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**STARKVILLE SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

**STARKVILLE SCHOOL DISTRICT  
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**INDEPENDENT AUDITORS' REPORT ON THE BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Starkville School District  
Starkville, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2008, which collectively comprise the Starkville School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Starkville School District'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 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Starkville School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2010, on our consideration of the Starkville School District's internal control over financial reporting and 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 should be considered in assessing the results of our audit.

Management has omitted Management's Discussion and Analysis, that accounting principles generally accepted in the United States of American require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starkville School District's financial statements as a whole. 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 not a required part of the financial statements as a whole. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the financial statements as a whole. 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Starkville, Mississippi  
July 28, 2010

Wathis Ward of Stafford PLLC

**STARKVILLE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**STARKVILLE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS**

**Exhibit A**

**June 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 9,467,797
Cash with fiscal agents	112,326
Due from other governments	1,757,351
Other receivables	92,634
Inventories and prepaid items	50,527
Restricted assets	6,221
Capital assets, not being depreciated:	
Land	187,470
Construction in progress	1,207,960
Capital assets, net of accumulated depreciation:	
Buildings	11,388,587
Building improvements	50,037
Improvements other than buildings	1,689,799
Mobile equipment	821,466
Furniture and equipment	353,938
<b>Total Assets</b>	<u><u>27,186,113</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	324,009
Interest payable on long-term liabilities	44,108
Long-term liabilities, due within one year	
Capital related liabilities	1,108,800
Long-term liabilities, due beyond one year	
Capital related liabilities	12,162,257
Non-capital related liabilities	285,253
<b>Total Liabilities</b>	<u><u>13,924,427</u></u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	2,428,200
Restricted net assets:	
Expendable:	
School-based activities	2,538,110
Capital improvements	4,213,664
Debt service	993,568
Forestry improvements	84,611
Unemployment benefits	124,674
Non-expendable:	
Sixteenth section	6,221
Unrestricted	2,872,638
<b>Total Net Assets</b>	<u><u>\$ 13,261,686</u></u>

The notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit B**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets <u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 23,720,568	1,458,491	3,294,512		(18,967,565)
Support services	13,287,621	1,061,576	2,838,219	126,130	(9,261,696)
Non-instructional	4,099,640	501,782	3,724,366		126,508
Sixteenth section	8,249	-			(8,249)
Interest on long-term Liabilities and other expenses	716,389				(716,389)
Total governmental activities	\$ 41,832,467	3,021,849	9,857,097	126,130	(28,827,391)
General Revenues:					
Taxes:					
					10,779,065
					1,041,202
Unrestricted grants and contributions:					
					17,795,932
					173,020
Unrestricted investment earnings					
					228,690
Sixteenth Section					
					41,088
Other					
					135,619
					30,194,616
Change in Net Assets					
					1,367,225
Net Assets - Beginning					
					11,921,319
Prior Period Adjustments					
					(26,858)
Net Assets - Beginning - Restated					
					11,894,461
Net Assets - Ending					
				\$	13,261,686

The notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2008**

Exhibit C	Major Funds							Total Governmental Funds
	General Fund	Quad Fund	School Food Service Fund	GOB 2007 Bld Fund	Note Debt Service Fund	Other Governmental Funds		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,297,929	64,477	733,906	4,213,664	494,527	1,669,409	9,473,912	
Cash with fiscal agents						112,326	112,326	
Due from other governments	576,360	187,292		-	9,181	984,518	1,757,351	
Accrued interest						-	-	
Due from other funds	430,047	53,970				17,968	501,985	
Inventories and prepaid items	10,959		39,568				50,527	
Total Assets	\$ 3,315,295	305,739	773,474	4,213,664	503,708	2,784,221	11,896,101	
<b>LIABILITIES AND FUND BLANCES</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 87,716		66,534	-		169,653	323,903	
Due to other funds	69,688	157,000			182,663		409,351	
Total Liabilities	157,404	157,000	66,534	-	182,663	169,653	733,254	
Fund Balances:								
Reserved for:								
Unemployment benefits						124,674	124,674	
Forestry improvements						84,611	84,611	
Inventory			39,568				39,568	
Capital Improvements				4,213,664			4,213,664	
Debt service					321,045	716,630	1,037,675	
Undesignated, reported in:								
General fund	3,157,891						3,157,891	
Special Revenue funds		148,739	667,372	-		1,688,653	2,504,764	
Total Fund Balances	3,157,891	148,739	706,940	4,213,664	321,045	2,614,568	11,162,847	
Total Liabilities and Fund Balan	\$ 3,315,295	305,739	773,474	4,213,664	503,708	2,784,221	11,896,101	

The notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT  
RECONCILIATION OF BLANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
June 30, 2008**

**Exhibit C-1**

	Amount
Total Fund Blance - Governmental Funds	\$ 11,162,847
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets which are used in governmental activites are not financial resourees and therefore are not reported in the funds, net of accumulated depreciation of \$11,792,106.	15,699,257
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(13,556,310)
3. Interest payable on long-term liabilities	(44,108)
	13,261,686
Total Net Assest - Governmental Activities	\$ 13,261,686

The notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit D	General Fund	Major Funds				Other Governmental Funds	Total Governmental Funds
		Quad Fund	School Food Service Fund	GOB 2007 Bid Fund	Note Debt Service Fund		
Revenues:							
Local sources	\$ 11,071,782	1,063,759	522,286	92,995	250,092	2,217,489	15,218,403
Intermediate sources	13,539					67,332	80,871
State sources	17,865,996		11,193			3,147,162	21,024,351
Federal sources	305,996		1,596,565	-		5,050,427	6,952,988
Sixteenth section sources						41,088	41,088
Total Revenues	29,257,313	1,063,759	2,130,044	92,995	250,092	10,523,498	43,317,701
Expenditures:							
Instruction	18,065,261	531,107				4,751,098	23,347,466
Support Services	10,107,363	332,433	251,229	-		2,680,628	13,371,653
Noninstructional services	331,205		1,881,125	-		2,188,076	4,400,406
Sixteenth section						8,249	8,249
Facilities acquisition and construction	-			842,032			842,032
Debt service:							
Principal	86,423				125,318	745,000	956,741
Interest	28,693				11,353	261,925	301,971
Other	-					2,000	39,299
Total Expenditures	28,618,945	863,540	2,132,354	879,331	136,671	10,636,976	43,267,817
Excess (Deficiency) of Revenues Over Expenditures	638,368	200,219	(2,310)	(786,336)	113,421	(113,478)	49,884
Other Financing Sources (Uses):							
Operating transfers in	747,053		62,400			665,569	1,475,022
Other financing sources	-		19,760	5,000,000		37,789	5,057,549
Operating transfers out	(953,426)		(133,696)			(387,900)	(1,475,022)
Other financing uses	-					(9,859)	(9,859)
Total Other Financing Sources (Uses)	(206,373)	-	(51,536)	5,000,000	-	305,599	5,047,690
Net Change in Fund Balances	431,995	200,219	(53,846)	4,213,664	113,421	192,121	5,097,574
Fund Balances:							
July 1, 2007	2,761,892	30,064	770,333	-	207,624	2,186,287	5,956,200
Prior period adjustments	(35,996)	(81,544)			-	236,160	118,620
July 1, 2007, as restated	2,725,896	(51,480)	770,333	-	207,624	2,422,447	6,074,820
Decrease in reserve for inventory			(9,547)				(9,547)
June 30, 2008	\$ 3,157,891	148,739	706,940	4,213,664	321,045	2,614,568	11,162,847

These notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Exhibit D-1</b>	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 5,097,574
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$1,197,414 and the depreciation expense amounted to \$662,043.	535,371
2. Payment of principal on long-term liabilities is reported as an expense in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	956,741
3. Losses from the disposal of capital assets are not reported in governmental funds, but the losses increase expenditures in the statement of activities.	(138,827)
4. Governmental funds report interest on long-term debt when due, whereas the statement of activities recognizes it as it accrues, regardless of when the financial resources are available. Accrued interest at year end was \$44,108, which is a decrease from last year.	(27,672)
5. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences increased to \$285,253.	(40,025)
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(9,547)
7. Governmental funds report bond proceeds as other financing sources, but the bond proceeds increases long-term liabilities in the statement of net assets.	(5,000,000)
8. Immaterial unidentified difference related to prior period adjustments necessary to correctly report beginning fund balances.	<u>(6,390)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,367,225</u>

The notes to the financial statements are an integral part of this statement.

**STARKVILLE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**June 30, 2008**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 174,677
Due from other funds	<u>106</u>
Total Assets	<u><u>\$ 174,783</u></u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 59,617
Due to other funds	92,740
Due to student elubs	<u>22,426</u>
Total Liabilities	<u><u>\$ 174,783</u></u>

The notes to the financial statements are an integral part of this statement.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Financial Reporting Entity**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "other stand-alone government." The school district is a related organization of, but not a component unit of the city of Starkville since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

**B. Basis of Presentation**

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

Fund Financial Statements

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

**C. Measurement Focus and Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Quad Fund – This is the school district's fund for accounting for the operation of the Quad County Alternative School.

School Food Service Fund – This is the school district's fund for accounting for the food service operation for the regular school year.

General Obligation 2007 Bond Building Fund – This is the school district's fund for accounting for the general obligation bond funds which are being used for capital improvements.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

Note Debt Service Fund – This is one of the school district’s funds used to account for the repayment of the district’s long-term debt.

All other governmental funds not meeting the criteria established for major funds are presented in the Other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds – 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.

Permanent Funds – Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district’s programs.

**FIDUCIARY FUNDS**

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

**E. Encumbrances.**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**F. Cash and Cash Equivalents**

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 3 months or less. Cash and cash equivalents are valued at cost.

**G. Inventories and Prepaid Items**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

**H. Capital Assets**

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 - 10 years
Furniture and equipment	5,000	3 - 7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

**I. Long-term liabilities**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

**J. Interfund Transactions and Balances**

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

**K. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

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 district:

Reserved for unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements – An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for inventory – An account that represents a 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.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

Reserved for Capital Improvements – An account that represents the fund balance in the GOB 2007 Building Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowings by the school board for capital purposes.

Reserved for debt service – An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

**L. Property Taxes**

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

**M. Mississippi Adequate Education Program Revenues.**

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the state of Mississippi.

**N. Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 1: Summary of Significant Account Policies (continued)**

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

**O. Other Significant Accounting Policies**

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), *et seq.*, and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), *et seq.*, are maintained by the governing authority of the city and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of debt referred to above was a function of the governing authority of the city prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the city who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

**Note 2: Cash and Cash Equivalents and Cash with Fiscal Agents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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 Deposit Insurance Corporation.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 2: Cash and Cash Equivalents and Cash with Fiscal Agents (continued)**

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,473,912 and \$174,677, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and cash equivalents \$9,467,797 and Restricted Assets \$6,221. The Restricted Assets of \$6,221 represent the cash balance of the 16th Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$931,250.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$931,250 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$112,326.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 3: Interfund Transactions and Balances.**

The following is a summary of interfund transactions and balances:

**A. Due From/To Other Funds**

General Fund	\$ 430,047	69,688
Other major funds:		
Quad fund	53,970	157,000
School food service fund		-
Note debt service fund		182,663
Other governmental funds	17,968	-
Fiduciary funds	106	92,740
Total	<u>\$ 502,091</u>	<u>502,091</u>

The purpose of the interfund loans was to cover federal funds not received prior to yearend.

**B. Transfers In/Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 747,053	953,426
Other major funds:		
School food service fund	62,400	133,696
Other governmental funds	665,569	387,900
Total	<u>\$ 1,475,022</u>	<u>1,475,022</u>

The principal purpose of interfund transfers was to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**Starkville School District**  
**Notes to Financial Statements (Continued)**  
**For the Year Ended June 30, 2008**

**Note 4: Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008
<u>Non-depreciable capital assets</u>					
Land	\$ 187,470				187,470
Construction in progress	365,927	842,033			1,207,960
Total non-depreciable capital assets	<u>553,397</u>	<u>842,033</u>	<u>-</u>	<u>-</u>	<u>1,395,430</u>
<u>Depreciable capital assets</u>					
Buildings	19,694,079				19,694,079
Building improvements	54,388				54,388
Improvements other than buildings	2,384,176				2,384,176
Mobile equipment	2,432,958	243,740	(66,850)		2,609,848
Furniture and equipment	1,313,778	111,641	(71,977)		1,353,442
Total depreciable assets	<u>25,879,379</u>	<u>355,381</u>	<u>(138,827)</u>	<u>-</u>	<u>26,095,933</u>
<u>Less accumulated depreciation for:</u>					
Buildings	7,950,066	355,426			8,305,492
Building improvements	2,176	2,175			4,351
Improvements other than buildings	601,170	93,207			694,377
Mobile equipment	1,694,361	94,021			1,788,382
Furniture and equipment	882,290	117,214			999,504
Total accumulated depreciation	<u>11,130,063</u>	<u>662,043</u>	<u>-</u>	<u>-</u>	<u>11,792,106</u>
Total depreciable capital assets, net	<u>14,749,316</u>	<u>(306,662)</u>	<u>(138,827)</u>	<u>-</u>	<u>14,303,827</u>
Governmental activities capital assets, net	<u>15,302,713</u>	<u>535,371</u>	<u>(138,827)</u>	<u>-</u>	<u>15,699,257</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 470,051
Support Services	132,409
Non-instructional	59,583
	<u>\$ 662,043</u>

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 4: Capital Assets (continued)**

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Renovations and addition at Sudduth Elementary	\$ 3,310,586	\$ -0-
Renovations at Starkville High School	3,522,796	-0-
Renovations at Ward Stewart Elementary	<u>4,562,052</u>	<u>-0-</u>
	<u>\$11,395,434</u>	<u>\$ -0-</u>

The above commitments are financed by the \$26,500,000 general obligation bonds authorized on November 14, 2007.

**Note 5: Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 6,665,000	5,000,000	630,000	11,035,000	790,000
B. Limited obligation bonds payable	1,650,000		115,000	1,535,000	120,000
C. Limited tax notes payable	457,601		125,318	332,283	108,480
D. Obligations under capital lease		221,438	20,627	200,811	21,524
E. Obligations under energy efficiency lease	107,499		25,240	82,259	26,699
F. Other loans payable	140,486	(14,226)	40,556	85,704	42,097
G. Compensated absences payable	<u>245,228</u>	<u>40,025</u>		<u>285,253</u>	
Total	<u>\$ 9,265,814</u>	<u>5,247,237</u>	<u>956,741</u>	<u>13,556,310</u>	<u>1,108,800</u>

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 5: Long-term Liabilities (continued)**

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2003 general obligation bonds	2.89%	6/25/2003	12/1/2015	7,470,000	6,035,000
2007 general obligation bonds	3.60%	12/21/2007	3/1/2020	<u>5,000,000</u>	<u>5,000,000</u>
Total				<u>\$ 12,470,000</u>	<u>11,035,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 790,000	382,630	1,172,630
2010	800,000	328,660	1,128,660
2011	990,000	304,960	1,294,960
2012	1,005,000	275,210	1,280,210
2013	1,115,000	242,360	1,357,360
2014-2020	<u>6,335,000</u>	<u>766,383</u>	<u>7,101,383</u>
Total	<u>\$11,035,000</u>	<u>2,300,203</u>	<u>13,335,203</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 2007. This debt will be retired from the debt service fund.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 5: Long-term Liabilities (continued)**

**B. Limited Obligation Bonds Payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement	4.80-4.85	4/1/1998	4/1/2018	\$ 2,400,000	1,535,000
Total				\$ 2,400,000	1,535,000

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	120,000	74,450	194,450
2010	130,000	68,450	198,450
2011	135,000	61,950	196,950
2012	140,000	55,200	195,200
2013	150,000	48,480	198,480
2014-2018	860,000	127,920	987,920
Total	\$ 1,535,000	436,450	1,971,450

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service Fund.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 5: Long-term Liabilities (continued)**

C. Limited Tax Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes 1999	4.94%	7/1/1999	7/1/2009	700,000	160,283
Limited tax notes 2004	3.49%	7/15/2003	7/15/2013	\$ 270,000	172,000
Total				\$ 970,000	332,283

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 108,480	13,892	122,372
2010	113,472	8,900	122,372
2011	28,309	3,674	31,983
2012	29,314	2,668	31,982
2013	30,355	1,627	31,982
2014	22,353	549	22,902
Total	\$ 332,283	31,310	363,593

This debt will be retired from the Note Debt Service fund.

A. Obligations under capital lease

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Equipment Lease 2006	4.28%	9/1/2006	6/1/2016	243,583	200,811
Total				\$ 243,583	200,811

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 5: Long-term Liabilities (continued)**

The following is a schedule by years of the total payments due on this debt:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 21,524	8,252	29,776
2010	22,460	7,316	29,776
2011	23,437	6,339	29,776
2012	24,456	5,320	29,776
2013	25,520	4,256	29,776
2014-2016	<u>83,414</u>	<u>5,914</u>	<u>89,328</u>
Total	<u>\$ 200,811</u>	<u>37,397</u>	<u>238,208</u>

This debt will be retired from the District Maintenance fund.

**B. Obligations under energy efficiency lease**

The following is a schedule by years of the total payments due on this debt:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 26,699	3,949	30,648
2010	28,241	2,407	30,648
2011	<u>27,319</u>	<u>775</u>	<u>28,094</u>
Total	<u>\$ 82,259</u>	<u>7,131</u>	<u>89,390</u>

An energy efficiency lease agreement dated April 23, 2001 was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$233,944 for the purchase of energy efficiency equipment, machinery, supplies, building modifications, and other energy saving items. Payments of the lease shall be made from the district maintenance fund and are not to exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the district maintenance fund.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 5: Long-term Liabilities (continued)**

**C. Other Loans Payable**

The school district has issued debt instruments granted under the authority of Section 57-39-205, Miss. Code Ann. (1972).

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy efficiency Loan	1.25%	05/01/04	05/01/10	<u>\$291,125</u>	<u>\$ 85,704</u>
Total				<u>\$291,125</u>	<u>\$ 85,704</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 42,097	1,597	43,694
2010	<u>43,607</u>	<u>1,609</u>	<u>45,216</u>
Total	<u>\$ 85,704</u>	<u>3,206</u>	<u>88,910</u>

This debt will be retired from the district maintenance fund.

**D. Compensated Absences Payable.**

As more fully explained in Note 1(N), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 6: Defined Benefit Pension Plan.**

Plan Description. The school district 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.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008, was 11.30% 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 school district's contributions to PERS for the years ending June 30, 2008, 2007, and 2006 were \$2,717,790, \$2,410,016, and \$1,982,732, respectively, which equaled the required contributions for each year.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 7: Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 18,340
2010	11,222
2011	11,222
2012	10,922
2013	10,922
2014-2018	12,364
2019-2023	7,250
2024-2028	7,250
2028-2029	<u>1,450</u>
Total	<u>\$ 90,942</u>

**Note 8: Deficit Fund Balance of Individual Funds**

A generic fund type listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

<u>Fund</u>	<u>Fund Balance</u>
Title I-A Basic	\$ 49,956
Homeless Self Funded	3,649
Evenstart Fund	272

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 8: Deficit Fund Balance of Individual Funds (continued)**

The deficit fund balances are in violation of Section 37-61-19, Miss. Code Ann. (1972). These deficits could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

**Note 9: Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

<u>Exhibit B – Statement of Activities</u>	<u>Amount</u>
Explanation(s)	
1. To correct a prior year error in recording a liability	(145,478)
2. To correct a prior year error in recording revenues or expenditures	<u>118,620</u>
Total	<u>\$ (26,858)</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

	<u>Explanation(s)</u>		<u>Amount</u>
General Fund	To record prior year expense		(35,996)
Quad Fund	To record prior year expense		(81,544)
Other Governmental Funds	To correct prior year revenue		<u>236,160</u>
	Total		<u>\$118,620</u>

**Note 10: Short-term Financing**

During the fiscal year ended June 30, 2008, the school district participated in the following short-term financing:

A. Mississippi School Boards Association (MSBA) cash flow management program

Under this program, the school district issues a revenue anticipation note payable, and the proceeds from such issuance are held by the financial institution serving as trustee under the program. The school district makes withdrawals from the trustee throughout the fiscal year based on its cash flow needs. The school district earns a fixed rate of return on its investable net proceeds held by the trustee, and such earnings are used to cover the interest and related issuance costs of the note. Depending upon whether the earnings are more or less than the interest and related issuance costs, the school district receives a distribution from or makes a payment to the trustee.

**Starkville School District  
Notes to Financial Statements  
For the Year Ended June 30, 2008**

**Note 10: Short-term Financing (continued)**

All transactions related to participation in this program are accounted for as part of the school district's General Fund. The purpose of the borrowing was for cash flow in anticipation of the tax proceeds to be received in the spring.

Changes in short-term debt activity recorded in the governmental activities during the fiscal year 2008 are as follows:

<u>Description</u>	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>
1. Tax anticipation note	\$ -0-	1,110,000	1,110,000	-0-
Total	<u>\$ -0-</u>	<u>1,110,000</u>	<u>1,110,000</u>	<u>-0-</u>

**Note 11: Subsequent Events**

On August 5, 2008, the district awarded the Armstrong Middle School addition to the low bidder West Brothers Construction Company at a total cost of \$4,831,561. On September 16, 2008, the district issued \$9,925,000 in general obligation bonds. On December 4, 2008, the district issued a \$1,050,000 tax anticipation note under the Mississippi School Boards Association (MSBA) cash flow management program. On August 18, 2009, the district issued \$8,575,000 in general obligation bonds. The board also approved a resolution authorizing the district to proceed with issuing its remaining authority of \$3,000,000 as Qualified School Construction Bonds. The total authorized general obligation bonds for capital improvements was \$26,500,000. On December 9, 2009, the district awarded the renovation of Henderson School to West Brothers Construction Company at a total cost of \$3,017,700.

**Note 12: Risk Management**

The school district 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. Except as described below, the district 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.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 13:     Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Starkville School District filed lists of children as required, no division of sixteenth section revenues has been recorded as a receivable or payable, as the case may be.

Of the townships Starkville School District shares with other school districts, Starkville School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Starkville School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Starkville School District may be entitled to a portion of the sixteenth section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of the liabilities owed to other school districts nor the amounts of receivables from other school districts can be determined.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 14: Prior Year Defeasance of Debt**

In 2003, the Starkville School District defeased certain general obligation and other bonds (1995 and 1996 series) by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$6,035,000 of bonds outstanding are defeased.

**Note 15: Alternative School Consortium**

The school district entered into an Alternative School Agreement dated September 2, 1993 creating the Quad County Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Starkville School District, the Noxubee County School District, the Oktibbeha County School District, the Choctaw County School District, and the Lowndes County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972) allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead school district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Starkville School District has been designated as the lead school district for the Quad County Alternative School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Quad County Alternative School.

**Starkville School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2008**

**Note 15: Alternative School Consortium (continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended June 30, 2008

**Revenues:**

Local Sources

Tuition from other LEA's within the state

Noxubee County School District	\$	170,361
Oktibbeha County School District		151,856
Lowndes County School District		430,959
Starkville School District		308,400
Total tuition from other LEA's within the state		1,061,576

Interest		2,183
Total local sources		1,063,759

Total Revenue		1,063,759
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**Expenditures:**

Salaries		593,452
Employee benefits		163,616
Other professional services		29,474
Purchased property services		32,039
Other purchased services		1,977
Supplies		23,433
Property		19,382
Other objects		167
Total Expenditures		863,540

Excess of Revenues over Expenditures		200,219
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Net Change in Fund Balance		200,219
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**Fund Balance**

July 1, 2007		30,064
Prior period adjustments		(81,544)
July 1, 2007, as restated		(51,480)
June 30, 2008	\$	148,739

**STARKVILLE SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Starkville School District**  
**Budgetary Comparison Schedule for the General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 11,961,169	11,961,169	11,071,782	0	(889,387)
Intermediate Sources			13,539		13,539
State sources	18,492,687	18,492,687	17,865,996	0	(626,691)
Federal sources	249,000	249,000	305,996	0	56,996
Total Revenues	<u>30,702,856</u>	<u>30,702,856</u>	<u>29,257,313</u>	<u>0</u>	<u>(1,445,543)</u>
<b>Expenditures</b>					
Instruction	18,804,438	18,804,438	18,065,261	0	739,177
Support Services	10,140,456	10,140,456	10,107,363	0	33,093
Noninstructional services	5,000	5,000	331,205	0	(326,205)
Debt service:					-
Principal	91,500	91,500	1,192,786	0	(1,101,286)
Interest	12,700	12,700	25,437	0	(12,737)
Total Expenditures	<u>29,054,094</u>	<u>29,054,094</u>	<u>29,722,052</u>	<u>0</u>	<u>(667,958)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,648,762</u>	<u>1,648,762</u>	<u>(464,739)</u>		<u>(2,113,501)</u>
<b>Other Financing Sources(Uses):</b>					
Proceeds of loans	75,000	75,000	1,103,107	0	1,028,107
Operating transfers in	1,040,846	1,040,846	747,053	0	(293,793)
Operating transfers out	(1,284,603)	(1,284,603)	(953,426)	0	331,177
Other financing uses	-	-	-	0	-
Total Other Financing Sources (Use):	<u>(168,757)</u>	<u>(168,757)</u>	<u>896,734</u>	<u>0</u>	<u>1,065,491</u>
Net Change in Fund Balances	<u>1,480,005</u>	<u>1,480,005</u>	<u>431,995</u>	<u>0</u>	<u>(1,048,010)</u>
<b>Fund Balances:</b>					
July 1, 2007	2,761,892	2,761,892	2,761,892	0	-
Prior period adjustments	(35,996)	(35,996)	(35,996)	0	-
July 1, 2007, as restated	<u>2,725,896</u>	<u>2,725,896</u>	<u>2,725,896</u>	<u>0</u>	<u>-</u>
June 30, 2008	<u>\$ 4,205,901</u>	<u>4,205,901</u>	<u>3,157,891</u>	<u>0</u>	<u>(1,048,010)</u>

The notes to the required supplementary information are an integral part of this statement.

**Starkville School District**  
**Budgetary Comparison Schedule for the Quad Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 926,200	926,200	1,063,759	0	137,559
Total Revenues	926,200	926,200	1,063,759	0	137,559
<b>Expenditures</b>					
Instruction	544,644	544,644	531,107	0	13,537
Support Services	376,367	376,367	332,433	0	43,934
Total Expenditures	921,011	921,011	863,540	0	57,471
Excess (Deficiency) of Revenues Over Expenditures	5,189	5,189	200,219		195,030
<b>Other Financing Sources(Uses):</b>					
Transfers in	-	-	-	0	-
Total Other Financing Sources (Uses)	-	-	-	0	-
Net Change in Fund Balances	5,189	5,189	200,219	0	195,030
<b>Fund Balances</b>					
July 1, 2007	30,064	30,064	30,064	0	-
Prior period adjustments	(81,544)	(81,544)	(81,544)		
July 1, 2007, as restated	(51,480)	(51,480)	(51,480)	-	-
June 30, 2008	\$ (46,291)	(46,291)	148,739	-	195,030

The notes to the required supplementary information are an integral part of this statement.

**Starkville School District**  
**Budgetary Comparison Schedule for the School Food Service Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 560,270	560,270	522,286	0	(37,984)
State sources	11,192	11,192	11,193	0	1
Federal sources	1,729,000	1,729,000	1,596,565	0	(132,435)
Total Revenues	<u>2,300,462</u>	<u>2,300,462</u>	<u>2,130,044</u>	<u>0</u>	<u>(170,418)</u>
Expenditures					
Support Services	255,266	255,266	251,229	0	4,037
Noninstructional services	2,039,187	2,039,187	1,881,125	0	158,062
Total Expenditures	<u>2,294,453</u>	<u>2,294,453</u>	<u>2,132,354</u>	<u>0</u>	<u>162,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,009</u>	<u>6,009</u>	<u>(2,310)</u>		<u>(8,319)</u>
Other Financing Sources(Uses):					
Other financing sources	114,000	114,000	19,760	0	(94,240)
Operating transfers in	-	-	62,400	0	62,400
Operating transfers out	(120,000)	(120,000)	(133,696)	0	(13,696)
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(51,536)</u>	<u>0</u>	<u>(45,536)</u>
Net Change in Fund Balances	<u>9</u>	<u>9</u>	<u>(53,846)</u>	<u>0</u>	<u>(53,855)</u>
Fund Balances:					
July 1, 2007	770,333	770,333	770,333	0	-
Decrease in reserve for inventory			(9,547)	0	(9,547)
June 30, 2008	<u>\$ 770,342</u>	<u>770,342</u>	<u>706,940</u>	<u>-</u>	<u>(63,402)</u>

The notes to the required supplementary information are an integral part of this statement.

**Starkville School District**  
**Budgetary Comparison Schedule for the GOB 2007 Building Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final			
<b>Revenues</b>					
Local sources	\$ 53,340	53,340	92,995	0	39,655
Total Revenues	53,340	53,340	92,995	0	39,655
<b>Expenditures</b>					
Facilities acquisition and construction	8,180,749	8,180,749	842,032	0	7,338,717
Debt Service - Other	20,000	20,000	37,299	0	(17,299)
Total Expenditures	8,200,749	8,200,749	879,331	0	7,321,418
Excess (Deficiency) of Revenues Over Expenditures	(8,147,409)	(8,147,409)	(786,336)		7,361,073
<b>Other financing Sources (Uses):</b>					
Proceeds of G.O. Bonds	9,965,000	9,965,000	5,000,000	0	(4,965,000)
Total Other financing Sources (Uses):	9,965,000	9,965,000	5,000,000	-	(4,965,000)
Net Change in Fund Balances	1,817,591	1,817,591	4,213,664	-	2,396,073
<b>Fund Balances:</b>					
July 1, 2007	-	-	-	0	0
June 30, 2008	\$ 1,817,591	1,817,591	4,213,664	-	2,396,073

The notes to the required supplementary information are an integral part of this statement.

**Starkville School District**  
**Notes to the Required Supplementary Information**  
**For The Year Ended June 30, 2008**

**Budgetary Comparison Schedule**

**Note 1: Basis of Presentation.**

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

**Note 2: Budget amendments and revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

**Note 3: Individual Fund Disclosures**

Excess Expenditures over Budget

<u>Individual Fund</u>	<u>Amount</u>
Activity Fund	\$ 312,210
TAN Note	1,116,659
Fruit/vegetable fund	33,872
Summer food 2007 service	16,014
Summer food 2008 service	52,891
Title I	735,878
EEF building and buses	82,569
EEF textbooks and other mat	203,607
Title II –A improvement teacher quality	14,890
Title II-Ded Tech grant	162,743
Idea Eha Risk Pool	13,905
Eha Preschool 2000 FY grant	3,516
Vocational Ed Basic	118,752
Vocational Ed Tech Prep	553,702
Homeless Self Funded	28,978
Unemployment compensation	59
Forestry Escrow	4,000
16 <sup>th</sup> Section Interest Fund	216

**Starkville School District**  
**Notes to the Required Supplementary Information**  
**For The Year Ended June 30, 2008**

**Note 3: Individual Fund Disclosures (continued)**

Excess Expenditures over Budget

<u>Individual Fund</u>	<u>Amount</u>
Extended Day Program	\$ 24,852
Bower Grant Health is Academic	4,794
Five Start Foods Grant	10,000
AIM	14,285
Families First Resource Center	5,521
Family Center Project	17,581
Abstinence til marriage	25,041
Note Debt Service Fund	12,670

**STARKVILLE SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

**Starkville School District**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2008**

Federal Grantor/ Pass-through Grantor/ Programs Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 372,606
National school lunch program	10.555	1,231,980
Summer food service program for children	10.559	65,976
Total		<u>1,670,562</u>
Fresh fruit and vegetable program	10.582	33,872
<b>Total U.S. Department of Agriculture</b>		<u>1,704,434</u>
<b>U.S. Department of Education</b>		
Passed through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,830,878
Career and technical education - basic grants to states	84.048	121,327
Safe and drug free schools and communities - state grants	84.186	16,622
Safe and drug free schools and communities - Governor's grants	84.186	23,356
Education for homeless children and youth	84.196	30,978
Even start-state educational agencies	84.213	49,750
Twenty-first century community learning centers	84.287	593,200
State grants for innovative programs	84.298	5,674
Education technology state grants	84.318	188,127
Rural education	84.358	55,287
Literacy through school libraries	84.364	47,661
Improving teacher quality state grants	84.367	290,702
Total		<u>3,253,562</u>
Special education cluster:		
Special education - grants to states	84.027	890,093
Special education - preschool grants	84.173	33,340
Total		<u>923,433</u>
Total passed through Mississippi Department of Education		<u>4,176,995</u>
<b>Total U.S. Department of Education</b>		<u>\$ 4,176,995</u>

**Starkville School District**  
**Schedule of Expenditures of Federal Awards (continued)**  
**For The Year Ended June 30, 2008**

Federal Grantor/ Pass-through Grantor/ Programs Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Health and Human Services:		
Community based abstinence education	93.010	\$ 391,102
Healthy marriage promotion and responsible fatherhood grants	93.086	121,145
Total		<u>512,247</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>512,247</u>
<b>Corporation for National and Community Service</b>		
Passed through Mississippi Department of Education		
Learn and serve America-School and community based programs	94.004	12,879
<b>Total Corporation for National and Community Service</b>		<u>12,879</u>
<b>U.S. Department of Defense</b>		
Direct program:		
Reserve officers' training corps	12.XXX	92,975
<b>Total U.S. Department of Defense</b>		<u>92,975</u>
<b>U.S. Department of Labor</b>		
Passed through Mississippi Department of Education		
Workforce Investment Act-youth activities	17.259	43,605
<b>Total U.S. Department of Labor</b>		<u>43,605</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	12,239
<b>Total Federal Communications Commission</b>		<u>12,239</u>
<b>Total for All Federal Awards</b>		<u>\$ 6,555,374</u>

**Starkville School District**  
**Schedule of Expenditures of Federal Awards (continued)**  
**For The Year Ended June 30, 2008**

**NOTES TO SCHEDULE**

- Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
- Note 2: The expenditure amounts include transfers out.
- Note 3: The pass-through entities did not assign identifying numbers to the school district.

**Starkville School District**  
**Schedule of Instructional, Administrative, and other Expenditures -**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	31,081,899	23,109,793	951,970	1,957,411	5,062,725
Other	12,185,918	5,226,413	698,160	71,427	6,189,918
Total	<u>43,267,817</u>	<u>28,336,206</u>	<u>1,650,130</u>	<u>2,028,838</u>	<u>11,252,643</u>
Total Number of students *	4,126				
Cost per student \$	<u>10,487</u>	<u>6,868</u>	<u>400</u>	<u>492</u>	<u>2,727</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type - all the 1000, 2100 & 2200 functional codes.

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administrative - includes expenditures for the following functions: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

\* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

**OTHER SUPPLEMENTAL INFORMATION**

STARKVILLE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 11,071,782	10,861,760	9,724,210	8,967,050
Intermediate sources	13,539		25,535	14,985
State sources	17,865,996	17,076,168	15,853,515	14,388,181
Federal sources	305,996	351,631	372,848	248,648
<b>Total Revenues</b>	<b>29,257,313</b>	<b>28,289,559</b>	<b>25,976,108</b>	<b>23,618,864</b>
<b>Expenditures</b>				
Instruction	18,065,261	17,147,641	15,854,558	14,462,914
Support services	10,107,363	9,601,888	8,897,322	7,705,082
Noninstructional services	331,205	3,951	1,385	6,985
Facilities acquisition and construction	0	420,315		
Debt service				
Principal	86,423	52,836	1,244,303	1,613,971
Interest	28,693	31,576	36,876	27,346
Other		9,077		
<b>Total Expenditures</b>	<b>28,618,945</b>	<b>27,267,284</b>	<b>26,036,444</b>	<b>23,816,298</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>638,368</b>	<b>1,022,275</b>	<b>(60,336)</b>	<b>(197,434)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans			1,140,134	1,591,000
Sale of transportation equipment				1,317
Operating transfers in	747,053	73,604	701,195	961,768
Other financing sources	0		1,759	
Operating transfers out	(953,426)	(186,258)	(1,449,075)	(1,648,335)
Other financing uses		(2,699)	(112,311)	
<b>Total Other Financing Sources (Uses)</b>	<b>(206,373)</b>	<b>(115,353)</b>	<b>281,702</b>	<b>905,750</b>
<b>Net Change in Fund Balances</b>	<b>431,995</b>	<b>906,922</b>	<b>221,366</b>	<b>708,316</b>
<b>Fund Balance</b>				
July 1	2,761,892	2,143,301	2,062,301	1,510,522
Prior period adjustments	(35,996)	(288,331)	(140,366)	(156,537)
July 1, as restated	2,725,896	1,854,970	1,921,935	1,353,985
<b>June 30</b>	<b>\$ 3,157,891</b>	<b>2,761,892</b>	<b>2,143,301</b>	<b>2,062,301</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

STARKVILLE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local sources	\$ 15,218,403	14,597,892	13,136,129	12,324,505
Intermediate sources	80,871	56,395	77,541	66,965
State sources	21,024,351	18,424,932	17,993,133	15,681,767
Federal sources	6,952,988	6,144,230	5,047,229	5,169,353
Sixteenth section sources	41,088	41,829	10,445	28,096
<b>Total Revenues</b>	<b>43,317,701</b>	<b>39,265,278</b>	<b>36,264,477</b>	<b>33,270,686</b>
<b>Expenditures</b>				
Instruction	23,347,466	20,945,897	20,043,679	18,506,576
Support services	13,371,653	12,343,333	11,336,172	10,331,650
Noninstructional services	4,400,406	3,590,134	2,849,751	2,085,763
Sixteenth section	8,249	3,974	2,502	9,236
Facilities acquisition and construction	842,032	420,315		
<b>Debt service</b>				
Principal	956,741	1,021,906	2,075,391	2,656,934
Interest	301,971	355,654	379,166	399,604
Other	39,299	11,137	7,115	1,485
<b>Total Expenditures</b>	<b>43,267,817</b>	<b>38,692,350</b>	<b>36,693,976</b>	<b>33,986,248</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>49,884</b>	<b>572,928</b>	<b>(429,499)</b>	<b>(715,562)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans			1,140,134	1,591,000
Sale of transportation equipment				1,317
Operating transfers in	1,475,022	431,434	1,928,220	2,077,546
Other financing sources	5,057,549	10,664	12,659	10,450
Operating transfers out	(1,475,022)	(431,434)	(1,928,220)	(2,077,546)
Other financing uses	(9,859)	(11,165)	(114,898)	
<b>Total Other Financing Sources (Uses)</b>	<b>5,047,690</b>	<b>(501)</b>	<b>1,037,895</b>	<b>1,602,767</b>
<b>Net Change in Fund Balances</b>	<b>5,097,574</b>	<b>572,427</b>	<b>608,396</b>	<b>887,205</b>
<b>Fund Balance</b>				
July 1,	5,956,200	5,428,257	4,890,624	3,919,257
Prior period adjustments	118,620	(55,868)	(83,521)	95,474
July 1, as restated	6,074,820	5,372,389	4,807,103	4,014,731
<b>Increase (Decrease) in reserve for inventory</b>	<b>(9,547)</b>	<b>11,384</b>	<b>12,758</b>	<b>(11,312)</b>
June 30,	\$ 11,162,847	5,956,200	5,428,257	4,890,624

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



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

Superintendent and School Board  
Starkville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2008, which collectively comprise the Starkville School District's basic financial statements, and have issued our report thereon dated July 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 school district'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 school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section as was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified certain deficiencies in the internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we

consider to be significant deficiencies in internal control over financial reporting. (Findings 2008-1, 2008-2 and 2008-3) 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.

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 school district's internal control.

Our consideration of 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 consider the significant deficiencies 2008-1 and 2008-2 described above to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the school district'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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated July 28, 2010.

The Starkville School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Starkville School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi  
July 28, 2010





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

Superintendent and School Board  
Starkville School District

**Compliance**

We have audited the compliance of the Starkville School District 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 June 30, 2008. The school district's major federal programs are identified in the summary of auditors' results section of the 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 school district's management. Our responsibility is to express an opinion on the school district'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 the school district'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 of the school district's compliance with those requirements.

In our opinion, Starkville School District 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 June 30, 2008.

## **Internal Control Over Compliance**

The management of the Starkville School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the school district's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-3 to be a significant deficiency.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Starkville School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Starkville School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi  
July 28, 2010

*Watkins Ward and Stafford PLLC*



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

Superintendent and School Board  
Starkville School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2008, which collectively comprise Starkville School District's basic financial statements and have issued our report thereon dated July 28, 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." 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 other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$74,363 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level codes in expenditures by the school district."

The results of procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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 other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding: State legal 2008-01

Section 31-7-13, Miss. Code Ann. (1972), states all agencies and governing authorities shall purchase their commodities and printing; contract for fire insurance, automobile insurance, easualty insurance (other than workers' compensation) and liability insurance; contract for garbage collection or disposal; contract for solid waste collection or disposal; contract for sewage collection or disposal; and contract for public construction as prescribed by the purchasing requirements.

During our test work, we noted a purchase for \$8,316 which failed to comply with the purchasing requirements. No documentation was provided to support that this purchase was put out for competitive bid, purchased under state contract or purchased at the price equal to or less than state contract.

Recommendation

We recommend that the district comply with the applicable state statutes in this area by maintaining documentation to support purchases, are put out for competitive bid, purchased under state contract or purchased at a price equal to or less than state contract.

Response

The district will maintain documentation for all purchases subject to the state purchasing laws in order to verify compliance with Section 31-7-13.

Finding: State legal 2008-02

Section 37-9-18, Miss. Code Ann. (1972), states the superintendent of schools shall furnish to the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior month.

During our test work, the district was unable to provide us with proof that the superintendent furnished the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior month.

Recommendation

We recommend that the superintendent of schools comply with the applicable state statutes in this area by documenting in the monthly board minutes that a financial statement of receipts and disbursements, by funds, was provided to the school board on or before the last working day of the following month covering the prior month. We further recommend that copies of the monthly

financial statements of receipts and disbursements, by funds, be maintained with the dates provided to the school board.

#### Response

The district will document in its board minutes that a financial statement of receipts and disbursements, by funds, was provided to the school board in accordance with section 37-9-18, and copies of the monthly financial statement of receipts and disbursements, by funds, will be maintained on file.

#### Finding: State legal 2008-03

Section 25-11-127, Miss. Code Ann. (1972), states that no person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, except as provided in this section.

During our test work, we noted in a sample of 13 rehires that the required PERS Form 4B was filed, but only 38.5% were in compliance with the requirement of filing the PERS Form 4B within 5 days of being rehired. We also noted that only 61.5% of the 13 rehires tested were in compliance with the requirement that the retiree not be paid more than allowed by law.

#### Recommendation

We recommend the district comply with the applicable state statutes in this area by making sure any current PERS retiree whom is employed either as an employee, contractual employee or true independent contractor, file the required PERS Form 4B within the 5 days of being rehired. We also recommend that the district not pay any rehire more than allowed by law.

#### Response

The district will ensure that any current PERS retiree whom is rehired will have the required PERS Form 4B filed within 5 days of being rehired and not be paid more than allowed by law in accordance to Section 25-11-127.

#### Finding: State legal 2008-04

Sections 29-3-119 and 29-3-121, Miss. Code Ann. (1972), states where a township is occupied by two or more school districts, available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district.

During our test work, we noted that the superintendent of the Starkville School District did not compile a list of such children enrolled and residing in the school district, and therefore no division of sixteenth section revenues had been recorded as a payable or receivable, as the case may be.

Recommendation

We recommend that the district comply with the applicable state statutes in this area by compiling an annual list of children enrolled and residing in the Starkville School District, which lists shall be made separately as to the townships in which such children reside. Such lists should be filed with the county superintendent of education on or before December 31<sup>st</sup> of each year and shall be used in making the division of the available funds of each township during the ensuing calendar year as provided by section 29-3-119.

Response

The district will compile an annual list of children enrolled and residing in the Starkville School District and will file such list with the county superintendent of education on or before December 31<sup>st</sup> of each year in order to verify compliance with section 29-3-121.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Starkville School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi  
July 28, 2010



**STARKVILLE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Starkville School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

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

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                              | Unqualified |
| 2. Material noncompliance relating to the financial statements?                              | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Types of auditors' report issued on compliance for major federal programs:                | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |
| 6. Any audit finding(s) reported as required by Section .510(a) of OMB Circular A-133?       | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Cluster: Child Nutrition Cluster  |             |
| CFDA #10.553   |             |
| CFDA #10.555   |             |
| CFDA #10.559   |             |

**Starkville School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Section 1: Summary of Auditors' Results (continued)**

7. Federal programs identified as major programs (continued):
- b. Cluster: Special Education
    - CFDA #84.027
    - CFDA #84.173
  - e. Title I – grants to local educational agencies
    - CFDA #84.010
  - d. Twenty-first century community learning centers
    - CFDA #84.287
  - e. Community-Based Abstinence Education
    - CFDA #93.010
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? Yes

**Starkville School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Section 2: Financial Statement Findings**

**Material Weaknesses**

**2008-1 Finding**

- Condition: Bank reconciliations are not being prepared in an accurate and timely manner. The book balance per the bank reconciliation did not agree with the general ledger book balances. Several bank accounts had unresolved differences.
- Criteria: Internal controls should be in place to insure that bank reconciliations are being prepared in an accurate and timely manner with the reconciled book balance agreeing to the general ledger balance.
- Effect: Internal controls are weakened.
- Recommendation: Procedures should be implemented to insure that bank statements are accurately reconciled to the general ledger and any differences are investigated and recorded on the general ledger to properly reflect transactions.

**2008-2 Finding**

- Condition: Three funds had a deficit fund balance due to erroneous recording of transactions. Several transactions were not recorded as liabilities and related expenditures at the end of the fiscal year. There were various funds with balance sheet accounts without accurate supporting financial information. All of these various errors caused an overspending of resources available for restricted funds.
- Criteria: Section 37-16-19, Miss. Code Ann. (1972), states, "It shall be the duty of the superintendents of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any contract to be entered into or any obligation incurred or expenditure made in excess of the resources available for such fiscal year. Any member of the school board, superintendent of schools, or other school official, who shall knowingly enter into any contract, incur an obligation, or make any expenditure in excess of the amount available for the fiscal year shall be personally liable for the amount of such excess."

**Starkville School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2008**

**Section 2: Financial Statement Findings (continued)**

**2008-2 Finding (continued)**

Recommendation: Management should insure controls are in place to account for all transactions of the school district for financial reporting and budgetary purposes.

**Section 3: Federal Award Findings and Questioned Costs**

**Significant Deficiency Not Considered to be Material Weaknesses**

**2008-3 Finding**

Condition: Purchase invoices are not always being stamped paid when the claim has been settled.

Criteria: The purchasing policy of the district is to stamp invoices paid once the claim is settled.

Effect: Items on the claims docket could possibly be paid twice.

Recommendation: Procedures should be implemented to insure that all invoices are stamped paid once the claim is settled.

**STARKVILLE SCHOOL DISTRICT**  
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**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section .315(b) of OMB Circular A-133, the Starkville School District has prepared and hereby submits the following corrective action plan for the findings in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2008-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Rob Logan, Business Manager</p> <p>b. Corrective Action Planned</p> <p>I will have the person balancing the accounts give me a copy of the results at the end of the following month.</p> <p>e. Anticipated Completion Date</p> <p>August 31, 2010</p>
2008-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Rob Logan, Business Manager</p> <p>b. Corrective Action Planned</p> <p>Procedures are in place to insure that all transactions have proper documentation and all account amendments are done in a timely manner.</p> <p>c. Anticipated Completion Date</p> <p>August 31, 2010</p>

2008-3

a. Name of Contact Person Responsible for Corrective Action

Rob Logan, Business Manager

b. Corrective Action Planned

I will insure that our purchasing policies are followed and that all invoices are stamped paid once the claims are settled.

c. Anticipated Completion Date

August 31, 2010

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**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

As required by Section \_\_.315(b) of OMB Circular A-133, the Starkville School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2008:

<b><u>Finding</u></b>	<b><u>Status</u></b>
07-1	Report finding. See "Auditee's Corrective Action Plan" finding 2008-1 for details.
07-2	Report finding. See "Auditee's Corrective Action Plan" finding 2008-2 for details.
07-3	Corrected.