

ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE

STARKVILLE, MISSISSIPPI

AUDIT REPORT

JUNE 30, 2014

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
AUDIT REPORT
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Electric Department of the City of Starkville, Mississippi, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Department of the City of Starkville, Mississippi, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Department of the City of Starkville, Mississippi and do not purport to, and do not present fairly the financial position of the City of Starkville, Mississippi, as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electric Department of the City of Starkville, Mississippi's financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2015, on our consideration of the Electric Department 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Electric Department of the City of Starkville, Mississippi's internal control over financial reporting and compliance.

West Point, Mississippi
April 24, 2015

Watkins Ward and Stafford, PLLC

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
BALANCE SHEETS**

Assets

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>Utility Plant:</u>		
Electric plant in service	\$ 47,018,992	44,735,001
Less: Accumulated provision for depreciation	(16,516,279)	(15,299,905)
Total Utility Plant	<u>30,502,713</u>	<u>29,435,096</u>
<u>Other Property and Investments:</u>		
Other Investments	<u>138,554</u>	<u>117,772</u>
Total Other Property and Investments	<u>138,554</u>	<u>117,772</u>
<u>Current Assets:</u>		
Cash and cash equivalents	7,304,855	3,321,115
Accounts receivable (net of allowance for doubtful accounts of \$124,468 in 2014 and \$124,468 in 2013)	5,952,855	5,621,479
Due from other city departments	91,265	89,738
Other receivables	55,894	55,223
Material and supplies	802,497	778,578
Prepaid expense	2,934,336	5,740,228
Total Current Assets	<u>17,141,702</u>	<u>15,606,361</u>
<u>Other Assets:</u>		
Receivables from customers for electric conservation loans	52,023	51,849
Unamortized work order closeout	786,221	991,323
Unamortized debt expense	122,881	145,009
Clearing accounts	24,515	(81,910)
Total Other Assets	<u>985,640</u>	<u>1,106,271</u>
	<u>\$ 48,768,609</u>	<u>46,265,500</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
BALANCE SHEETS (CONTINUED)**

Liabilities and Capital

	June 30,	
	<u>2014</u>	<u>2013</u>
<u>Accumulated Earnings:</u>	\$ 34,581,388	31,857,534
<u>Long-term Debt</u>		
Long-term debt less current maturities of \$655,493 in 2014 and \$634,274 in 2013	3,769,565	4,430,058
Premium on bond	102,038	120,396
Deferred loss on refunding	(130,435)	(153,798)
Total Long-term Debt	<u>3,741,168</u>	<u>4,396,656</u>
<u>Current Liabilities:</u>		
Accounts payable	5,997,206	6,035,466
Due to other city departments	1,294,303	1,149,666
Customer deposits	2,053,327	1,967,980
Accrued interest - long-term debt	30,915	34,886
Accrued expenses	269,252	93,646
Current portion of long-term debt	655,493	634,274
Other current liabilities	92,621	42,588
Total Current Liabilities	<u>10,393,117</u>	<u>9,958,506</u>
<u>Other Liabilities:</u>		
Advances from TVA for customer conservation loans	52,936	52,804
Total Other Liabilities	<u>52,936</u>	<u>52,804</u>
<u>Total Liabilities and Capital</u>	<u>\$ 48,768,609</u>	<u>46,265,500</u>

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
STATEMENTS OF INCOME**

	Years Ended June 30,	
	2014	2013
<u>Operating Revenue</u>	\$ 40,497,243	39,939,092
<u>Purchased Power</u>	32,083,216	31,582,472
<u>Operating Expenses:</u>		
Operation Expenses:		
Distribution expense	555,058	585,116
Customer accounts expense	357,319	348,396
Customer service and sales expense	105,378	49,123
Administrative and general	954,130	830,744
Total Operation Expense	1,971,885	1,813,379
Maintenance Expenses:		
Distribution expense	716,395	700,596
Administrative and general	8,788	16,614
Total Maintenance Expenses	725,183	717,210
Other Operating Expenses:		
Depreciation expense	1,566,406	1,499,957
Tax equivalent to city	1,281,373	1,257,500
Old age benefits	20,283	19,305
Total Other Operating Expenses	2,868,062	2,776,762
Total Operating Expenses	5,565,130	5,307,351
Total Purchased Power and Operating Expenses	37,648,346	36,889,823
<u>Operating Income</u>	2,848,897	3,049,269
<u>Non-Operating Revenues:</u>		
Interest on investments	22,443	17,615
Gain on disposition of property	25,903	1,000
Total Non-Operating Revenues	48,346	18,615
<u>Non-Operating Expenses:</u>		
Interest on long-term debt	117,141	188,005
Amortization of debt expense	34,729	39,072
Miscellaneous expense	21,519	17,322
Total Non-Operating Expenses	173,389	244,399
<u>Net Income</u>	\$ 2,723,854	2,823,485

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
STATEMENTS OF ACCUMULATED EARNINGS**

	Years Ended June 30,	
	2014	2013
<u>Balance, Beginning of Year</u>	\$ 31,857,534	29,034,049
Net Income	2,723,854	2,823,485
<u>Balance, End of Year</u>	\$ 34,581,388	31,857,534

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2014	2013
<u>Cash Flows from Operating Activities:</u>		
Net Income	\$ 2,723,854	2,823,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,623,684	1,573,019
Amortization	22,128	(21,897)
Changes in operating assets and liabilities:		
(Increase) Decrease in current assets:		
Receivables	(333,574)	(45,045)
Materials and supplies	(23,919)	(32,189)
Prepaid expense	2,805,892	948,108
Deferred debits	98,677	(1,043,338)
Increase (Decrease) in current liabilities:		
Payables	106,377	(600,236)
Customer deposits	85,347	83,853
Other liabilities	221,668	(11,582)
Deferred credits	5,005	(13,313)
Net Cash Provided by Operating Activities	7,335,139	3,660,865
<u>Cash Flows From Investing Activities:</u>		
Additions to plant	(2,559,365)	(1,185,722)
Removal cost	(335,707)	(222,800)
Salvage	23,639	7,882
Other	180,132	90,845
(Increase) Decrease in:		
Other investments	(20,782)	593,938
Energy conservation loans receivable	(174)	(5,680)
Net Cash Used in Investing Activities	(2,712,257)	(721,537)

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
STATEMENTS OF CASH FLOWS (CONTINUED)**

	Years Ended June 30,	
	2014	2013
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Proceeds on borrowings	\$ -	2,410,000
Principal payments on long-term debt	(639,274)	(3,358,097)
Bond issuance costs	-	(23,444)
Increase (Decrease) in:		
TVA advances for customer conservation loans	132	5,920
Net Cash Used in Capital and Related Financing Activities	(639,142)	(965,621)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	3,983,740	1,973,707
<u>Cash and Cash Equivalents at Beginning of Year</u>	3,321,115	1,347,408
<u>Cash and Cash Equivalents at End of Year</u>	\$ 7,304,855	3,321,115
 Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ 121,112	201,690

The accompanying notes are an integral part of these financial statements.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

Note 1: Summary of Significant Accounting Policies

The Electric Department is owned by the City of Starkville, Mississippi, and distributes electrical energy to consumers residing within the municipality. All energy distributed by the System is purchased on a wholesale basis from the Tennessee Valley Authority. The contract with TVA contains certain provisions as to the method required to be used when determining rates to be charged to consumers and the manner in which profits realized from operations are to be disposed.

The Electric Department of the City of Starkville is a component unit of the City of Starkville, Mississippi. The determination of the status of a component unit was made by applying the criteria set forth in GAAP. The basic - but not only - criterion for the determination as a component unit is a governing body's ability to exercise oversight responsibility over the potential component unit. 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 the determination as a component unit 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 determine if the entity is a component unit 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 Electric Department of the City of Starkville was considered to be a component unit of the City of Starkville, Mississippi.

These financial statements present only the financial statements of the Electric Department of the City of Starkville, and are not intended to present fairly the financial position of the City of Starkville, Mississippi, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

These financial statements are included in the audit report of the City of Starkville, Mississippi, for the year ended September 30, 2014. Management's Discussion and Analysis as it relates to the Electric Department is included as part of the City's audit report.

Since the Electric Department of the City of Starkville customer base consists entirely of residents of the City of Starkville and Mississippi State University, the continued existence of the Department is dependent on the general economy of that area.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

As a distributor of electricity, there is the possibility that environmental conditions may arise which would require the Electric Department of the City of Starkville to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the Department's financial position or future cash flows.

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Department has elected to follow (1) all GASB pronouncements and (2) all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), no matter when issued, except those that conflict with a GASB pronouncement. Accordingly, the financial statements of Electric Department of the City of Starkville have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Electric Department of the City of Starkville purchases 100% of its power for resale from Tennessee Valley Authority. As per the power contract, the Electric Department of the City of Starkville utilizes their prescribed chart of accounts, which is consistent with the requirements of the Federal Energy Regulatory Commission.

Cash

The Electric Department of the City of Starkville deposits excess funds in financial institutions selected by the City board in accordance with state statutes. Such balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2014 balances in excess of insured were \$7,120,753.

The collateral for public entities' deposits in financial institutions in excess of insured amounts is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss Code Ann. (1972).

Under this program, the 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 System considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents."

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists of amounts due from customers for electricity purchased.

The Electric Department of the City of Starkville uses the reserve method of accounting for doubtful accounts. The reserve balance is calculated based on historical writeoffs.

The Electric Department of the City of Starkville collects for the Water and Sewer Department and the City Sanitation Department as a means of convenience for both departments. These amounts are transferred to the appropriate department monthly. The Electric Department of the City of Starkville does this without charge to the other departments.

Inventories

Inventory is valued at the lower of cost or market as determined by the average cost method. Perpetual inventory records are maintained.

Depreciation of Fixed Assets

Fixed assets are capitalized and depreciated over their useful lives of from ten to fifty years using the straight-line method.

Use of Estimates

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

Concentrations

For the years ended June 30, 2014 and 2013, the Electric Department of the City of Starkville purchased 100% of its electricity to be resold from Tennessee Valley Authority, as per contract. At June 30, 2014 and 2013, amounts due to Tennessee Valley Authority for purchased power included in accounts payable were \$5,849,518 and \$5,582,358, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$8,021 and \$3,405 for 2014 and 2013.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 2: Utility Plant

The following is a summary of changes in the Utility Plant for the year ended June 30, 2014:

	Balance 7/1/2013	Additions	Retirements	Reclass- ifications	Balance 6/30/2014
<u>Non-Depreciable Capital Assets</u>					
Land	\$ 692,582	1,561	-	-	694,143
Electric Plant Sold	(338,213)	-	-	-	(338,213)
Construction in Progress	912,786	393,938	-	-	1,306,724
Total Non-Depreciable					
Capital Assets	1,267,155	395,499	-	-	1,662,654
<u>Depreciable Capital Assets</u>					
Transmission Plant	4,280,737	-	-	-	4,280,737
Distribution Plant	31,301,573	2,013,814	(204,757)	-	33,110,630
General Plant	7,885,536	150,052	-	(70,617)	7,964,971
Total Depreciable Capital Assets	43,467,846	2,163,866	(204,757)	(70,617)	45,356,338
<u>Less Accumulated Depreciation</u>					
Transmission Plant	(2,233,251)	(147,004)	-	-	(2,380,255)
Distribution Plant	(9,577,511)	(1,132,399)	372,610	134,153	(10,203,147)
General Plant	(3,489,143)	(367,919)	167,854	(243,669)	(3,932,877)
Total Accumulated Depreciation	(15,299,905)	(1,647,322)	540,464	(109,516)	(16,516,279)
Total Utility Plant	\$ 29,435,096	912,043	335,707	(180,133)	30,502,713

The following is a summary of changes in the Utility Plant for the year ended June 30, 2013:

	Balance 7/1/2012	Additions	Retirements	Reclass- ifications	Balance 6/30/2013
<u>Non-Depreciable Capital Assets</u>					
Land	\$ 687,700	4,882	-	-	692,582
Electric Plant Sold	(338,213)	-	-	-	(338,213)
Construction in Progress	1,917,869	(1,005,083)	-	-	912,786
Total Non-Depreciable					
Capital Assets	2,267,355	(1,000,201)	-	-	1,267,155
<u>Depreciable Capital Assets</u>					
Transmission Plant	4,276,558	21,169	(16,990)	-	4,280,737
Distribution Plant	29,623,304	1,918,291	(240,022)	-	31,301,573
General Plant	7,651,922	246,463	(12,849)	-	7,885,536
Total Depreciable Capital Assets	41,551,785	2,185,923	(269,861)	-	43,467,846
<u>Less Accumulated Depreciation</u>					
Transmission Plant	(2,120,117)	(147,136)	34,002	-	(2,233,251)
Distribution Plant	(8,714,092)	(1,055,047)	445,811	-	(9,323,328)
General Plant	(3,286,611)	(469,563)	12,848	-	(3,743,326)
Total Accumulated Depreciation	(14,120,820)	(1,671,746)	492,661	-	(15,299,905)
Total Utility Plant	\$ 29,698,320	(486,024)	222,800	-	29,435,096

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 2: Utility Plant (Continued)

The Electric Department of the City of Starkville capitalizes property and equipment which have an estimated useful life of one year. An analysis of the utility plant and the related accumulated depreciation is presented on page 20 of this report.

Depreciation expense totaled \$1,623,684 and \$1,573,019 in 2014 and 2013, respectively. Of these amounts, \$1,566,406 and \$1,499,957 were charged to depreciation expense and \$57,278 and \$73,062 were charged to building and transportation clearings in 2014 and 2013, respectively.

Note 3: Other Investments

Other investments consist of the following:

	June 30,	
	2014	2013
CSA stockholder loan	\$ 20,185	20,185
Southeastern Data Co-operative	<u>118,369</u>	<u>97,587</u>
	<u>\$ 138,554</u>	<u>117,772</u>

Note 4: Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts Due Within 1 Year
General Obligation bonds payable	\$ 4,620,000	-	(480,000)	4,140,000	490,000
Revenue bonds payable	255,000	-	(125,000)	130,000	130,000
Notes payable	<u>189,332</u>	<u>-</u>	<u>(34,274)</u>	<u>155,058</u>	<u>35,493</u>
Total	<u>\$ 5,064,332</u>	<u>-</u>	<u>(639,274)</u>	<u>4,425,058</u>	<u>655,493</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts Due Within 1 Year
General Obligation bonds payable	\$ 2,440,000	2,410,000	(230,000)	4,620,000	475,000
Revenue bonds payable	3,350,000	-	(3,095,000)	255,000	125,000
Notes payable	<u>222,429</u>	<u>-</u>	<u>(33,097)</u>	<u>189,332</u>	<u>34,274</u>
Total	<u>\$ 6,012,429</u>	<u>2,410,000</u>	<u>(3,358,097)</u>	<u>5,064,332</u>	<u>634,274</u>

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 4: Long-term Debt (Continued)

The following are details of the long-term debt:

	June 30	
	2014	2013
Revenue bonds issued August 1, 2006, at interest rates from 4.00% to 5.25%. These bonds are to be retired on November 1 through 2021 with annual maturities of \$100,000 to \$180,000 with interest payable on May 1 and November 1.	\$ 130,000	255,000
General obligation refunding bonds issued March 22, 2011, at interest rates from 2.00% to 3.50%. These are to be retired on April 1, 2012 through 2021 with annual maturities of \$225,000 to \$315,000 with interest payable on April 1 and October 1.	1,965,000	2,210,000
General obligation refunding bonds issued May 17, 2013, at interest rates of 2%. These are to be retired on November 1, 2013 to 2020 with annual maturities of \$165,000 to \$420,000 with interest payable on May 1 and November 1.	2,175,000	2,410,000
Notes payable issued July 5, 2011, at 3.5% interest rate. This note is to be retired on July 5, 2018 with a monthly principal and interest payment in the amount of \$1,376.	62,738	76,785
Notes payable issued August 2, 2011, at 3.5% interest rate. This note is to be retired on August 2, 2018 with a monthly principal and interest payment in the amount of \$1,987.	<u>92,320</u>	<u>112,547</u>
Total Long-term Debt	<u>4,425,058</u>	<u>5,064,332</u>

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 4: Long-term Debt (Continued)

	June 30	
	2014	2013
Premium on issuance of General Obligation Refunding Bonds, Series 2011	\$ 17,864	20,510
Premium on issuance of General Obligation Refunding Bonds, Series 2013	84,174	99,886
Deferred loss on current refunding of General Obligation Bonds, Series 2011	(25,546)	(29,330)
Deferred loss on current refunding of General Obligation Bonds, Series 2013	(104,889)	(124,468)
Net Long-term Debt	4,396,661	5,030,930
Less: Current maturities	(655,493)	(634,274)
Net Long-term Debt Less Current Maturities	<u>\$ 3,741,168</u>	<u>4,396,656</u>

Following are maturities of long-term debt for each of the next 5 years:

June 30, 2015	\$ 655,493
2016	676,755
2017	703,063
2018	719,417
2019	715,330

General Obligation Bond, Series 2011

On March 22, 2011, the City of Starkville issued \$2,665,000 in General Obligation Refunding Bonds, Series 2012 with an average interest rate of 2.98% at a premium of \$26,465. The net proceeds of \$2,607,478 (after payment of \$79,950 of issuance costs and \$4,037 for contingencies) were used to refund the outstanding Electric System Revenue Bonds, Series 2001.

The refunding of the Revenue Bonds, Series 2001 resulted in a deferred loss of \$37,845 between the reacquisition price and the bond's net carrying value of \$2,550,000. This deferred loss, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2021 using the straight-line method.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 4: Long-term Debt (Continued)

The \$26,465 premium on the General Obligation Refunding Bonds, Series 2012, reported on the accompanying financial statements as an addition to bonds payable, is being charged to operations through the year 2021 using the straight-line method.

The bond refunding decreased the debt service payments relative to the refunded bonds by \$167,504 with a net present value saving of \$150,476 at 3.352% present value factor.

General Obligation Bond, Series 2013

On May 17, 2013, the City of Starkville issued \$2,410,000 in General Obligation Refunding Bonds, Series 2013 with an interest rate of 2% at a premium of \$101,009. The net proceeds of \$2,905,867 (after adding transfers from prior issue DSR Funds of \$475,469, less a payment of \$78,325 of issuance costs and \$2,286 for contingencies) were used to refund the outstanding Electric System Revenue Bonds, Series 2004 and Series 2006.

The refunding of the Revenue Bonds, Series 2004 and Series 2006 resulted in a deferred loss of \$125,867 between the reacquisition price and the bond's net carrying value of \$2,780,000. This deferred loss, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2021 using the straight-line method.

The \$101,009 premium on the General Obligation Refunding Bonds, Series 2013, reported on the accompanying financial statements as an addition to bonds payable, is being charged to operations through the year 2021 using the straight-line method.

The bond refunding decreased the debt service payments relative to the refunded bonds by \$201,242 with a net present value savings of \$192,955 at .8767% present value factor.

Note 5: Risk Management

The Department 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 Department 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.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 6: Pension Plan

Plan Description. The Electric Department of the City of Starkville contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the Electric Department of the City of Starkville is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Electric Department of the City of Starkville contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$223,409, \$193,139, and \$171,837, respectively, equal to the required contributions for each year.

Note 7: Subsequent Events

The date to which events occurring after June 30, 2014, have been evaluated for possible adjustment to the financial statements or disclosure is April 24, 2015, which is the date the financial statements were issued.

In July and August 2014, a cashier of the Department embezzled collections on customers' accounts totaling \$28,049.30. The cash was withheld from the daily deposits. Restitution was made in full in January 2015.

SUPPLEMENTAL INFORMATION

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
JUNE 30, 2014**

Mayor, Board of Aldermen and Manager

<u>Name</u>	<u>Address</u>	<u>Principal Business</u>
Parker Wiseman, Mayor	101 E. Lampkin Street	Full-time Mayor
Ben Carver Alderman, Ward 1	28 Lakes Boulevard	Governmental Training Officer
Lisa Wynn Alderman, Ward 2	209 Lynn Lane	Retired
David Little Alderman, Ward 3	100 Cypress Point Road	Farm Bureau
Jason Walker Alderman, Ward 4	204 North Nash Street	Mississippi State University Employee
Scott Maynard Alderman, Ward 5	502 North Montgomery Street	Mississippi State University Employee
Roy A. Perkins Alderman, Ward 6	P.O. Box 678	Attorney
Henry N. Vaughn, Sr. Alderman, Ward 7	105 Henderson Street	Administrator

Manager

Terry Kemp	860 Old West Point Road	General Manager
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**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
ANALYSIS OF UTILITY PLANT AND ACCUMULATED DEPRECIATION**

Description	Balance 6/30/2013	Additions	Retirements and Deductions	Balance 6/30/2014	Rate	Balance 6/30/2013	Additions and Accruals	Deductions	Balance 6/30/2014
Transmission Plant:									
Land and land rights	\$ 13,333	-	-	13,333	0.00%	-	-	-	-
Station equipment	2,292,710	-	-	2,292,710	3.00%	1,135,092	68,781	-	1,203,873
Towers and fixtures	72,003	-	-	72,003	4.00%	47,233	2,851	-	50,084
Poles and fixtures	1,370,740	-	-	1,370,740	4.00%	783,852	54,281	-	838,133
Overhead conductors and devices	510,408	-	-	510,408	4.00%	257,354	20,212	-	277,566
Roads and trails	34,876	-	-	34,876	2.50%	9,720	879	-	10,599
Total Transmission Plant	<u>4,294,070</u>	<u>-</u>	<u>-</u>	<u>4,294,070</u>		<u>2,233,251</u>	<u>147,004</u>	<u>-</u>	<u>2,380,255</u>
Distribution Plant:									
Land and land rights	299,576	-	-	299,576	0.00%	-	-	-	-
Station equipment	6,053,376	52,596	-	6,105,972	3.00%	2,616,909	188,969	-	2,805,878
Poles, towers and fixtures	4,702,674	537,322	86,842	5,153,154	4.00%	1,038,753	97,655	170,367	966,041
Overhead conductors and devices	3,692,561	225,797	21,367	3,896,991	3.25%	1,354,655	112,176	44,893	1,421,938
Underground conduit	1,580,780	61,317	-	1,642,097	4.00%	153,095	63,785	-	216,880
Underground conductors and devices	4,047,098	266,190	20,831	4,292,457	3.50%	619,431	146,700	31,176	734,955
Line transformers	5,551,982	580,998	35,924	6,097,056	2.50%	1,170,304	145,792	58,394	1,257,702
Services	2,082,619	30,107	8,487	2,104,239	4.00%	1,100,616	83,023	13,828	1,169,811
Meters	1,155,971	101,861	-	1,257,832	3.00%	463,073	39,206	-	502,279
Installations on customers' premises	932,264	38,189	13,881	956,572	6.00%	586,532	57,476	24,005	620,003
Street lighting and signal systems	1,502,248	119,437	17,425	1,604,260	4.00%	474,143	63,464	29,947	507,660
Total Distribution Plant	<u>31,601,149</u>	<u>2,013,814</u>	<u>204,757</u>	<u>33,410,206</u>		<u>9,577,511</u>	<u>998,246</u>	<u>372,610</u>	<u>10,203,147</u>
General Plant:									
Land and land rights	379,673	1,561	-	381,234	0.00%	-	-	-	-
Structures and improvements	3,973,757	-	70,557	3,903,200	2.50%	592,217	48,495	-	640,712
Office furniture and equipment	880,060	77,948	-	958,008	10.00%	471,605	61,143	-	532,748
Transportation equipment	1,326,233	39,330	-	1,365,563	4.00%	1,028,658	56,090	-	1,084,748
Stores equipment	47,841	11,173	-	59,014	5.00%	14,210	2,205	-	16,415
Tools, shop and garage equipment	196,579	8,837	-	205,416	8.00%	165,795	29,293	-	195,088
Laboratory equipment	108,185	5,974	-	114,159	2.00%	51,579	9,168	-	60,747
Power operated equipment	1,126,974	-	-	1,126,974	10.00%	570,058	71,685	-	641,743
Communications equipment	214,822	6,362	-	221,184	10.00%	110,082	25,870	-	135,952
Miscellaneous equipment	11,085	428	60	11,453	6.66%	3,022	630	-	3,652
Other	-	-	-	-		481,917	307,009	167,854	621,072
Total General Plant	<u>8,265,209</u>	<u>151,613</u>	<u>70,617</u>	<u>8,346,205</u>		<u>3,489,143</u>	<u>611,588</u>	<u>167,854</u>	<u>3,932,877</u>
Total Plant in Service	<u>44,160,428</u>	<u>2,165,427</u>	<u>275,374</u>	<u>46,050,481</u>		<u>15,299,905</u>	<u>1,756,838</u>	<u>540,464</u>	<u>16,516,279</u>
Electric Plant Sold	<u>(338,213)</u>	<u>-</u>	<u>-</u>	<u>(338,213)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Construction Work in Progress	<u>912,786</u>	<u>393,938</u>	<u>-</u>	<u>1,306,724</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Electric Plant	<u>\$ 44,735,001</u>	<u>2,559,365</u>	<u>275,374</u>	<u>47,018,992</u>		<u>15,299,905</u>	<u>1,756,838</u>	<u>540,464</u>	<u>16,516,279</u>
New additions to plant	\$ 2,559,365								
Original cost of retirements			204,757					204,757	
Removal cost of retired assets								335,707	
Reclassifications			70,617				109,515		
Salvage on retired assets							23,639		
Current year depreciation							1,623,684		
	\$ <u>2,559,365</u>		<u>275,374</u>				<u>1,756,838</u>	<u>540,464</u>	

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
DETAILED COMPARATIVE STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE FIGURES FOR 2013**

	<u>2014</u>		<u>2013</u>		
	Amount	% of Total Operating Revenue	Amount	% of Total Operating Revenue	Increase or (Decrease)
<u>Operating Revenue:</u>					
Sales of Electric Energy:					
Residential	\$ 13,281,866	32.8%	12,689,326	31.8%	592,540
Small commercials	3,601,505	8.9%	3,515,463	8.8%	86,042
Large commercials	22,248,684	54.9%	22,319,554	55.9%	(70,870)
Street and outdoor lighting	800,456	2.0%	814,547	2.0%	(14,091)
Total Electric Revenue	<u>39,932,511</u>	<u>98.6%</u>	<u>39,338,890</u>	<u>98.5%</u>	<u>593,621</u>
Rent from electric property	155,269	0.4%	151,206	0.4%	4,063
Forfeited discounts	180,740	0.4%	197,858	0.5%	(17,118)
Miscellaneous electric revenue	228,723	0.6%	251,138	0.6%	(22,415)
Total Operating Revenue	<u>40,497,243</u>	<u>100.0%</u>	<u>39,939,092</u>	<u>100.0%</u>	<u>558,151</u>
<u>Purchased Power</u>	<u>32,083,216</u>	<u>79.2%</u>	<u>31,582,472</u>	<u>79.1%</u>	<u>500,744</u>
<u>Operating Expenses:</u>					
Distribution Expenses:					
Maintenance of overhead lines	240	0.0%	4,783	0.0%	(4,543)
Supervision and engineering	19,963	0.0%	19,965	0.0%	(2)
Station expense	47,666	0.1%	30,374	0.1%	17,292
Line expense	132,565	0.3%	165,967	0.4%	(33,402)
Street lighting and signal system	7,558	0.0%	22,953	0.1%	(15,395)
Meter expense	193,947	0.5%	197,745	0.5%	(3,798)
Customer installations	48,211	0.1%	42,278	0.1%	5,933
Rents	6,554	0.0%	6,447	0.0%	107
Miscellaneous	98,354	0.2%	94,604	0.2%	3,750
	<u>555,058</u>	<u>1.2%</u>	<u>585,116</u>	<u>1.4%</u>	<u>(30,058)</u>
Customer Accounts Expense:					
Meter reading expense	107,757	0.3%	107,165	0.3%	592
Customer records and collections	249,037	0.6%	241,815	0.6%	7,222
Uncollectible accounts	525	0.0%	(584)	0.0%	1,109
	<u>357,319</u>	<u>0.9%</u>	<u>348,396</u>	<u>0.9%</u>	<u>8,923</u>

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
DETAILED COMPARATIVE STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE FIGURES FOR 2013 (CONTINUED)**

	<u>2014</u>	% of Total Operating Revenue	<u>2013</u>	% of Total Operating Revenue	Increase or (Decrease)
	Amount		Amount		
<u>Operating Expenses (Continued)</u>					
Sales Expense:					
Customer assistance	\$ 10,565	0.0%	10,129	0.0%	436
Customer service	26,792	0.1%	28,380	0.1%	(1,588)
Demo and selling expense	60,000	0.1%	-	0.0%	60,000
Advertising	8,021	0.0%	3,405	0.0%	4,616
Miscellaneous	-	0.0%	7,209	0.0%	(7,209)
	<u>105,378</u>	<u>0.2%</u>	<u>49,123</u>	<u>0.1%</u>	<u>56,255</u>
Administrative and General:					
Salaries	299,533	0.7%	213,410	0.5%	86,123
Office expense	139,509	0.3%	151,428	0.4%	(11,919)
Outside services employed	92,611	0.2%	104,981	0.3%	(12,370)
Property insurance	13,439	0.0%	17,700	0.0%	(4,261)
Injuries and damages	131,207	0.3%	82,397	0.2%	48,810
Employee pensions and benefits	191,155	0.5%	159,107	0.4%	32,048
Miscellaneous	86,676	0.2%	101,721	0.3%	(15,045)
	<u>954,130</u>	<u>2.2%</u>	<u>830,744</u>	<u>2.1%</u>	<u>123,386</u>
Maintenance Expense:					
Supervision and engineering	20,324	0.1%	19,965	0.0%	359
Station equipment	14,422	0.0%	43,442	0.1%	(29,020)
Line maintenance	596,562	1.5%	523,240	1.3%	73,322
Line transformer maintenance	6,952	0.0%	(2,183)	0.0%	9,135
Street lighting and signal system	65,835	0.2%	110,318	0.2%	(44,483)
Meter maintenance	7,311	0.0%	3,065	0.0%	4,246
Miscellaneous distribution plant	4,989	0.0%	2,749	0.0%	2,240
General plant	8,788	0.0%	16,614	0.0%	(7,826)
	<u>725,183</u>	<u>1.8%</u>	<u>717,210</u>	<u>1.8%</u>	<u>7,973</u>

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
DETAILED COMPARATIVE STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE FIGURES FOR 2013 (CONTINUED)**

	<u>2014</u>		<u>2013</u>		
	Amount	% of Total Operating Revenue	Amount	% of Total Operating Revenue	Increase or (Decrease)
<u>Operating Expenses (Continued)</u>					
Other Operating Expenses:					
Depreciation	\$ 1,566,406	3.9%	1,499,957	3.8%	66,449
Tax equivalent to city	1,281,373	3.2%	1,257,500	3.2%	23,873
Old age benefits	20,283	0.1%	19,305	0.0%	978
	<u>2,868,062</u>	<u>7.2%</u>	<u>2,776,762</u>	<u>7.0%</u>	<u>91,300</u>
Total Operating Expenses	<u>5,565,130</u>	<u>13.5%</u>	<u>5,307,351</u>	<u>12.7%</u>	<u>257,779</u>
 Total Purchased Power and Operating Expenses	 <u>37,648,346</u>	 <u>92.7%</u>	 <u>36,889,823</u>	 <u>91.8%</u>	 <u>758,523</u>
 <u>Income From Operations</u>	 <u>2,848,897</u>	 <u>7.3%</u>	 <u>3,049,269</u>	 <u>8.2%</u>	 <u>(200,372)</u>
<u>Non-Operating Income:</u>					
Interest on investments	22,443	0.1%	17,615	0.0%	4,828
Gain on disposition of property	25,903	0.1%	1,000	0.0%	24,903
	<u>48,346</u>	<u>0.2%</u>	<u>18,615</u>	<u>0.0%</u>	<u>29,731</u>
<u>Non-Operating Deductions:</u>					
Interest on long-term debt	117,141	0.3%	188,005	0.5%	(70,864)
Amortization of debt expense	34,729	0.1%	39,072	0.1%	(4,343)
Miscellaneous	21,519	0.1%	17,322	0.0%	4,197
	<u>173,389</u>	<u>0.5%</u>	<u>244,399</u>	<u>0.6%</u>	<u>(71,010)</u>
 <u>Net Income</u>	 <u>\$ 2,723,854</u>	 <u>7.0%</u>	 <u>2,823,485</u>	 <u>7.6%</u>	 <u>(99,631)</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	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., 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
City of Starkville
Starkville, Mississippi

We have audited, in accordance with the 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, the financial statements of the Electric Department of the City of Starkville, Mississippi, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated April 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Electric Department of the City of Starkville, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Electric Department of the City of Starkville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Electric Department of the City of Starkville, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [Finding 2014-1 and 2014-2]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric Department of the City of Starkville, Mississippi's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West Point, Mississippi
April 24, 2015

Watkins Ward and Stafford, PLLC

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2014**

2014-1 Unassigned Electric Meters (Repeat Finding)

Statement of Condition

The Electric Department of the City of Starkville has seventeen meters not assigned to a single location, sealed and read monthly. These “floating” meters were provided to customers needing temporary services at varying locations on a routine basis. Customer sets the meter when and where temporary service is needed and is responsible for bringing meter in for periodic readings.

Criteria

To insure all power usage is captured for billing, The Electric Department of the City of Starkville’s policies require meters to be assigned to a route, physically set, and sealed by Electric Department employees per a service order at the time service is provided.

Effect

Energy consumption through these “floating” meters is not billed and collected on a timely basis.

Cause

The Electric Department of the City of Starkville provides these unset, unsealed meters to customers requesting temporary services after evaluating the circumstances relative to the request.

Recommendation

Meters should only be issued, set and sealed by Electric Department personnel upon receipt of a proper service order assigning meter to a route.

Response

Starkville Electric Department acknowledges the problem and is working to resolve it.

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
June 30, 2014**

2014-2 Bank Reconciliations (Repeat Finding)

Statement of Condition

The Electric Department of the City of Starkville's year-end reconciled balance of its operating cash account was \$160,843 more than the balance per the financial statements.

Criteria

All cash accounts should be reconciled to bank balances monthly to substantiate the financials statement balances.

Effect

Cash at June 30, 2014 and net income for the year then ended was understated by the \$160,843.

Cause

The Electric Department of the City of Starkville's monthly reconciliations contain an "un-located variance". Cash per financial statements aren't adjusted for such variances.

Recommendation

The Electric Department of the City of Starkville should adequately investigate variances in all cash reconciliations and adjust financial statement cash as needed.

Response

The Electric Department of the City of Starkville will implement the necessary procedures to insure monthly cash reconciliations are prepared and are in agreement with the financial statements.

STATUS OF PRIOR YEAR'S RECOMMENDATIONS

**ELECTRIC DEPARTMENT OF THE CITY OF STARKVILLE
STARKVILLE, MISSISSIPPI
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2014**

2013-1 Unassigned Electric Meters

Condition

The Electric Department of the City of Starkville had approximately twenty meters not assigned to a single location, sealed and read monthly. These “floating” meters were provided to customers needing temporary services at varying locations on a routine basis. Customer sets the meter when and where temporary service is needed and is responsible for bringing the meter in for periodic readings.

Recommendation

Meters should only be issued, set and sealed by Electric Department personnel upon receipt of a service order assigning a meter to a route.

Status

The Electric Department of the City of Starkville still has seventeen meters not assigned to a single location. This is still a finding in their report. See Finding 2014-1.

2013-2 Bank Reconciliations

Condition

The Electric Department of the City of Starkville’s year-end reconciled balance of its operating cash account was \$12,765 less than the balance per the financial statements.

Recommendation

The Electric Department of the City of Starkville should adequately investigate variances in all cash reconciliations and adjust financial statement cash as needed.

Status

This is still a finding in their report. See finding 2014-2.