>857,427</u>	<u>1,515,240</u>	<u>15,956,575</u>	<u>1,594,800</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, 2010.

**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, 2010**

**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, 2010, 2009, and 2008 were \$982,100, \$977,320, and \$963,971, 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 \$333,720 in 2010. 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, 2010**

**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 bill 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.

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 7, 2011, which is the date the financial statements were issued.

**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, 2010**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
General property taxes	\$ 3,518,864	89,438	3,608,302	3,647,956	39,654
Licenses and permits	436,991	(190,141)	246,850	293,648	46,798
Intergovernmental					
Federal	455,000	179,281	634,281	3,975,951	3,341,670
State of Mississippi	6,177,505	(83,718)	6,093,787	6,331,927	238,140
Oktibbeha County and Mississippi State	2,803,097	(2,136,766)	666,331	723,437	57,106
Fines and forfeits	1,053,450	104,768	1,158,218	1,236,658	78,440
Interest income	275	39,725	40,000	58,646	18,646
Penalties and interest - prior year taxes	-	13,553	13,553	13,987	434
Other revenues	98,405	2,075,844	2,174,249	745,989	(1,428,260)
<b>Total Revenues before Prior Year Fund Balance</b>	<b>14,543,587</b>	<b>91,984</b>	<b>14,635,571</b>	<b>17,028,199</b>	<b>2,392,628</b>
Prior year fund balance:					
Appropriated for current year budget	640,141	686,121	1,326,262		(1,326,262)
<b>Total Revenues and Prior Year Fund Balance</b>	<b>15,183,728</b>	<b>778,105</b>	<b>15,961,833</b>	<b>17,028,199</b>	<b>1,066,366</b>
<b>EXPENDITURES</b>					
General government	3,096,373	(297,425)	2,798,948	6,285,044	(3,486,096)
Public safety:					
Police	4,070,898	4,968	4,075,866	4,350,035	(274,169)
Fire	3,373,378	(202,300)	3,171,078	3,211,091	(40,013)
Public inspection	113,601	1,845	115,446	146,917	(31,471)
Civil defense	11,200	40,000	51,200	4,141	47,059
Highways and streets	1,722,542	(572,177)	1,150,365	1,461,907	(311,542)
Health and sanitation	190,985	631,543	822,528	200,760	621,768
Culture and recreation	1,094,805	(15,000)	1,079,805	1,375,721	(295,916)
Other	264,032	171,007	435,039	392,951	42,088
Capital outlay	704,672	(19,943)	684,729	79,756	604,973
Debt service:					
Principal	706,270	159,016	865,286	811,731	53,555
Interest		222,315	222,315	246,304	(23,989)
<b>Total Expenditures</b>	<b>15,348,756</b>	<b>123,849</b>	<b>15,472,605</b>	<b>18,566,358</b>	<b>(3,093,753)</b>
Excess (deficiency) of revenues over (under) expenditures	(165,028)	654,256	489,228	(1,538,159)	(2,027,387)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	25,000	-	25,000	106,928	81,928
Transfers out	-	(532,928)	(532,928)	(81,928)	451,000
Other financing sources (uses)	-	35,580	35,580	2,275,216	2,239,636
<b>Net other financing sources (uses)</b>	<b>25,000</b>	<b>(497,348)</b>	<b>(472,348)</b>	<b>2,300,216</b>	<b>2,772,564</b>
Excess of revenues and other sources over expenditures and other uses	(140,028)	156,908	16,880	762,057	745,177
Fund balances, October 1, 2009 (Non-GAAP budgetary basis)	560,130		560,130	386,343	(173,787)
Less budgeted fund balance	-	-	-	-	-
<b>Fund balances, September 30, 2010 (Non-GAAP budgetary basis)</b>	<b>\$ 420,102</b>		<b>577,010</b>	<b>1,148,400</b>	<b>571,390</b>

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING BALANCE SHEET BY ACTIVITY**  
**GENERAL FUND**  
**SEPTEMBER 30, 2010**

	<u>General Activities</u>	<u>Restricted Police Activities</u>	<u>Restricted Fire Activities</u>	<u>Parks and Recreation Activities</u>	<u>Multi-Unit Task Force Operations</u>	<u>Airport Activities</u>	<u>Subtotal</u>	<u>Eliminating Entries</u>	<u>Total General Fund</u>
<b>Assets</b>									
Cash and cash equivalents	\$ 1,310,649			2,815	25,937	(34,147)	1,305,254		1,305,254
Cash - restricted		37,872	7,235				45,107		45,107
Receivables (Net)									
Accounts	529,758			997		225	530,980		530,980
Other	11,181						11,181		11,181
Due from other departments	41,090						41,090		41,090
Due from other funds	224,926						224,926	-	224,926
Inventory	19,212						19,212		19,212
<b>Total Assets</b>	<b>\$ 2,136,816</b>	<b>37,872</b>	<b>7,235</b>	<b>3,812</b>	<b>25,937</b>	<b>(33,922)</b>	<b>2,177,750</b>	<b>-</b>	<b>2,177,750</b>
<b>Liabilities</b>									
Accounts payable	\$ 653,108	4,542		(139)		4,087	661,598		661,598
Due to other departments				295,174			295,174		295,174
Due to other funds	72,578					-	72,578	-	72,578
	725,686	4,542	-	295,035		4,087	1,029,350	-	1,029,350
<b>Fund Equity</b>									
Fund balances - reserved									
Reserved for fire protection			148,749				148,749		148,749
Reserved for police protection		25,855			25,937		51,792		51,792
Reserved for airport projects						(6,238)	(6,238)		(6,238)
Reserved for parks and recreation				4,690			4,690		4,690
Reserved for inventory	6,180						6,180		6,180
Fund balances - unreserved/undesignated	1,404,950	7,475	(141,514)	(295,913)		(31,771)	943,227		943,227
<b>Total Fund Equity</b>	<b>1,411,130</b>	<b>33,330</b>	<b>7,235</b>	<b>(291,223)</b>	<b>25,937</b>	<b>(38,009)</b>	<b>1,148,400</b>		<b>1,148,400</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,136,816</b>	<b>37,872</b>	<b>7,235</b>	<b>3,812</b>	<b>25,937</b>	<b>(33,922)</b>	<b>2,177,750</b>	<b>-</b>	<b>2,177,750</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, 2010**

	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	3,647,956						3,647,956
Licenses and permits							
Privilege license	89,464						89,464
Permits and inspections	189,957						189,957
Franchise fees	14,227						14,227
Intergovernmental							
Federal							
DUI	116,188						116,188
JAG	116,166						116,166
FAA					3,434,027		3,434,027
FEMA Wind Grant	34,578						34,578
Childcare grant	274,992						274,992
State of Mississippi							
General sales tax	5,404,471						5,404,471
Liquor licenses	54,225						54,225
Municipal aid - gas tax	18,076						18,076
Law enforcement assistance grants	56,222						56,222
Fire protection grants			119,107				119,107
Municipal Aid	11,351						11,351
Homestead	124,019						124,019
Tennessee Valley Authority	474,443						474,443
Housing Authority	41,414						41,414
Miscellaneous	13,144						13,144
Oktibbeha County and Mississippi State							
Road maintenance	473,460						473,460
Airport support	2,203					31,041	33,244
Fire control	200,156						200,156
Lieu of tax	16,577						16,577
Fines and forfeits	1,236,658						1,236,658
Interest income	58,626		20				58,646
Penalties and interest - prior years taxes	13,987						13,987

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	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	1,488,971						1,488,971
Mississippi Valley Gas	81,088						81,088
Rents	26,180					45,287	71,467
TV Cable Franchise	201,361						201,361
Administration/Water	95,000						95,000
Administration/Sanitation	95,000						95,000
Inception of Capital Lease	560,665						560,665
Other	350,420	15,759				41,349	407,528
Total Revenues	<u>15,581,245</u>	<u>15,759</u>	<u>119,127</u>	<u>-</u>	<u>-</u>	<u>3,551,704</u>	<u>19,267,835</u>
<b>Expenditures</b>							
<b>General government:</b>							
<b>Legislative</b>							
Personal services	120,086						120,086
Other services and charges	16,651						16,651
Total Legislative	<u>136,737</u>						<u>136,737</u>
<b>Judicial</b>							
Personal services	332,441						332,441
Supplies	10,699						10,699
Other services and charges	16,938						16,938
Total Judicial	<u>360,078</u>						<u>360,078</u>
<b>Executive</b>							
Personal services	383,276						383,276
Supplies	8,760						8,760
Other services and charges	35,710						35,710
Total Executive	<u>427,746</u>						<u>427,746</u>
<b>Election</b>							
Other services and charges	58						58
Total Election	<u>58</u>						<u>58</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, 2010**

	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	288,611						288,611
Other services and charges	80,525						80,525
Total City Clerk and Tax Collector	369,136						369,136
Legal							
Personal services	76,723						76,723
Other services and charges	183,511						183,511
Total Legal	260,234						260,234
City Planner							
Personal services	129,188						129,188
Supplies	2,683						2,683
Other services and charges	16,108						16,108
Capital outlay	2,868						2,868
Total City Planner	150,847						150,847
Other Administrative							
Personal services	279						279
Supplies	9,384						9,384
Other services and charges	635,165						635,165
Total Other Administrative	644,828						644,828
City Hall							
Personal services	30,009						30,009
Supplies	5,380						5,380
Other services and charges	32,823						32,823
Total City Hall	68,212						68,212
Other Miscellaneous							
Personal services	152,962					25,133	178,095
Supplies	25,939					7,765	33,704
Other services and charges	72,864					25,831	98,695
Capital outlay						3,556,674	3,556,674
Total Other Miscellaneous	251,765					3,615,403	3,867,168
Total General Government	2,669,641					3,615,403	6,285,044

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	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	3,001,879						3,001,879
Supplies	220,606	4,980					225,586
Other services and charges	571,162	3,304					574,466
Capital outlay	548,104						548,104
Total Public Safety - Police and E911	<u>4,341,751</u>	<u>8,284</u>			-		<u>4,350,035</u>
Public Safety - Fire							
Personal services	2,684,578		32,716				2,717,294
Supplies	49,964						49,964
Other services and charges	214,431		43,556				257,987
Capital outlay	105,790		80,056				185,846
Total Public Safety - Fire	<u>3,054,763</u>		<u>156,328</u>				<u>3,211,091</u>
Public Safety - Public Inspection							
Personal services	90,689						90,689
Supplies	6,145						6,145
Other services and charges	10,087						10,087
Capital outlay	39,996						39,996
Total Public Safety - Public Inspection	<u>146,917</u>						<u>146,917</u>
Public Safety - Civil Defense							
Supplies	4,141						4,141
Total Public Safety - Civil Defense	<u>4,141</u>						<u>4,141</u>
Total Public Safety	<u>7,547,572</u>	<u>8,284</u>	<u>156,328</u>	-	-		<u>7,712,184</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, 2010**

	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	449,788						449,788
Supplies	160,669						160,669
Other services and charges	93,587						93,587
Capital outlay	104,550						104,550
Total City Streets	<u>808,594</u>						<u>808,594</u>
Street Lights							
Other services and charges	417,414						417,414
Total Street Lights	<u>417,414</u>						<u>417,414</u>
Landscaping							
Personal services	182,144						182,144
Supplies	21,035						21,035
Other services and charges	32,720						32,720
Total Landscaping	<u>235,899</u>						<u>235,899</u>
Total Highways and Streets	<u>1,461,907</u>						<u>1,461,907</u>
Health and Sanitation							
Health and welfare - animals							
Personal services	74,331						74,331
Supplies	4,636						4,636
Other services and charges	15,793						15,793
Transfer to Humane Society	106,000						106,000
Total Health and Welfare - Animals	<u>200,760</u>						<u>200,760</u>
Total Health and Sanitation	<u>200,760</u>						<u>200,760</u>
Culture and Recreation							
Parks and Recreation							
Personal services				295,916			295,916
Library	170,400						170,400
Transfer to Parks and Rec	909,405						909,405
Total Parks and Recreation	<u>1,079,805</u>			<u>295,916</u>			<u>1,375,721</u>
Total Culture and Recreation	<u>1,079,805</u>			<u>295,916</u>			<u>1,375,721</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, 2010**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Debt Service							
Principal	735,386		76,345				811,731
Interest	218,336		27,968				246,304
Total Debt Service	<u>953,722</u>		<u>104,313</u>				<u>1,058,035</u>
Total Debt Service	<u>953,722</u>		<u>104,313</u>				<u>1,058,035</u>
Miscellaneous							
Capital outlay - street improvements	79,756						79,756
Other miscellaneous	392,951						392,951
Total Miscellaneous	<u>472,707</u>		-				<u>472,707</u>
Total Expenditures	<u>14,386,114</u>	<u>8,284</u>	<u>260,641</u>	<u>295,916</u>	-	<u>3,615,403</u>	<u>18,566,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,195,131</u>	<u>7,475</u>	<u>(141,514)</u>	<u>(295,916)</u>	-	<u>(63,699)</u>	<u>701,477</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	75,000					31,928	106,928
Transfers from other departments	35,580						35,580
Operating transfers out	<u>(81,928)</u>						<u>(81,928)</u>
Total Other Financing Sources (Uses)	<u>28,652</u>			-		<u>31,928</u>	<u>60,580</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>1,223,783</u>	<u>7,475</u>	<u>(141,514)</u>	<u>(295,916)</u>	-	<u>(31,771)</u>	<u>762,057</u>
<b>Fund Balances</b>							
September 30, 2009	<u>187,347</u>	<u>25,855</u>	<u>148,749</u>	<u>4,693</u>	<u>25,937</u>	<u>(6,238)</u>	<u>386,343</u>
September 30, 2010	<u>\$ 1,411,130</u>	<u>33,330</u>	<u>7,235</u>	<u>(291,223)</u>	<u>25,937</u>	<u>(38,009)</u>	<u>1,148,400</u>

**CITY OF STARKVILLE, MISSISSIPPI  
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 135,418		525,035	660,453
Cash - restricted		488,284		488,284
Receivables (Net)				
Other	81	86,364		86,445
Notes receivable (Net)	41,713			41,713
	<u>177,212</u>	<u>574,648</u>	<u>525,035</u>	<u>1,276,895</u>
Total Assets	<u>\$ 177,212</u>	<u>574,648</u>	<u>525,035</u>	<u>1,276,895</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 28,886	-	-	28,886
Other liabilities	6,476			6,476
	<u>35,362</u>	<u>-</u>	<u>-</u>	<u>35,362</u>
Total Liabilities	<u>35,362</u>	<u>-</u>	<u>-</u>	<u>35,362</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - reserved				
Reserved for police protection	3,264			3,264
Reserved for debt service		574,648		574,648
Reserved for capital projects			470,286	470,286
Fund balances - unreserved/undesignated	138,586		54,749	193,335
	<u>141,850</u>	<u>574,648</u>	<u>525,035</u>	<u>1,241,533</u>
Total Fund Balances	<u>141,850</u>	<u>574,648</u>	<u>525,035</u>	<u>1,241,533</u>
Total Liabilities and Fund Balances	<u>\$ 177,212</u>	<u>574,648</u>	<u>525,035</u>	<u>1,276,895</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<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	\$ -			-
Special 2% Tax			555,053	555,053
Property tax revenue		1,421,352		1,421,352
American Recovery Reinvestment Grant			1,658,967	1,658,967
Interest income	30	11	1,929	1,970
Miscellaneous income	65,470	326	42	65,838
Total Revenues	<u>65,500</u>	<u>1,421,689</u>	<u>2,215,991</u>	<u>3,703,180</u>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal	51,453	1,075,000	180,000	1,306,453
Interest	6,587	328,868	196,218	531,673
Capital outlay	70,000		1,758,085	1,828,085
Miscellaneous	24,127	5,506	26,940	56,573
Total Expenditures	<u>152,167</u>	<u>1,409,374</u>	<u>2,161,243</u>	<u>3,722,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(86,667)</u>	<u>12,315</u>	<u>54,748</u>	<u>(19,604)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers out	<u>(25,000)</u>	-	-	<u>(25,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(111,667)</u>	<u>12,315</u>	<u>54,748</u>	<u>(44,604)</u>
<b><u>Fund Balances</u></b>				
September 30, 2009	<u>253,517</u>	<u>562,333</u>	<u>470,287</u>	<u>1,286,137</u>
September 30, 2010	<u>\$ 141,850</u>	<u>\$ 574,648</u>	<u>\$ 525,035</u>	<u>1,241,533</u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF NET ASSETS – NON-MAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2010**

	<u>Sanitary Landfill Fund</u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 352,967
Accounts receivables, net	30,673
Other receivables, net	716
Total current assets	<u>\$384,356</u>
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	204,605
Total non-current assets	<u>204,605</u>
Total Assets	<u>588,961</u>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	329,699
Accrued liabilities	6,091
Due to other funds	2,284
Total current liabilities	<u>338,074</u>
Total Liabilities	<u>338,074</u>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	204,605
Unrestricted	<u>46,282</u>
Total net assets	<u>\$ 250,887</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Sanitary Landfill Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 273,213
Total operating revenues	<u>273,213</u>
<b><u>OPERATING EXPENSES</u></b>	
Operating and maintenance	185,203
Depreciation	<u>3,569</u>
Total operating expenses	<u>188,772</u>
Operating income	<u>84,441</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Miscellaneous	<u>(4,440)</u>
Total non-operating revenues (expenses)	<u>(4,440)</u>
Change in net assets	80,001
Total net assets, beginning	<u>170,886</u>
Total net assets, ending	<u><u>\$ 250,887</u></u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Sanitary Landfill Fund</u>
<b><u>Cash Flows From Operating Activities</u></b>	
Cash received from customers	\$ 322,841
Cash paid to employees	(79,405)
Cash paid to suppliers	(159,868)
Net cash flows from operating activities	<u>83,568</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers out	<u>                    </u>
Net cash flows from noncapital financing activities	<u>                    </u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	<u>                    </u>
Other receipts (expenses)	195,077
Net cash flows from capital and related financing activities	<u>195,077</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Receipt of interest	<u>                    </u>
Net cash flows from investing activities	<u>                    </u>
Net change in cash	278,645
Cash and cash equivalents, October 1, 2009	74,322
Cash and cash equivalents, September 30, 2010	<u>\$ 352,967</u>
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>	
Operating income	<u>\$ 80,001</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	3,569
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	46,628
Increase (decrease) in payables	(42,687)
Increase (decrease) in due to other funds	(3,943)
Total adjustments	<u>3,567</u>
Net cash provided by operating activities	<u>\$ 83,568</u>

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2010**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Parker Wiseman	Mayor	Western Surety Co.	\$ 25,000
Richard Corey, II	Alderman	Western Surety Co.	\$ 100,000
Ben Carver	Alderman	Western Surety Co.	\$ 100,000
Sandra Sistrunk	Alderman	Western Surety Co.	\$ 100,000
Eric Parker	Alderman	Western Surety Co.	\$ 100,000
Jeremiah Dumas	Alderman	Western Surety Co.	\$ 100,000
Roy A. Perkins	Alderman	Western Surety Co.	\$ 100,000
Henry Vaughn, Sr.	Alderman	Western Surety Co.	\$ 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.	\$ 50,000
Emma Gibson	Adm Asst/Dep 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
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
Tony Rook	Court Administrator	Travelers Casualty	\$ 50,000
Vicki Lowrey	Sec/InHouse Comp	Western Surety Co.	\$ 50,000
Joanna Howard	Accting/Records Clerk	Western Surety Co.	\$ 50,000
Dana Morrison	Deputy Court Clerk	Western Surety Co.	\$ 50,000

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF BONDED INDEBTEDNESS  
SEPTEMBER 30, 2010**

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/09</u>	<u>Transactions</u>		<u>Balance 9/30/10</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>General Obligation Bonds</b>						
<b>Governmental Activities:</b>						
Parks and Recreation, Series 2007	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
	3/1/2013	3.87	215,000			215,000
	3/1/2014	3.87	220,000			220,000
	Thereafter	3.87	4,030,000			4,030,000
Total			<u>5,035,000</u>	<u>-</u>	<u>180,000</u>	<u>4,855,000</u>
Public Improvement, Series 2007	4/1/2010	4.10	185,000		185,000	-
	4/1/2011	4.10	190,000			190,000
	4/1/2012	4.10	195,000			195,000
Total			<u>570,000</u>	<u>-</u>	<u>185,000</u>	<u>385,000</u>
Public Improvement, Series 2009	4/1/2010	3.00	255,000	3,000,000	255,000	3,000,000
	4/1/2011	3.00	520,000			520,000
	4/1/2012	3.00	535,000			535,000
	4/1/2013	3.00	550,000			550,000
	4/1/2014	3.00	575,000			575,000
	Thereafter	3.00	565,000			565,000
Total			<u>3,000,000</u>	<u>3,000,000</u>	<u>255,000</u>	<u>5,745,000</u>
<b>Total General Obligation Bond Liability, Governmental Activities</b>			<u><u>8,605,000</u></u>	<u><u>3,000,000</u></u>	<u><u>620,000</u></u>	<u><u>10,985,000</u></u>
<b>Business-type Activities:</b>						
System Improvements Bonds, 4/1/1996	4/1/2010		370,000		370,000	-
	4/1/2011		390,000			390,000
Total			<u>760,000</u>		<u>370,000</u>	<u>390,000</u>
Electric System Refunding Bonds, Series 2001	4/1/2010	4.00	255,000		255,000	-
	4/1/2011	4.00	270,000			270,000
Total			<u>525,000</u>		<u>255,000</u>	<u>270,000</u>
Electric System Bonds, Series 2001	4/1/2010	5.80	175,000		175,000	-
	4/1/2011	4.20	185,000			185,000
	4/1/2012	4.20	195,000			195,000
	4/1/2013	4.20	205,000			205,000
	4/1/2014	4.20	220,000			220,000
	Thereafter		1,930,000			1,930,000
Total			<u>2,910,000</u>		<u>175,000</u>	<u>2,735,000</u>
Electric System Revenue Bonds, Series 2004	11/1/2010	3.50	170,000		170,000	-
	11/1/2011	3.50	175,000			175,000
	11/1/2012	3.50	185,000			185,000
	11/1/2013	3.50	195,000			195,000
	11/1/2014	3.50	205,000			205,000
	Thereafter		1,470,000			1,470,000
Total			<u>2,400,000</u>		<u>170,000</u>	<u>2,230,000</u>
Electric System Revenue Bonds, Series 2006	11/1/2010	5.25	105,000		105,000	-
	11/1/2011	5.25	105,000			105,000
	11/1/2012	5.25	115,000			115,000
	11/1/2013	4.00	120,000			120,000
	11/1/2014	4.00	125,000			125,000
	Thereafter		1,235,000			1,235,000
Total			<u>1,805,000</u>	<u>-</u>	<u>105,000</u>	<u>1,700,000</u>
<b>Total Bond Liability, Business-type Activities</b>			<u><u>8,400,000</u></u>	<u><u>-</u></u>	<u><u>1,075,000</u></u>	<u><u>7,325,000</u></u>
<b>Total Bond Liability</b>			<u><u>17,005,000</u></u>	<u><u>3,000,000</u></u>	<u><u>1,695,000</u></u>	<u><u>18,310,000</u></u>

CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM NOTES  
SEPTEMBER 30, 2010

Payee	Maturity Date	Interest Percent	Balance 10/1/2009	Transactions		Balance 9/30/2010
				Issued	Redeemed	
<b>Notes Payable</b>						
<b>Governmental Activities:</b>						
Capital Improvements - Fire Truck	FY10	4.47%	76,345		76,345	-
	FY11	4.47%	79,827			79,827
	FY12	4.47%	83,467			83,467
	FY13	4.47%	87,273			87,273
	FY14	4.47%	91,253			91,253
	Thereafter	4.47%	195,178			195,178
<b>Total</b>			<b>613,343</b>		<b>76,345</b>	<b>536,998</b>
Capital Improvements Revolving Loan	FY10	5.66%	34,242		34,242	-
	FY11	5.66%	36,231			36,231
	FY12	5.66%	38,335			38,335
	FY13	5.66%	40,562			40,562
	FY14	5.66%	42,918			42,918
	Thereafter	5.66%	87,651			87,651
<b>Total</b>			<b>279,939</b>		<b>34,242</b>	<b>245,697</b>
Capital Improvements Revolving Loan	FY10	5.66%	35,224		35,224	-
	FY11	5.66%	37,268			37,268
	FY12	5.66%	39,433			39,433
	FY13	5.66%	41,528			41,528
	FY14	5.66%	43,940			43,940
	Thereafter	5.66%	70,742			70,742
<b>Total</b>			<b>268,135</b>		<b>35,224</b>	<b>232,911</b>
Capital Improvements - Police Vehicles	FY10	4.90%	-	111,256	111,256	-
	FY11	4.90%	-	101,105		101,105
	FY12	4.90%	-	106,059		106,059
<b>Total</b>			<b>-</b>	<b>318,420</b>	<b>111,256</b>	<b>207,164</b>
Capital Improvements - Street Sweeper	FY10	4.31%	32,359		32,359	-
<b>Total</b>			<b>32,359</b>	<b>-</b>	<b>32,359</b>	<b>-</b>
Capital Improvements - Excavator	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>77,501</b>	<b>-</b>	<b>27,986</b>	<b>49,515</b>
Capital Improvements - Police Comm	FY10	3.84%	-	26,293	26,293	-
	FY11	3.84%	-	27,320		27,320
	FY12	3.84%	-	28,388		28,388
	FY13	3.84%	-	29,498		29,498
	FY14	3.84%	-	30,651		30,651
	FY15	3.84%	-	10,481		10,481
<b>Total</b>			<b>-</b>	<b>152,631</b>	<b>26,293</b>	<b>126,338</b>
Capital Improvements - Fire Comm	FY10	3.84%	-	15,619	15,619	-
	FY11	3.84%	-	17,449		17,449
	FY12	3.84%	-	18,131		18,131
	FY13	3.84%	-	18,839		18,839
	FY14	3.84%	-	19,576		19,576
<b>Total</b>			<b>-</b>	<b>89,614</b>	<b>15,619</b>	<b>73,995</b>

CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM NOTES (CONTINUED)  
SEPTEMBER 30, 2010

Payee	Maturity Date	Interest Percent	Balance 10/1/2009	Transactions		Balance 9/30/2010
				Issued	Redeemed	
Capital Improvements - Pub Info Sys	FY10	3.49%	51,453		51,453	-
	FY11	3.49%	53,277			53,277
	FY12	3.49%	55,167			55,167
	FY13	3.49%	56,350			56,350
	FY14	3.49%	-			-
Total			216,247	-	51,453	164,794
<b>Total Notes Payable, Governmental Activities</b>			<b>\$ 1,487,524</b>	<b>\$ 560,665</b>	<b>\$ 410,777</b>	<b>\$ 1,637,412</b>
<b>Business-type activities:</b>						
Drinking Water Systems Improvements Revolving Loan	FY10	3.00%	28,862		28,862	-
	FY11	3.00%	29,741			29,741
	FY12	3.00%	30,637			30,637
	FY13	3.00%	31,578			31,578
	FY14	3.00%	32,539			32,539
	Thereafter	3.00%	305,610			305,610
Total			458,967		28,862	430,105
Drinking Water Systems Improvements Revolving Loan	FY10	3.50%	57,888		57,888	-
	FY11	3.50%	59,948			59,948
	FY12	3.50%	62,080			62,080
	FY13	3.50%	64,288			64,288
	FY14	3.50%	66,574			66,574
	Thereafter	3.50%	786,990			786,990
Total			1,097,768		57,888	1,039,880
Water Pollution Control Revolving Loan	FY10	1.75%	171,608		171,608	-
	FY11	1.75%	174,636			174,636
	FY12	1.75%	177,715			177,715
	FY13	1.75%	180,850			180,850
	FY14	1.75%	184,041			184,041
	Thereafter	1.75%	2,289,404			2,289,404
Total			3,178,254		171,608	3,006,646
Drinking Water Systems Improvements Revolving Loan	FY10	4.00%	57,474		57,474	-
	FY11	4.00%	59,815			59,815
	FY12	4.00%	62,252			62,252
	FY13	4.00%	64,789			64,789
	FY14	4.00%	67,428			67,428
	Thereafter	4.00%	1,162,639			1,162,639
Total			1,474,397	-	57,474	1,416,923
Drinking Water Systems Improvements Revolving Loan	FY10	2.50%	39,877		39,877	-
	FY11	2.50%	40,885			40,885
	FY12	2.50%	41,919			41,919
	FY13	2.50%	42,979			42,979
	FY14	2.50%	44,066			44,066
	Thereafter	2.50%	619,294			619,294
Total			829,020	-	39,877	789,143
Water Pollution Control Revolving Loan	FY10	2.75%	10,800	-	10,800	-
	FY11	2.75%	11,101	-		11,101
	FY12	2.75%	11,410	-		11,410
	FY13	2.75%	11,728	-		11,728
	FY14	2.75%	12,055	-		12,055
	Thereafter	2.75%	214,659	-		214,659
Total			271,753	-	10,800	260,953

CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM NOTES (CONTINUED)  
SEPTEMBER 30, 2010

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2009</u>	<u>Transactions</u>		<u>Balance 9/30/2010</u>
				<u>Issued</u>	<u>Redeemed</u>	
MDA Capital Improvements Loan	FY10		13,195	200,278	13,195	200,278
	FY11		40,115	-		40,115
	FY12		40,925	-		40,925
	FY13		41,751	-		41,751
	FY14		42,594	-		42,594
	Thereafter		591,150	-		591,150
			<u>769,730</u>	<u>200,278</u>	<u>13,195</u>	<u>956,813</u>
CAT D6R Lease	FY10	3.27%	-	27,250	27,250	-
	FY11	3.27%	-	33,694		33,694
	FY12	3.27%	-	34,813		34,813
	FY13	3.27%	-	35,968		35,968
	FY14	3.27%	-	43,476		43,476
	Thereafter	3.27%	-	-		-
Total			<u>-</u>	<u>175,201</u>	<u>27,250</u>	<u>147,951</u>
MDA Capital Improvements Loan Prom Note #07-347-CP-01	FY10		-	3,272	3,272	-
	FY11		-	19,865		19,865
	FY12		-	20,266		20,266
	FY13		-	20,675		20,675
	FY14		-	21,092		21,092
	Thereafter		-	396,778		396,778
			<u>-</u>	<u>481,948</u>	<u>3,272</u>	<u>478,676</u>
<b>Total Notes Payable, Business-type Activities</b>			<u>\$ 8,079,889</u>	<u>\$ 857,427</u>	<u>\$ 410,226</u>	<u>\$ 8,527,090</u>
<b>Total Notes Payable</b>			<u>\$ 9,567,413</u>	<u>\$ 1,418,092</u>	<u>\$ 821,003</u>	<u>\$ 10,164,502</u>

**COMPLIANCE SECTION**

**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, 2010, which collectively comprise the City of Starkville, Mississippi's basic financial statements and have issued our report thereon dated March 7, 2011. 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 to be significant deficiencies in internal control over financial reporting. (Findings 2010-01, 2010-02, 2010-03, 2010-04, 2010-05 and 2010-06)

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. 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  
March 7, 2011

Waters' Ward of J. H. P. P. C.

**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**



**WATKINS, WARD and STAFFORD**  
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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, 2010. 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, 2010.

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  
March 7, 2011

*Waltham Walcott*

**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, 2010, and have issued our report thereon dated March 7, 2011. 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  
March 7, 2011

*Watts: Wanda S. Holley*

## **SCHEDULE OF FINDINGS**

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**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 Edward Byrne Memorial Justice Assistance Grant (JAG) Program CFDA #16.804, the ARRA – Recovery Act of 2009: Capital Improvement and Maintenance CFDA # 20.205, 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**

2010-01 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.

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

2010-02 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.

2010-03 Finding: The City of Starkville did not verify that contractors/vendors are not suspended or debarred from doing business with the federal government by determining a contractor/vendor is not listed on the General Services Administration's Excluded Parties List System (EPLS). The City of Starkville did not check this system prior to signing the contract with Golden Triangle Planning and Development District; however, the GTPDD is not listed on the EPLS web site.

Recommendation: The city should implement a control for any future federal procurements and contracts whereby an individual within the entity utilized the EPLS web site to ensure bids are not awarded or contracts are not entered into with suspended and/or debarred parties for covered transactions.

Response: Management is continuing to improve its financial system related to federal awards.

2010-04 Finding: The City of Starkville does not appear to have a control in place for the monthly/quarterly Section 1512 reporting where one individual gathers all of the information and creates the report and another individual reviews and approves the report prior to submitting the reports to the proper agency.

Recommendation: The city should better document its preparation and review of report submissions to ensure accurate and timely reporting of the Section 1512 reports to the proper agency/website.

Response: Management is continuing to improve its financial system related to federal awards.

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

2010-05 Finding: The City of Starkville does not appear to have an internal control in place for the review of the monthly/quarterly reporting whereby the various financial fields for the quarterly (Section 1512) report for the entity's grant are prepared and documented by one person and then subsequently reviewed and approved by a separate individual.

Recommendation: The city should contact the project officers with the respective programs to inform them of the errors on the reports and then follow the recommendations given by the project officer.

Response: Management is continuing to improve its financial system related to federal awards.

2010-06 Finding: The City of Starkville does not maintain a financial management system that permits the preparation of required reports and tracing of funds adequate to establish that funds were used for authorized purposes and allowable costs.

Recommendation: The city should ensure they have the most recent OMB Guidance (M-10-08), the related frequently asked questions for the most recent guidance, and the Data Recipient Reporting Model

Response: Management is continuing to improve its financial system related to federal awards.

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed-through Federal-State Programs:		
Community Development Block Grants (ARRA)	14.228	\$ 782,082
Total U.S. Department of Housing and Urban Development		<u>782,082</u>
<b><u>U.S. Department of Justice</u></b>		
Directed Programs		
Edward Bryne Memorial Justice Assistance Grant (JAG) Program (ARRA)	16.804	116,166
Total U.S. Department of Housing and Urban Development		<u>116,166</u>
<b><u>U. S. Department of Transportation</u></b>		
Direct Programs:		
Airport Improvement Program	20.106	3,434,027
Passed through Federal-State Programs:		
ARRA - Recovery Act of 2009: Capital Improvement and Maintenance	20.205	908,608
State and Community Highway Safety	20.600	15,455
Occupant Protection Incentive Grants	20.602	11,558
NHTSA 154 Transfer of Funds FY10	20.607	89,175
Total U. S. Department of Transportation		<u>4,458,823</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Direct Programs:		
Disaster Grants - Public Assistance	97.036	34,578
Total U.S. Department of Health and Human Services		<u>34,578</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	274,992
Total U.S. Department of Health and Human Services		<u>274,992</u>
<b><u>Total Expenditures of Federal Awards</u></b>		<u><u>\$ 5,666,641</u></u>

**Notes to Schedule**

(1) This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.