

**CITY OF STARKVILLE, MISSISSIPPI**

**AUDIT REPORT**

**SEPTEMBER 30, 2009**

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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, 2009, 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, 2009, 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 April 21, 2010, on our consideration of the City of Starkville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

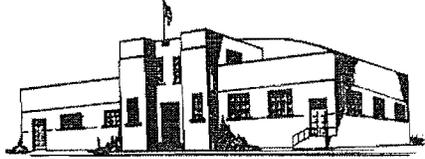
The Management Discussion and Analysis on page 4 and the budgetary comparison information on page 43 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Starkville, Mississippi  
April 21, 2010

*Wath: Ward and Stafford PLLC*

## **MANAGEMENT DISCUSSION AND ANALYSIS**



# **CITY OF STARKVILLE MANAGEMENT DISCUSSION AND ANALYSIS SEPTEMBER 30, 2009**

## ***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, 2009. 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. The population, according to the 2000 census, is 21,869. The unofficial census records show that the population has continued to grow incrementally to have achieved parity with the previously larger neighboring city, Columbus, Mississippi. According to the latest estimated census for 2008, the population is 24,187. The local economic base is driven by retail, manufacturing, healthcare and Mississippi State University.

## ***FINANCIAL HIGHLIGHTS***

The City of Starkville is financially sound and has a stable economic base. The City has committed itself to financial conservatism for many years and has developed 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 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 flat

showing 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.

Mississippi State University has had an increase in enrollment that inures to the benefit of the local economy through increased sales tax figures and activity within the region. There are multiple special events that are hosted in this area as a result of the local student population.

The Mississippi Horse Park as a joint venture between the City, Oktibbeha County and Mississippi State University has increased its annual stock of events and that activity has resulted in the additional need for hotel and restaurant space within the City. 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.

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.

Total net assets decreased \$2,588,584 which represents a 5.24% decrease from the prior fiscal year. The City's ending cash balance increased by \$1,006,574 which represents a 17.71% increase from the prior fiscal year.

The City had \$62,600,365 total revenues. Tax revenues account for \$9,284,530 or 14.83% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$2,426,096 or 3.87% of total revenues.

The City had \$65,188,949 in total expenses, which represents an increase of \$3,627,377 or 5.89% increase over the prior fiscal year. Expenses in the amount of \$48,511,202 were offset by charges for services, grants or outside contributions. General revenues of \$14,089,163 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$14,118,316 in revenues and \$15,863,802 in expenditures. The General Fund's fund balance decreased \$697,013 from the prior year.

Among major funds, the Park and Recreation Bond Series 2007 Fund had \$6,377 in revenues and \$1,781,502 in expenditures. The Park and Recreation Bond Series 2007 Fund balance decreased by \$1,191,084 from the prior year.

Among major funds, the Road Maintenance Bond Fund had \$39,910 in revenues and \$1,091,511 in expenditures. The Road Maintenance Bond Fund balance increased by \$1,948,399 over the prior year which includes \$3,000,000 from the issuance of bonds.

Capital assets, net of accumulated depreciation, increased by \$1,943,768. The assessed value of the City increased to \$195,304,217.

Long-term debt increased by \$2,146,409.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

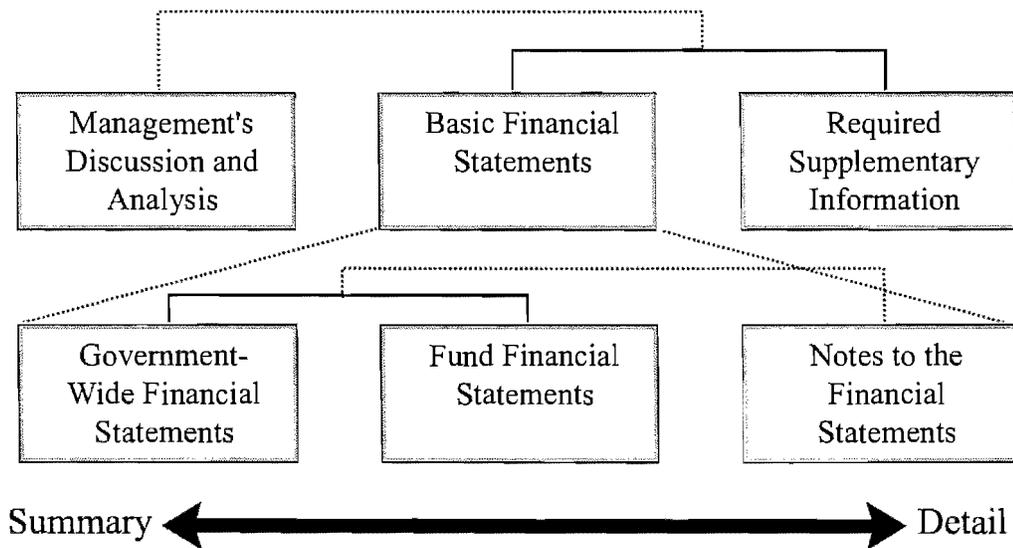


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

The **statement of net assets** presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The City maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 26 of this report.

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

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

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

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

## ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Starkville, assets exceeded liabilities by \$46,722,920 as of September 30, 2009

By far, the largest portion of the City's net assets (81%) 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, 2009.

	2009 Governmental Activities
Current assets	\$ 16,880,678
Capital assets, net	<u>65,430,180</u>
Total assets	<u>\$ 82,310,858</u>
Current liabilities	\$ 8,189,645
Long-term debt outstanding	<u>27,398,293</u>
Total liabilities	<u>\$ 35,587,938</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 37,866,221
Restricted	3,304,098
Unrestricted	<u>5,552,601</u>
Total net assets	<u>\$ 46,722,920</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, 2009 was \$62,600,365. The total cost for all services provided was \$65,188,949. The decrease in net assets was \$2,588,584. The following table presents a summary of the change in net assets for the fiscal year ended September 30, 2009.

	Current Year Amount
Revenues:	
Program revenues	
Charges for services	\$ 46,586,810
Operating grants & contributions	963,133
Capital grants & contributions	961,259
General revenues	
Property taxes	3,409,359

Sales and Use taxes	5,217,611
Other taxes	657,560
Interest income	105,222
Transfers	1,464,837
Miscellaneous	<u>3,234,574</u>
Total Revenues	<u>\$ 62,600,365</u>
Expenses:	
General government	3,197,462
Public safety	7,633,379
Highways and Streets	2,690,789
Health and Welfare	218,197
Parks & Recreation	1,301,391
Other	3,911,760
Utilities	43,276,843
Sanitation	2,207,622
Interest on long-term debt	<u>751,506</u>
Total Expenses	<u>\$ 65,188,949</u>

Decrease in Net Assets (\$ 2,588,584)

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

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

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 3,197,462	\$ 1,640,110
Public Safety	7,633,379	7,233,819
Public Services	2,908,986	2,495,178
Parks and Recreation	1,301,391	1,170,695
Utilities	43,276,843	(222,675)

## ***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 \$3,591,991, a decrease of \$423,495. 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 decrease in the fund balance of the General Fund for the fiscal year was \$697,013 which is primarily due to increased costs of operations.

## ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

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

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

## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets** – As of September 30, 2009, the City of Starkville's total capital assets were \$150,129,108. 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 \$3,862,220.

Total accumulated depreciation as of September 30, 2009 was \$82,516,156 including \$4,493,257 of depreciation expense for the year. The balance in total net capital assets was \$67,612,952 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, 2009, the City of Starkville had \$27,884,201 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$2,405,001 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 38 and 39 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 includes residential and commercial and government projects. The City of Starkville Electric Department administrative office is under construction and should become functional in the next fiscal year. That building will serve to provide revitalization of a downtown area.

There continue to be other strong economic forces investing in the region. The County owned local hospital passed a bond election that provides for approximately a twenty-seven million dollar investment in the northern portion of the municipality. This increased investment in healthcare should substantially increase the presence of healthcare as a dynamic economic influence in the region. The construction of this project begins in the next fiscal year. The local school district, likewise, passed a bond issue that enhances the capacity and the offerings for the school district that services the City.

The Golden Triangle Region is a finalist in several large projects that would impact research and development that plays to the strengths of Mississippi State University and the regional airport.

Development continues and should continue for the next several years around Starkville on the new Highway 82 and Highway 25 Bypass and the Highway 82 and Highway 12 bypass.

The City of Starkville expects the upcoming 2010 census numbers to reflect a continued and steady increase in its population. This growth has partially accounted for the increase in ad valorem and sales tax revenues without accompanying ad valorem millage increases.

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, 2009**

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,844,971	3,187,225	6,032,196
Cash - restricted	657,991		657,991
Accounts receivable, net	529,737	6,370,930	6,900,667
Other receivables, net	96,220	204,540	300,760
Notes receivable, net	41,699		41,699
Due from other departments	67,112	107,111	174,223
Due from other funds			-
Prepaid expense		56,325	56,325
Inventory	66,388	779,420	845,808
Capital assets			
Land and construction in progress	1,190,627	5,429,674	6,620,301
Property and equipment	60,722,070	82,786,737	143,508,807
Less: accumulated depreciation	(49,727,402)	(34,971,526)	(84,698,928)
Other assets		1,871,009	1,871,009
Total assets	<u>16,489,413</u>	<u>65,821,445</u>	<u>82,310,858</u>
<b>LIABILITIES</b>			
Accounts payable	640,293	3,677,488	4,317,781
Accrued liabilities	140,564	561,861	702,425
Due to other departments		1,241,467	1,241,467
Due to other funds		19,108	19,108
Customer deposits		1,666,929	1,666,929
Other liabilities		241,935	241,935
Long-term liabilities:			
Due within one year	877,609	2,243,963	3,121,572
Due in more than one year	9,868,314	14,408,407	24,276,721
Total liabilities	<u>11,526,780</u>	<u>24,061,158</u>	<u>35,587,938</u>
<b>NET ASSETS</b>			
Contributed capital		8,967,665	8,967,665
Invested in capital assets, net of related debt	1,379,329	36,486,892	37,866,221
Restricted	3,304,098		3,304,098
Unrestricted	279,206	(3,694,270)	(3,415,064)
Total net assets	<u>\$ 4,962,633</u>	<u>41,760,287</u>	<u>46,722,920</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<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>
<b>Governmental Activities</b>					
General government	\$ 3,197,462	256,140	339,953	961,259	(1,640,110)
Public safety					
Police	4,174,609		93,813		(4,080,796)
Fire	3,285,681	190,188	115,559		(2,979,934)
Public inspection	137,276				(137,276)
Civil defense	35,813				(35,813)
Highways and streets	2,690,789		413,808		(2,276,981)
Health and sanitation	218,197				(218,197)
Culture and recreation	1,301,391	130,696			(1,170,695)
Other	3,911,760				(3,911,760)
Interest on long-term debt	751,506				(751,506)
Total governmental activities	<u>19,704,484</u>	<u>577,024</u>	<u>963,133</u>	<u>961,259</u>	<u>(17,203,068)</u>
<b>Business-type Activities</b>					
Electric utilities	36,297,078	37,630,856			1,333,778
Water and sewer utilities	6,979,765	5,868,662			(1,111,103)
Sanitation and waste	1,979,911	2,267,393			287,482
Sanitary landfill	227,711	242,875			15,164
Total business-type activities	<u>45,484,465</u>	<u>46,009,786</u>			<u>525,321</u>
Total primary government	<u>\$ 65,188,949</u>	<u>46,586,810</u>	<u>963,133</u>	<u>961,259</u>	<u>(16,677,747)</u>
			<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in Net Assets:</b>					
Net (expense) / revenue			<u>\$ (17,203,068)</u>	<u>525,321</u>	<u>(16,677,747)</u>
<b>General revenues</b>					
Taxes					
Property taxes			3,409,359		3,409,359
Sales and use taxes			5,217,611		5,217,611
Other taxes			657,560		657,560
Investment income			42,253	62,969	105,222
Other			3,212,039	22,535	3,234,574
Transfers			1,464,837		1,464,837
Total general revenues and transfers			<u>14,003,659</u>	<u>85,504</u>	<u>14,089,163</u>
Change in net assets			(3,199,409)	610,825	(2,588,584)
Net assets, October 1, 2008			<u>8,162,042</u>	<u>41,149,462</u>	<u>49,311,504</u>
Net assets, September 30, 2009			<u>\$ 4,962,633</u>	<u>41,760,287</u>	<u>46,722,920</u>

See accompanying notes to the basic financial statements.

**FUND FINANCIAL STATEMENTS**

**CITY OF STARKVILLE, MISSISSIPPI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	<u>General</u>	<u>P &amp; R Bond Series 2007</u>	<u>Road Maintenance Bond Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 234,860	10,138	2,016,569	678,325	2,939,892
Cash - restricted	179,247			478,744	657,991
Receivables (Net)					
Accounts	529,737				529,737
Other	9,760			86,460	96,220
Notes receivable (Net)				41,699	41,699
Due from other departments	43,185				43,185
Inventory	18,800				18,800
	<u>1,015,589</u>	<u>10,138</u>	<u>2,016,569</u>	<u>1,285,228</u>	<u>4,327,524</u>
Total Assets	<u>\$ 1,015,589</u>	<u>10,138</u>	<u>2,016,569</u>	<u>1,285,228</u>	<u>4,327,524</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 560,788		68,170	2,776	631,734
Other liabilities		28,886		6,455	35,341
Due to other funds	68,458				68,458
	<u>629,246</u>	<u>28,886</u>	<u>68,170</u>	<u>9,231</u>	<u>735,533</u>
Total Liabilities	<u>629,246</u>	<u>28,886</u>	<u>68,170</u>	<u>9,231</u>	<u>735,533</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	4,693				4,693
Reserved for inventory	6,180				6,180
Reserved for debt service				562,333	562,333
Reserved for capital projects		(18,748)	1,948,399	460,147	2,389,798
Restricted for economic development				143,527	143,527
Fund balances - unreserved/undesignated	181,167			106,726	287,893
	<u>386,343</u>	<u>(18,748)</u>	<u>1,948,399</u>	<u>1,275,997</u>	<u>3,591,991</u>
Total Fund Balances	<u>386,343</u>	<u>(18,748)</u>	<u>1,948,399</u>	<u>1,275,997</u>	<u>3,591,991</u>
Total Liabilities and Fund Balances	<u>\$ 1,015,589</u>	<u>10,138</u>	<u>2,016,569</u>	<u>1,285,228</u>	<u>4,327,524</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, 2009**

Fund Balances - total governmental funds		\$ 3,591,991
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	61,912,697	
Less accumulated depreciation	<u>(49,727,402)</u>	12,185,295
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(10,745,923)
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>(68,730)</u>
Net Assets of Governmental Activities		<u>\$ 4,962,633</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, 2009**

	<u>General</u>	<u>P &amp; R Bond Series 2007</u>	<u>Road Maintenance Bond Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>					
General property taxes	\$ 3,409,359				3,409,359
Licenses and permits	426,033				426,033
Intergovernmental:					
Federal	1,376,051				1,376,051
State of Mississippi	6,137,631			522,646	6,660,277
Oktibbeha County and Mississippi State	670,856				670,856
Fines and forfeits	977,321				977,321
Interest income	42,253	6,377	39,910	1,953	90,493
Penalties and interest - prior year taxes	108,955				108,955
Other revenues	969,857				969,857
Total Revenues	<u>14,118,316</u>	<u>6,377</u>	<u>39,910</u>	<u>524,599</u>	<u>14,689,202</u>
<b><u>EXPENDITURES</u></b>					
General government	3,399,286				3,399,286
Public safety:					
Police	3,873,623				3,873,623
Fire	3,036,147				3,036,147
Public inspection	106,126				106,126
Civil defense	4,663				4,663
Highways and streets	1,538,673				1,538,673
Health and sanitation	187,047				187,047
Culture and recreation	1,068,364				1,068,364
Other	775,478			10,382	785,860
Capital outlay	867,528	1,781,502	1,091,511	160,669	3,901,210
Debt service:					
Principal	848,262			1,239,690	2,087,952
Interest	158,605			592,901	751,506
Total Expenditures	<u>15,863,802</u>	<u>1,781,502</u>	<u>1,091,511</u>	<u>2,003,642</u>	<u>20,740,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,745,486)</u>	<u>(1,775,125)</u>	<u>(1,051,601)</u>	<u>(1,479,043)</u>	<u>(6,051,255)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	966,333	584,041			1,550,374
Transfers out	(991,333)			(609,041)	(1,600,374)
Proceeds of bond issuance			3,000,000		3,000,000
Transfers from other departments	1,073,473			1,451,232	2,524,705
Net other financing sources (uses)	<u>1,048,473</u>	<u>584,041</u>	<u>3,000,000</u>	<u>842,191</u>	<u>5,474,705</u>
Net change in fund balances	(697,013)	(1,191,084)	1,948,399	(636,852)	(576,550)
<b>Fund balances, October 1, 2008</b>	<u>1,083,356</u>	<u>1,172,336</u>	-	<u>1,912,849</u>	<u>4,168,541</u>
<b>Fund balances, September 30, 2009</b>	<u>\$ 386,343</u>	<u>(18,748)</u>	<u>1,948,399</u>	<u>1,275,997</u>	<u>3,591,991</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, 2009**

Net change in Fund Balances - total governmental funds		\$ (576,550)
<p>Amounts reported for governmental activities in Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	406,257	
Less current year depreciation	<u>(1,922,052)</u>	(1,515,795)
<p>Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments:</p>		
Issuance of bonds	(3,000,000)	
Principal payments	<u>2,087,952</u>	(912,048)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:</p>		
Change in long-term compensated absence		(174,493)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net income of the Internal Service Fund is reported with the governmental activities.</p>		
		<u>(20,523)</u>
Change in Net Assets of Governmental Funds		<u>\$ (3,199,409)</u>

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2009**

	June 30, 2009	September 30, 2009			Total Enterprise Funds	September 30, 2009
	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	\$ 812,123	2,027,315	273,465	74,322	3,187,225	(94,921)
Accounts receivables, net	4,748,075	1,255,665	347,668	19,522	6,370,930	
Other receivables, net	54,257	91,502		58,495	204,254	
Due from other funds				-	-	9,583
Due from other departments	77,422	29,689			107,111	23,927
Interest receivable	286				286	
Prepaid expense	56,325				56,325	
Inventory	643,063	136,357			779,420	47,588
Total current assets	<u>6,391,551</u>	<u>3,540,528</u>	<u>621,133</u>	<u>152,339</u>	<u>10,705,551</u>	<u>(13,823)</u>
Restricted assets:						
Cash - restricted						
Total restricted assets						
Non-current assets:						
Other assets	1,976,632				1,976,632	
Capital assets:						
Fixed assets, net of depreciation	27,891,358	24,278,414	940,086	29,404	53,139,262	60,043
Total non-current assets	<u>29,867,990</u>	<u>24,278,414</u>	<u>940,086</u>	<u>29,404</u>	<u>55,115,894</u>	<u>60,043</u>
Total Assets	<u>36,259,541</u>	<u>27,818,942</u>	<u>1,561,219</u>	<u>181,743</u>	<u>65,821,445</u>	<u>46,220</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	3,294,042	242,441	140,182	823	3,677,488	8,559
Accrued liabilities	224,179	201,098	54,490	6,091	485,858	11,694
Due to other departments	1,234,953	6,514			1,241,467	
Due to other funds		1,764	13,401	3,943	19,108	34,654
Accrued interest - long-term debt	76,003				76,003	
Bonds payable, current	1,202,480				1,202,480	
Notes payable, current		1,041,483			1,041,483	
Total current liabilities	<u>6,031,657</u>	<u>1,493,300</u>	<u>208,073</u>	<u>10,857</u>	<u>7,743,887</u>	<u>54,907</u>
Non-current liabilities:						
Bonds payable, non-current	7,370,000				7,370,000	
Notes payable, non-current		7,038,407			7,038,407	
Customer deposits	1,486,060	180,869			1,666,929	
Other liabilities	241,935				241,935	
Total non-current liabilities	<u>9,097,995</u>	<u>7,219,276</u>			<u>16,317,271</u>	
Total Liabilities	<u>15,129,652</u>	<u>8,712,576</u>	<u>208,073</u>	<u>10,857</u>	<u>24,061,158</u>	<u>54,907</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	19,318,878	16,198,524	940,086	29,404	36,486,892	60,043
Contributed capital		8,967,665			8,967,665	141,448
Unrestricted	1,811,011	(6,059,823)	413,060	141,482	(3,694,270)	(210,178)
Total Net Assets	<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>

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, 2009**

	<u>June 30, 2009</u>	<u>September 30, 2009</u>			<u>Total Enterprise Funds</u>	<u>September 30, 2009</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	\$ 37,630,856	5,868,662	2,267,393	242,875	46,009,786	494,539
Total operating revenues	<u>37,630,856</u>	<u>5,868,662</u>	<u>2,267,393</u>	<u>242,875</u>	<u>46,009,786</u>	<u>494,539</u>
<b><u>OPERATING EXPENSES</u></b>						
Purchased power	31,043,597				31,043,597	
Operating and maintenance	3,475,590	5,657,249	1,817,115	224,142	11,174,096	452,049
Depreciation	1,273,020	1,127,635	162,796	3,569	2,567,020	2,948
Total operating expenses	<u>35,792,207</u>	<u>6,784,884</u>	<u>1,979,911</u>	<u>227,711</u>	<u>44,784,713</u>	<u>454,997</u>
Operating income (loss)	<u>1,838,649</u>	<u>(916,222)</u>	<u>287,482</u>	<u>15,164</u>	<u>1,225,073</u>	<u>39,542</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>						
Other revenue		22,535			22,535	
Interest on investments	62,969				62,969	
Amortization expense	(21,938)				(21,938)	
Interest and fiscal charges	(392,665)	(194,881)			(587,546)	
Other expenses	(90,268)				(90,268)	
Total non-operating revenues (expenses)	<u>(441,902)</u>	<u>(172,346)</u>	<u>-</u>	<u>-</u>	<u>(614,248)</u>	
Income (loss) before transfers	<u>1,396,747</u>	<u>(1,088,568)</u>	<u>287,482</u>	<u>15,164</u>	<u>610,825</u>	<u>39,542</u>
Transfers in						50,000
Change in net assets	1,396,747	(1,088,568)	287,482	15,164	610,825	89,542
Total net assets, beginning	<u>19,733,142</u>	<u>20,194,934</u>	<u>1,065,664</u>	<u>155,722</u>	<u>41,149,462</u>	<u>(98,229)</u>
Total net assets, ending	<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>

See accompanying notes to the basic financial statements.

CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	June 30, 2009	September 30, 2009			September 30, 2009	
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 37,630,856	6,302,529	2,285,598	224,248	46,443,231	
Cash received from other funds						494,539
Cash paid to employees	(2,465,446)	(1,127,808)	(505,132)	(79,754)	(4,178,140)	(123,296)
Cash paid to suppliers	(35,876,172)	(4,529,441)	(1,311,983)	(144,388)	(41,861,984)	(328,753)
Other receipts (payments)	4,145,029	(3,062)	18,366		4,160,333	(179,579)
Net Cash Flows from Operating Activities	3,434,267	642,218	486,849	106	4,563,440	(137,089)
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers in						50,000
Net Cash Flows from Noncapital Financing Activities						50,000
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from issuance of debt		1,045,018			1,045,018	
Payment of debt	(1,180,730)	(350,196)			(1,530,926)	
Payment of interest	(392,665)	(194,881)			(587,546)	
Purchase of capital assets	(2,892,021)	(299,270)	(241,128)		(3,432,419)	
Other receipts (payments)	1,156,893	109,803			1,266,696	
Net Cash Flows from Capital and Related Financing Activities	(3,308,523)	310,474	(241,128)	-	(3,239,177)	-
<b>Cash Flows from Investing Activities</b>						
Receipt of interest	62,969				62,969	
Net Cash Flows from Investing Activities	62,969				62,969	
Net Change in Cash	188,713	952,692	245,721	106	1,387,232	(87,089)
Cash and Cash Equivalents, October 1, 2008	623,410	1,074,623	27,744	74,216	1,799,993	(7,832)
Cash and Cash Equivalents, September 30, 2009	\$ 812,123	2,027,315	273,465	74,322	3,187,225	(94,921)
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>						
Operating Income (Loss)	\$ 1,396,747	(916,222)	287,482	15,164	783,171	39,542
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,277,205	1,127,635	162,796	3,569	2,571,205	2,948
Amortization	13,455				13,455	
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	359,218	433,867	(18,205)	10,658	785,538	(21,358)
(Increase) decrease in due from other funds				9,445	9,445	(4,320)
(Increase) decrease in inventory	124,993	(18,725)			106,268	(10,732)
(Increase) decrease in other assets	(22,591)				(22,591)	
Increase (decrease) in payables	124,649	34,643	52,299	(2,730)	208,861	(23,820)
Increase (decrease) in due to other funds		(3,745)	2,477	(36,000)	(37,268)	(119,349)
Increase (decrease) in accrued liabilities	111,581	(15,235)			96,346	
Increase (decrease) in customer deposits	49,010				49,010	
Increase (decrease) in other liabilities					-	
Total adjustments	2,037,520	1,558,440	199,367	(15,058)	3,780,269	(176,631)
Net cash provided (used) by operating activities	\$ 3,434,267	642,218	486,849	106	4,563,440	(137,089)

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
SEPTEMBER 30, 2009**

	<b>Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	778,352
Cash - restricted	57,820	
Due from other funds		70,544
Total Assets	57,820	848,896
<b><u>LIABILITIES</u></b>		
Due to other funds		39,248
Due to outside entities		809,648
Total Liabilities		848,896
<b><u>NET ASSETS</u></b>		
Held in trust for unemployment benefits	\$ 57,820	

See accompanying notes to the basic financial statements.

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<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, 2008	57,820
Net Assets, September 30, 2009	\$ 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, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. REPORTING ENTITY**

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

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

**CITY OF STARKVILLE, MISSISSIPPI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

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

Included within the reporting entity:

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

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

Excluded from the reporting entity:

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

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

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

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

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009

**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, 2009**

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

**3. Fiduciary Funds**

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

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

**D. BASIS OF ACCOUNTING**

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

**1. Accrual:**

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

**2. Modified Accrual:**

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

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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, 2009**

**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, 2009**

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

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

**10. Use of Estimates**

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

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**NOTE 2: CASH, OTHER DEPOSITS, AND INVESTMENTS**

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

The carrying amount of the City's deposits with financial institutions was \$5,220,073 on September 30, 2009, and the bank balance was \$6,580,189.

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, 2009, are:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
<b>Governmental Funds:</b>		
General Fund	\$ -	68,458
<b>Proprietary Funds:</b>		
Internal Service	9,583	34,654
<b>Fiduciary Funds:</b>		
Payroll Clearing Fund	70,544	
	\$ 80,127	103,112

**CITY OF STARKVILLE, MISSISSIPPI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Adjustments	Increases	Decreases	Balance September 30, 2009
<b>Governmental Activities</b>					
Non-depreciable: Land	\$ 943,255		247,372		1,190,627
Depreciable:					
Buildings	3,336,413				3,336,413
Building Improvements	-				-
Improvements other than buildings	49,669,603				49,669,603
Vehicles	3,927,527		50,128		3,977,655
Machinery and equipment	3,487,913		108,757		3,596,670
Total	60,421,456	-	158,885		60,580,341
Less accumulated depreciation					
Buildings	(1,263,467)		(81,471)		(1,344,938)
Building Improvements	-				-
Improvements other than buildings	(41,457,441)	(1)	(1,299,084)		(42,756,526)
Vehicles	(2,432,216)		(245,076)		(2,677,292)
Machinery and equipment	(2,577,088)	6,549	(296,421)		(2,866,960)
Total	(47,730,212)	6,548	(1,922,052)		(49,645,716)
Net book value	12,691,244	6,548	(1,763,167)		10,934,625
<b>Internal Service Fund</b>					
Total depreciable assets	141,729				141,729
Less accumulated depreciation	(78,738)		(2,948)		(81,686)
Internal Service Fund, net	62,991	-	(2,948)	-	60,043
Governmental Activities Capital Assets, net	\$ 13,697,490	6,548	(1,518,743)	-	12,185,295
<b>Business-type Activities</b>					
Non-depreciable					
Land - Starkville Electric	\$ 653,062		9,090		662,152
Land - Landfill	16,800				16,800
Land - Water	105,623				105,623
Construction in progress - Stk Elec	3,875,954	(3,753)	772,898		4,645,099
Total	4,651,439		781,988	-	5,429,674
Depreciable					
Starkville Electric Property & equipment	32,663,588	(433,681)	2,110,033	(438,265)	33,901,675
Sanitation property & equipment	2,174,492		241,128		2,415,620
Landfill property & equipment	714,590				714,590
Water property & equipment	45,499,591	(44,009)	299,270		45,754,852
Total	81,052,261		2,650,431	(438,265)	82,786,737
Less accumulated depreciation					
Starkville Electric Property & Equipment	(10,428,796)	291,002	(1,625,194)	445,420	(11,317,568)
Sanitation property & equipment	(1,312,738)		(162,796)		(1,475,534)
Landfill property & equipment	(698,417)		(3,569)		(701,986)
Water property & equipment	(20,348,803)		(1,127,635)		(21,476,438)
Total	(32,788,754)	291,002	(2,919,194)	445,420	(34,971,526)
Net book value	48,263,507	291,002	(268,763)	7,155	47,815,211
Business-type Activities Capital Assets, net	\$ 52,914,946	(168,004)	513,225	7,155	53,244,885

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**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
	201,877

Total governmental activities depreciation expense	\$ 1,922,052
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Business-type activities:

Electric	\$ 1,277,205
Water and sewer	1,127,635
Sanitation	162,796
Landfill	3,569
	3,569

Total business-type activities depreciation expense	\$ 2,571,205
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**NOTE 5: LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amount Due Within One Year
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 5,210,000		175,000	5,035,000	180,000
Public Improvement, Series 2007	745,000		175,000	570,000	185,000
Public Improvement, Series 2009		3,000,000		3,000,000	255,000
Notes payable					
Capital Improvements Revolving Loan	312,761		32,822	279,939	34,242
Capital Improvements Revolving Loan	301,424		33,289	268,135	35,224
Public Improvement Note 8/11/2004	316,134		316,134	-	-
Capital Improvements - Fire Truck	686,359		73,016	613,343	76,345
Capital Improvements - Police Vehicles	104,995		104,995	-	-
Capital Improvements - Street Sweeper	73,913		41,554	32,359	32,359
Capital Improvements - Excavator	104,085		26,584	77,501	27,986
Capital Improvements-Pub Safety Info Sys	265,937		49,690	216,247	51,453
Compensated absences	478,906	174,493		653,399	-
Total	\$ 8,599,514	3,174,493	1,028,084	10,745,923	877,609

**CITY OF STARKVILLE, MISSISSIPPI  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

	<u>Balance</u> <u>October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30, 2009</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Business-type Activities					
Bonds and notes payable					
Electric Dept '96 G.O. Bond	\$ 1,110,000		350,000	760,000	370,000
Electric System Refunding Bonds, Series 2001	765,000		240,000	525,000	255,000
Electric System Bonds, Series 2001	3,075,000		165,000	2,910,000	175,000
Electric System Revenue Bonds, Series 2004	2,560,000		160,000	2,400,000	170,000
Electric System Revenue Bonds, Series 2006	1,905,000		100,000	1,805,000	105,000
Drinking Water Improvements Revolving Loan	486,978		28,011	458,967	28,862
Drinking Water Improvements Revolving Loan	1,153,670		55,901	1,097,769	57,888
Drinking Water Improvements Revolving Loan	1,529,621		55,224	1,474,397	57,474
Drinking Water Improvements Revolving Loan	867,913		38,893	829,020	39,877
Water Pollution Control Revolving Loan	3,346,886		168,632	3,178,254	171,608
Water Pollution Control Revolving Loan		275,288	3,535	271,753	10,800
MDA Capital Improvements Loan		769,730		769,730	60,000
Compensated absences	164,511		30,013	134,498	-
Total	<u>\$ 16,964,579</u>	<u>1,045,018</u>	<u>1,395,209</u>	<u>16,614,388</u>	<u>1,501,509</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, 2009.

**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, 2009**

**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, 2009, 2008, and 2007 were \$977,320, \$963,971, and \$856,048, 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 \$362,465 in 2009. 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, 2009**

**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.

**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, 2009**

	Original Budget	Revisions	Revised Budget	Actual	Variance
<b>REVENUES</b>					
General property taxes	\$ 3,482,007	(29,000)	3,453,007	3,409,359	(43,648)
Licenses and permits	218,800	38,880	257,680	426,033	168,353
<b>Intergovernmental</b>					
Federal	1,287,967	(423,742)	864,225	1,376,051	511,826
State of Mississippi	6,352,288	128,084	6,480,372	6,137,631	(342,741)
Oktibbeha County and Mississippi State	743,352	(29,413)	713,939	670,856	(43,083)
Fines and forfeits	1,138,800	26,975	1,165,775	977,321	(188,454)
Interest income	177,300	-	177,300	42,253	(135,047)
Penalties and interest - prior year taxes	75,000	20,000	95,000	108,955	13,955
Other revenues	1,836,804	159,936	1,996,740	969,857	(1,026,883)
<b>Total Revenues before Prior Year Fund Balance</b>	<b>15,312,318</b>	<b>(108,280)</b>	<b>15,204,038</b>	<b>14,118,316</b>	<b>(1,085,722)</b>
<b>Prior year fund balance:</b>					
Appropriated for current year budget	1,953,199	(355,953)	1,597,246		(1,597,246)
<b>Total Revenues and Prior Year Fund Balance</b>	<b>17,265,517</b>	<b>(464,233)</b>	<b>16,801,284</b>	<b>14,118,316</b>	<b>(2,682,968)</b>
<b>EXPENDITURES</b>					
General government	3,393,084	(166,799)	3,226,285	3,399,286	(173,001)
<b>Public safety:</b>					
Police	4,110,708	114,870	4,225,578	3,873,623	351,955
Fire	3,409,065	125,059	3,534,124	3,036,147	497,977
Public inspection	116,663	3,823	120,486	106,126	14,360
Civil defense	4,200	200	4,400	4,663	(263)
Highways and streets	1,368,313	227,980	1,596,293	1,538,673	57,620
Health and sanitation	197,572	(7,538)	190,034	187,047	2,987
Culture and recreation	1,002,505	179,030	1,181,535	1,068,364	113,171
Other	225,400	242,977	468,377	775,478	(307,101)
Capital outlay	1,078,000	65,084	1,143,084	867,528	275,556
<b>Debt service:</b>					
Principal	858,083	(113,549)	744,534	848,262	(103,728)
Interest	-	-	-	158,605	(158,605)
<b>Total Expenditures</b>	<b>15,763,593</b>	<b>671,137</b>	<b>16,434,730</b>	<b>15,863,802</b>	<b>570,928</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,501,924</b>	<b>(1,135,370)</b>	<b>366,554</b>	<b>(1,745,486)</b>	<b>(2,112,040)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	934,405	133,419	1,067,824	966,333	(101,491)
Transfers out	(909,405)	-	(909,405)	(991,333)	(81,928)
Transfers from other departments	990,000	-	990,000	1,073,473	83,473
<b>Net other financing sources (uses)</b>	<b>1,015,000</b>	<b>133,419</b>	<b>1,148,419</b>	<b>1,048,473</b>	<b>(99,946)</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>2,516,924</b>	<b>(1,001,951)</b>	<b>1,514,973</b>	<b>(697,013)</b>	<b>(2,211,986)</b>
<b>Fund balances, October 1, 2008 (Non-GAAP budgetary basis)</b>	<b>441,246</b>		<b>1,659,156</b>	<b>1,083,356</b>	<b>(575,800)</b>
<b>Less budgeted fund balance</b>	<b>(485,881)</b>	<b>-</b>	<b>(485,881)</b>		<b>485,881</b>
<b>Fund balances, September 30, 2009 (Non-GAAP budgetary basis)</b>	<b>\$ 2,472,289</b>		<b>2,688,248</b>	<b>386,343</b>	<b>(2,301,905)</b>

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING BALANCE SHEET BY ACTIVITY**  
**GENERAL FUND**  
**SEPTEMBER 30, 2009**

	<u>General Activities</u>	<u>Restricted Police Activities</u>	<u>Restricted Fire Activities</u>	<u>Parks and Recreation Activities</u>	<u>Airport Activities</u>	<u>Multi-Unit Task Force Operations</u>	<u>Subtotal</u>	<u>Eliminating Entries</u>	<u>Total General Fund</u>
<b>Assets</b>									
Cash and cash equivalents	\$ 210,903			2,818	(4,798)	25,937	234,860		234,860
Cash - restricted		30,498	148,749				179,247		179,247
Receivables (Net)									
Accounts	528,515			997	225		529,737		529,737
Other	9,760						9,760		9,760
Due from other departments	43,185						43,185		43,185
Due from other funds	11,078				(148)		10,930	(10,930)	-
Inventory	18,800						18,800		18,800
<b>Total Assets</b>	<u>\$ 822,241</u>	<u>30,498</u>	<u>148,749</u>	<u>3,815</u>	<u>(4,721)</u>	<u>25,937</u>	<u>1,026,519</u>	<u>(10,930)</u>	<u>1,015,589</u>
<b>Liabilities</b>									
Accounts payable	\$ 554,767	4,643		(139)	1,517		560,788		560,788
Due to other funds	80,127			(739)			79,388	(10,930)	68,458
	<u>634,894</u>	<u>4,643</u>	<u>-</u>	<u>(878)</u>	<u>1,517</u>		<u>640,176</u>	<u>(10,930)</u>	<u>629,246</u>
<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				4,693			4,693		4,693
Reserved for inventory	6,180						6,180		6,180
Fund balances - unreserved/undesignated	181,167						181,167		181,167
<b>Total Fund Equity</b>	<u>187,347</u>	<u>25,855</u>	<u>148,749</u>	<u>4,693</u>	<u>(6,238)</u>	<u>25,937</u>	<u>386,343</u>		<u>386,343</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 822,241</u>	<u>30,498</u>	<u>148,749</u>	<u>3,815</u>	<u>(4,721)</u>	<u>25,937</u>	<u>1,026,519</u>	<u>(10,930)</u>	<u>1,015,589</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, 2009**

	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	3,409,359						3,409,359
Licenses and permits							
Privilege license	91,561						91,561
Permits and inspections	164,579						164,579
Franchise fees	169,893						169,893
Intergovernmental							
Federal							
DUI	74,839						74,839
FAA						961,259	961,259
Childcare grant	339,953						339,953
State of Mississippi							
General sales tax	5,217,611						5,217,611
Liquor licenses	54,675						54,675
Municipal aid - gas tax	18,076						18,076
City utilities tax	58,105						58,105
Law enforcement assistance grants	18,974						18,974
Fire protection grants			115,559				115,559
Municipal Aid	11,399						11,399
Homestead	129,467						129,467
Tennessee Valley Authority	419,138						419,138
Housing Authority	36,363						36,363
Miscellaneous	58,264						58,264
Oktibbeha County and Mississippi State							
Road maintenance	413,808						413,808
Airport support						39,023	39,023
Fire control	190,188						190,188
Lieu of tax	27,837						27,837
Fines and forfeits	977,321						977,321
Interest income	42,049		204				42,253
Penalties and interest - prior years taxes	108,955						108,955

**CITY OF STARKVILLE, MISSISSIPPI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BY ACTIVITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	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	106,171						106,171
Mississippi Valley Gas	90,794						90,794
Rents	180					41,192	41,372
Housing Authority-policing funds	24,000						24,000
Other	551,421	13,963		130,696		11,440	707,520
Total Revenues	<u>12,804,980</u>	<u>13,963</u>	<u>115,763</u>	<u>130,696</u>	<u>-</u>	<u>1,052,914</u>	<u>14,118,316</u>
<b>Expenditures</b>							
<b>General government:</b>							
<b>Legislative</b>							
Personal services	124,771						124,771
Other services and charges	11,223						11,223
Total Legislative	<u>135,994</u>						<u>135,994</u>
<b>Judicial</b>							
Personal services	329,203						329,203
Supplies	11,506						11,506
Other services and charges	8,898						8,898
Capital outlay	2,362						2,362
Total Judicial	<u>351,969</u>						<u>351,969</u>
<b>Executive</b>							
Personal services	386,134						386,134
Supplies	14,917						14,917
Other services and charges	56,734						56,734
Total Executive	<u>457,785</u>						<u>457,785</u>
<b>Election</b>							
Personal services	11,599						11,599
Other services and charges	21,991						21,991
Total Election	<u>33,590</u>						<u>33,590</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, 2009**

	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	270,704						270,704
Other services and charges	137,442						137,442
Total City Clerk and Tax Collector	<u>408,146</u>						<u>408,146</u>
Legal							
Personal services	128,073						128,073
Other services and charges	57,676						57,676
Total Legal	<u>185,749</u>						<u>185,749</u>
City Planner							
Personal services	190,147						190,147
Supplies	1,997						1,997
Other services and charges	18,370						18,370
Capital outlay	4,673						4,673
Total City Planner	<u>215,187</u>						<u>215,187</u>
Other Administrative							
Personal services	129,724						129,724
Supplies	1,401						1,401
Capital outlay	1,596						1,596
Other services and charges	486,377						486,377
Total Other Administrative	<u>619,098</u>						<u>619,098</u>
City Hall							
Personal services	33,430						33,430
Supplies	4,154						4,154
Other services and charges	27,651						27,651
Total City Hall	<u>65,235</u>						<u>65,235</u>
Other Miscellaneous							
Personal services						32,383	32,383
Supplies						1,712	1,712
Other services and charges						23,158	23,158
Capital outlay						869,280	869,280
Total Other Miscellaneous	<u>-</u>					<u>926,533</u>	<u>926,533</u>
Total General Government	<u>2,472,753</u>					<u>926,533</u>	<u>3,399,286</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, 2009**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Public Safety							
Public Safety - Police and E911							
Personal services	2,929,350						2,929,350
Supplies	68,836	8,304					77,140
Other services and charges	716,310						716,310
Capital outlay	150,823						150,823
Total Public Safety - Police and E911	<u>3,865,319</u>	<u>8,304</u>			<u>-</u>		<u>3,873,623</u>
Public Safety - Fire							
Personal services	2,737,104						2,737,104
Supplies	17,052						17,052
Other services and charges	239,022						239,022
Capital outlay	42,969						42,969
Total Public Safety - Fire	<u>3,036,147</u>						<u>3,036,147</u>
Public Safety - Public Inspection							
Personal services	91,711						91,711
Supplies	2,137						2,137
Other services and charges	10,581						10,581
Capital outlay	1,697						1,697
Total Public Safety - Public Inspection	<u>106,126</u>						<u>106,126</u>
Public Safety - Civil Defense							
Supplies	507						507
Other services and charges	4,156						4,156
Total Public Safety - Civil Defense	<u>4,663</u>						<u>4,663</u>
Total Public Safety	<u>7,012,255</u>	<u>8,304</u>			<u>-</u>		<u>7,020,559</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, 2009**

	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	495,568						495,568
Supplies	109,840						109,840
Other services and charges	118,300						118,300
Capital outlay	45,757						45,757
<b>Total City Streets</b>	<b>769,465</b>						<b>769,465</b>
Street Lights							
Other services and charges	501,842						501,842
<b>Total Street Lights</b>	<b>501,842</b>						<b>501,842</b>
Landscaping							
Personal services	185,466						185,466
Supplies	15,858						15,858
Other services and charges	34,282						34,282
Capital outlay	31,760						31,760
<b>Total Landscaping</b>	<b>267,366</b>						<b>267,366</b>
<b>Total Highways and Streets</b>	<b>1,538,673</b>						<b>1,538,673</b>
Health and Sanitation							
Health and welfare - animals							
Personal services	63,336						63,336
Supplies	4,910						4,910
Other services and charges	12,801						12,801
Transfer to Humane Society	106,000						106,000
<b>Total Health and Welfare - Animals</b>	<b>187,047</b>						<b>187,047</b>
<b>Total Health and Sanitation</b>	<b>187,047</b>						<b>187,047</b>
Culture and Recreation							
Parks and Recreation							
Personal services				580,402			580,402
Supplies				32,764			32,764
Other services and charges				455,198			455,198
<b>Total Parks and Recreation</b>	<b>-</b>			<b>1,068,364</b>			<b>1,068,364</b>
<b>Total Culture and Recreation</b>	<b>-</b>			<b>1,068,364</b>			<b>1,068,364</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, 2009**

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Debt Service							
Principal	775,246		73,016				848,262
Interest	127,307		31,298				158,605
Total Debt Service	902,553		104,314				1,006,867
Total Debt Service	902,553		104,314				1,006,867
Miscellaneous							
Appropriations to other entities	770,928						770,928
Capital outlay - street improvements	867,528						867,528
Other miscellaneous			4,550				4,550
Total Miscellaneous	1,638,456		4,550				1,643,006
Total Expenditures	13,751,737	8,304	108,864	1,068,364	-	926,533	15,863,802
Excess (Deficiency) of Revenues Over (Under) Expenditures	(946,757)	5,659	6,899	(937,668)	-	126,381	(1,745,486)
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	25,000			909,405		31,928	966,333
Transfers from other departments	1,073,473						1,073,473
Operating transfers out	(991,333)						(991,333)
Total Other Financing Sources (Uses)	107,140			909,405		31,928	1,048,473
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(839,617)	5,659	6,899	(28,263)	-	158,309	(697,013)
<b>Fund Balances</b>							
September 30, 2008	1,026,964	20,196	141,850	32,956	25,937	(164,547)	1,083,356
September 30, 2009	\$ 187,347	25,855	148,749	4,693	25,937	(6,238)	386,343

**CITY OF STARKVILLE, MISSISSIPPI  
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<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	\$ 218,178		460,147	678,325
Cash - restricted		478,744		478,744
Receivables (Net)				
Other	95	86,365		86,460
Notes receivable (Net)	41,699			41,699
	<u>41,699</u>	<u>86,365</u>		<u>128,064</u>
Total Assets	<u>\$ 259,972</u>	<u>565,109</u>	<u>460,147</u>	<u>1,285,228</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	2,776	-	2,776
Other liabilities	6,455			6,455
	<u>6,455</u>	<u>2,776</u>	<u>-</u>	<u>9,231</u>
Total Liabilities	<u>6,455</u>	<u>2,776</u>	<u>-</u>	<u>9,231</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - reserved				
Reserved for police protection	3,264			3,264
Reserved for debt service		562,333		562,333
Reserved for capital projects			460,147	460,147
Restricted for economic development	143,527			143,527
Fund balances - unreserved/undesignated	106,726			106,726
	<u>106,726</u>	<u>562,333</u>	<u>460,147</u>	<u>1,129,206</u>
Total Fund Balances	<u>253,517</u>	<u>562,333</u>	<u>460,147</u>	<u>1,275,997</u>
Total Liabilities and Fund Balances	<u>\$ 259,972</u>	<u>565,109</u>	<u>460,147</u>	<u>1,285,228</u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Revenues</b>				
Intergovernmental:				
State of Mississippi	\$ -	91		91
Special 2% Tax			522,555	522,555
Property tax revenue		1,407,212		
Interest income	212	1,741		1,953
Miscellaneous income	44,020			44,020
Total Revenues	<u>44,232</u>	<u>1,409,044</u>	<u>522,555</u>	<u>568,619</u>
<b>Expenditures</b>				
Debt Service:				
Principal	49,690	1,015,000	175,000	1,239,690
Interest	13,187	375,064	204,650	592,901
Capital outlay	70,673		89,996	160,669
Miscellaneous		8,442	1,940	10,382
Total Expenditures	<u>133,550</u>	<u>1,398,506</u>	<u>471,586</u>	<u>2,003,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(89,318)</u>	<u>10,538</u>	<u>50,969</u>	<u>(1,435,023)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other departments				-
Operating transfers out	(25,000)	(495,118)	(88,923)	(609,041)
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(495,118)</u>	<u>(88,923)</u>	<u>(609,041)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(114,318)</u>	<u>(484,580)</u>	<u>(37,954)</u>	<u>(2,044,064)</u>
<b>Fund Balances</b>				
September 30, 2008	<u>367,835</u>	<u>1,046,913</u>	<u>498,101</u>	<u>1,912,849</u>
September 30, 2009	<u>\$ 253,517</u>	<u>562,333</u>	<u>460,147</u>	<u>(131,215)</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**STATEMENT OF NET ASSETS – NON-MAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2009**

	<b>Sanitary Landfill Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$74,322
Accounts receivables, net	19,522
Other receivables, net	58,495
Total current assets	152,339
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	29,404
Total non-current assets	29,404
 Total Assets	 181,743
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	823
Accrued liabilities	6,091
Due to other funds	3,943
Total current liabilities	10,857
 Total Liabilities	 10,857
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	29,404
Unrestricted	141,482
 Total net assets	 \$170,886

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Sanitary Landfill Fund</u>
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 242,875
Total operating revenues	<u>242,875</u>
<b><u>OPERATING EXPENSES</u></b>	
Operating and maintenance	224,142
Depreciation	<u>3,569</u>
Total operating expenses	<u>227,711</u>
Operating income	<u>15,164</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Miscellaneous	<u>                    </u>
Total non-operating revenues (expenses)	<u>-</u>
Change in net assets	15,164
Total net assets, beginning	<u>155,722</u>
Total net assets, ending	<u><u>\$ 170,886</u></u>

**CITY OF STARKVILLE, MISSISSIPPI  
STATEMENT OF CASH FLOWS – NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Sanitary Landfill Fund</b>
<b><u>Cash Flows From Operating Activities</u></b>	
Cash received from customers	\$ 224,248
Cash paid to employees	(79,754)
Cash paid to suppliers	(144,388)
Net cash flows from operating activities	106
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers out	-
Net cash flows from noncapital financing activities	-
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchase of capital assets	-
Other receipts (expenses)	-
Net cash flows from capital and related financing activities	-
<b><u>Cash Flows from Investing Activities</u></b>	
Receipt of interest	-
Net cash flows from investing activities	-
Net change in cash	106
Cash and cash equivalents, October 1, 2007	74,216
Cash and cash equivalents, September 30, 2008	\$ 74,322
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>	
Operating income	\$ 15,164
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	10,658
(Increase) decrease in due from other funds	9,445
Increase (decrease) in payables	(2,730)
Increase (decrease) in due to other funds	(36,000)
Total adjustments	(15,058)
Net cash provided by operating activities	\$ 106

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2009**

<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.	\$ 10,000
Dianne Evans	Secretary/Clerk	Western Surety Co.	\$ 10,000
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
Tammy Tyndall	Adm Asst/Dep Clerk	Western Surety Co.	\$ 50,000
Tony Rook	Court Administrator	Travelers Casualty	\$ 50,000
Vicki Lowrey	Sec/InHouse Comp	Western Surety Co.	\$ 50,000
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, 2009**

Name and Date	Maturity Date	Interest Percent	Balance 10/1/08	Transactions		Balance 9/30/09
				Issued	Redeemed	
<b>General Obligation Bonds</b>						
<b>Governmental Activities:</b>						
Parks and Recreation, Series 2007	3/1/2009	3.87	\$ 175,000		175,000	-
	3/1/2010	3.87	180,000			180,000
	3/1/2011	3.87	190,000			190,000
	3/1/2012	3.87	200,000			200,000
	3/1/2013	3.87	215,000			215,000
	Thereafter	3.87	4,250,000			4,250,000
<b>Total</b>			<u>5,210,000</u>	<u>-</u>	<u>175,000</u>	<u>5,035,000</u>
Public Improvement, Series 2007	4/1/2009	4.10	175,000		175,000	-
	4/1/2010	4.10	185,000			185,000
	4/1/2011	4.10	190,000			190,000
	4/1/2012	4.10	195,000			195,000
<b>Total</b>			<u>745,000</u>	<u>-</u>	<u>175,000</u>	<u>570,000</u>
Public Improvement, Series 2009	4/1/2010	3.00		255,000		255,000
	4/1/2011	3.00		265,000		265,000
	4/1/2012	3.00		270,000		270,000
	4/1/2013	3.00		280,000		280,000
	4/1/2014	3.00		295,000		295,000
	Thereafter	3.00		1,635,000		1,635,000
<b>Total</b>			<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
<b>Total General Obligation Bond Liability, Governmental Activities</b>			<u>\$ 5,955,000</u>	<u>3,000,000</u>	<u>350,000</u>	<u>8,605,000</u>
<b>Business-type Activities:</b>						
System Improvements Bonds, 4/1/1996	4/1/2009		350,000		350,000	-
	4/1/2010		370,000			370,000
	4/1/2011		390,000			390,000
<b>Total</b>			<u>1,110,000</u>	<u>-</u>	<u>350,000</u>	<u>760,000</u>
Electric System Refunding Bonds, Series 2001	4/1/2009	4.00	240,000		240,000	-
	4/1/2010	4.00	255,000			255,000
	4/1/2011	4.00	270,000			270,000
<b>Total</b>			<u>765,000</u>	<u>-</u>	<u>240,000</u>	<u>525,000</u>
Electric System Bonds, Series 2001	4/1/2009	5.80	165,000		165,000	-
	4/1/2010	4.20	175,000			175,000
	4/1/2011	4.20	185,000			185,000
	4/1/2012	4.20	195,000			195,000
	4/1/2013	4.20	205,000			205,000
	Thereafter		2,150,000			2,150,000
<b>Total</b>			<u>3,075,000</u>	<u>-</u>	<u>165,000</u>	<u>2,910,000</u>
Electric System Revenue Bonds, Series 2004	11/1/2008	3.50	160,000		160,000	-
	11/1/2009	3.50	170,000			170,000
	11/1/2010	3.50	175,000			175,000
	11/1/2011	3.50	185,000			185,000
	11/1/2012	3.50	195,000			195,000
	Thereafter		1,675,000			1,675,000
<b>Total</b>			<u>2,560,000</u>	<u>-</u>	<u>160,000</u>	<u>2,400,000</u>
Electric System Revenue Bonds, Series 2006	11/1/2009	5.25	100,000		100,000	-
	11/1/2010	5.25	105,000			105,000
	11/1/2011	5.25	105,000			105,000
	11/1/2012	4.00	115,000			115,000
	11/1/2013	4.00	120,000			120,000
	Thereafter		1,360,000			1,360,000
<b>Total</b>			<u>1,905,000</u>	<u>-</u>	<u>100,000</u>	<u>1,805,000</u>
<b>Total Bond Liability, Business-type Activities</b>			<u>\$ 9,415,000</u>	<u>-</u>	<u>1,015,000</u>	<u>8,400,000</u>
<b>Total Bond Liability</b>			<u>\$ 15,370,000</u>	<u>3,000,000</u>	<u>1,365,000</u>	<u>17,005,000</u>

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF LONG-TERM NOTES  
SEPTEMBER 30, 2009**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2008</u>	<u>Transactions</u>		<u>Balance 9/30/2009</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable</b>						
<b>Governmental Activities:</b>						
Capital Improvements - Fire Truck	FY09	4.47%	73,016		73,016	-
	FY10	4.47%	76,345			76,345
	FY11	4.47%	79,827			79,827
	FY12	4.47%	83,467			83,467
	FY13	4.47%	87,273			87,273
	Thereafter	4.47%	286,431			286,431
Total			<u>686,359</u>		<u>73,016</u>	<u>613,343</u>
Capital Improvements Revolving Loan	FY09	5.66%	32,822		32,822	-
	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
	Thereafter	5.66%	130,569			130,569
Total			<u>312,761</u>		<u>32,822</u>	<u>279,939</u>
Capital Improvements Revolving Loan	FY09	5.66%	33,289		33,289	-
	FY10	5.66%	35,224			35,224
	FY11	5.66%	37,268			37,268
	FY12	5.66%	39,433			39,433
	FY13	5.66%	41,528			41,528
	Thereafter	5.66%	114,682			114,682
Total			<u>301,424</u>		<u>33,289</u>	<u>268,135</u>
Capital Improvements Revolving Loan	FY09	2.69%	316,134		316,134	-
Total			<u>316,134</u>		<u>316,134</u>	<u>-</u>
Capital Improvements - Police Vehicles	FY09	5.55%	104,995		104,995	-
Total			<u>104,995</u>	<u>-</u>	<u>104,995</u>	<u>-</u>
Capital Improvements - Street Sweeper	FY09	4.31%	41,554		41,554	-
	FY10	4.31%	32,359			32,359
Total			<u>73,913</u>	<u>-</u>	<u>41,554</u>	<u>32,359</u>
Capital Improvements - Excavator	FY09	5.15%	26,584		26,584	-
	FY10	5.15%	27,986			27,986
	FY11	5.15%	29,462			29,462
	FY12	5.15%	20,053			20,053
Total			<u>104,085</u>	<u>-</u>	<u>26,584</u>	<u>77,501</u>
Capital Improvements - Pub Info Sys	FY09	3.49%	49,690		49,690	-
	FY10	3.49%	51,453			51,453
	FY11	3.49%	53,277			53,277
	FY12	3.49%	55,167			55,167
	FY13	3.49%	56,350			56,350
Total			<u>265,937</u>	<u>-</u>	<u>49,690</u>	<u>216,247</u>
<b>Total Notes Payable, Governmental Activities</b>			<u>\$ 2,165,608</u>	<u>-</u>	<u>678,084</u>	<u>1,487,524</u>

**CITY OF STARKVILLE, MISSISSIPPI**  
**SCHEDULE OF LONG-TERM NOTES (CONTINUED)**  
**SEPTEMBER 30, 2009**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2008</u>	<u>Transactions</u>		<u>Balance 9/30/2009</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable (Continued)</b>						
<b>Business-type activities:</b>						
Drinking Water Systems Improvements Revolving Loan	FY09	3.00%	28,011		28,011	-
	FY10	3.00%	28,862			28,862
	FY11	3.00%	29,741			29,741
	FY12	3.00%	30,637			30,637
	FY13	3.00%	31,578			31,578
	Thereafter	3.00%	338,149			338,149
<b>Total</b>			<u>486,978</u>		<u>28,011</u>	<u>458,967</u>
Drinking Water Systems Improvements Revolving Loan	FY09	3.50%	55,901		55,901	-
	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
	Thereafter	3.50%	853,565			853,565
<b>Total</b>			<u>1,153,670</u>		<u>55,901</u>	<u>1,097,769</u>
Water Pollution Control Revolving Loan	FY09	1.75%	168,632		168,632	-
	FY10	1.75%	171,608			171,608
	FY11	1.75%	174,636			174,636
	FY12	1.75%	177,715			177,715
	FY13	1.75%	180,850			180,850
	Thereafter	1.75%	2,473,445			2,473,445
<b>Total</b>			<u>3,346,886</u>		<u>168,632</u>	<u>3,178,254</u>
Drinking Water Systems Improvements Revolving Loan	FY09	4.00%	55,224		55,224	-
	FY10	4.00%	57,474			57,474
	FY11	4.00%	59,815			59,815
	FY12	4.00%	62,252			62,252
	FY13	4.00%	64,789			64,789
	Thereafter	4.00%	1,230,067			1,230,067
<b>Total</b>			<u>1,529,621</u>	<u>-</u>	<u>55,224</u>	<u>1,474,397</u>
Drinking Water Systems Improvements Revolving Loan	FY09	2.50%	38,893		38,893	-
	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
	Thereafter	2.50%	663,360			663,360
<b>Total</b>			<u>867,913</u>	<u>-</u>	<u>38,893</u>	<u>829,020</u>
Water Pollution Control Revolving Loan	FY09	2.75%		3,535	3,535	-
	FY10	2.75%		10,800		10,800
	FY11	2.75%		11,101		11,101
	FY12	2.75%		10,410		10,410
	FY13	2.75%		11,728		11,728
	Thereafter	2.75%		227,714		227,714
<b>Total</b>			<u>-</u>	<u>275,288</u>	<u>3,535</u>	<u>271,753</u>
MDA Capital Improvements Loan	Pending	Pending	-	769,730		769,730
<b>Total Notes Payable, Business-type Activities</b>			<u>\$ 7,385,068</u>	<u>1,045,018</u>	<u>350,196</u>	<u>8,079,890</u>
<b>Total Notes Payable</b>			<u>\$ 9,550,676</u>	<u>1,045,018</u>	<u>1,028,280</u>	<u>9,567,414</u>

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



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
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R. Steve Sinclair, CPA  
Michael L. Pierce, CPA  
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Auita L. Goodrum, CPA

**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, 2009, which collectively comprise the City of Starkville, Mississippi's basic financial statements and have issued our report thereon dated April 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Starkville, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Starkville, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Starkville, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (Findings 2009-01, 2009-02, 2009-03 and 2009-04)

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

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

#### Compliance and Other Matters

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

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

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

Starkville, Mississippi  
April 21, 2010

Wath: Wad of Stafford LLC

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



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

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

Compliance

We have audited the compliance of the City of Starkville, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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, 2009.

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  
April 21, 2010

*Wathis Ward Stafford PLLC*

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



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
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Gary C. Hamilton, CPA  
R. Steve Sinclair, CPA  
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Marsha L. McDonald, CPA

Wanda S. Holley, CPA  
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J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
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Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA

**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, 2009, and have issued our report thereon dated April 21, 2010. 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  
April 21, 2010

*Watt: Ward of Stafford PLLC*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Section 1: Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Starkville, Mississippi.
2. The audit of the financial statements did not disclose any material weaknesses in internal control.
3. No instances of noncompliance material to the financial statements of City of Starkville, Mississippi were disclosed during the audit.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. The auditors' report on compliance for the major federal award programs for City of Starkville, Mississippi expresses an unqualified opinion on all major federal programs.
6. The audit did disclose significant deficiencies in internal control which are required to be reported in accordance with Government Auditing Standards.
7. The programs tested as major programs included: the Child Care and Development Block Grant CFDA #93.575, the Community Development Block Grant CFDA # 14.228, 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**

2009-01 Finding: There was one (1) transaction that resulted in a duplicate payment to a vendor in the one hundred fourteen (114) expenditures/payables tested. The City was reimbursed by the vendor for the duplicate payment.

Recommendation: The accounts payable clerk should insure that invoices are paid from original documents only.

Response: The accounts payable clerk will insure that original documents are used before presenting the invoice for payment.

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

2009-02 Finding: The accounts payable and payroll liabilities as reported in the general ledger do not reconcile to the subsidiary ledgers.

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

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

2009-03 Finding: As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance. The absence of management preparation of the financial statements creates the potential that a misstatement could occur and not be prevented or detected by the City's internal control.

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

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

2009-04 Finding: The City is not maintaining adequate detail fixed asset records including current additions and related depreciation calculations as required by current GAAP.

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

Response: The fixed asset depreciation schedule will be maintained.

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

None

**CITY OF STARKVILLE, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<b><u>Federal Agency/ Pass-through Entity/ Program Title</u></b>	<b><u>Catalog of Federal Domestic Assistance Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed-through Federal-State Programs:		
Community Development Block Grant	14.228	\$ 450,000
ARC Grant	14.228	200,000
Total U.S. Department of Housing and Urban Development		<u>650,000</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	339,523
Total U.S. Department of Health and Human Services		<u>339,523</u>
<b><u>U. S. Department of Transportation</u></b>		
Direct Programs:		
Airport Improvement Program	20.106	632,018
Occupant Protection Incentive Grants	20.602	18,974
Passed through Federal-State Programs:		
NHTSA 154 Transfer of Funds FY09	20.607	74,839
Total U. S. Department of Transportation		<u>725,831</u>
<b><u>Total Expenditures of Federal Awards</u></b>		<u><u>\$ 1,715,354</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.