

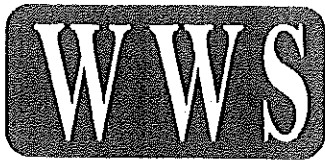
STARKVILLE PARK COMMISSION
(A Component Unit of the City of Starkville, Mississippi)

FINANCIAL STATEMENTS

Year Ended September 30, 2012

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Board of Commissioners
Starkville Park Commission
Starkville, Mississippi

We have audited the accompanying financial statements of the Starkville Park Commission (a component unit of the City of Starkville, Mississippi) as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Starkville Park Commission'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. 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.

As discussed in Note 1, the financial statements present only the operations of the Starkville Park Commission. They do not purport to, and do not, present fairly the financial position of the City of Starkville, Mississippi, as of September 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Starkville Park Commission (a component unit of the City of Starkville), as of September 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Starkville, Mississippi
March 27, 2013

Ward and Stafford

**STARKVILLE PARK COMMISSION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012**

ASSETS

	2012
CURRENT ASSETS	
Cash	\$ 25,524
Accounts Receivable	655
TOTAL CURRENT ASSETS	26,178
OTHER ASSETS	
Committed Asset Fund	55,000
Restricted Asset - Pavilion	32,978
TOTAL OTHER ASSETS	87,978
TOTAL ASSETS	\$ 114,156
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 64,811
TOTAL CURRENT LIABILITIES	64,811
OTHER LIABILITIES	
Rental Deposits	375
TOTAL OTHER LIABILITIES	375
TOTAL LIABILITIES	65,186
NET ASSETS - committed	55,000
NET ASSETS - restricted	32,978
NET ASSETS - unassigned	(39,008)
TOTAL NET ASSETS	48,970
TOTAL LIABILITIES AND NET ASSETS	\$ 114,156

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

**STARKVILLE PARK COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

	2012
REVENUES	
City of Starkville, Mississippi transfer	\$ 844,400
Facilities rental revenue	68,273
Activities revenue	94,287
Restricted revenue-Pavilion	32,978
Donations	110,795
Interest	150
TOTAL REVENUES	1,150,882
EXPENSES	
Activities	65,083
Advertising	6,416
Building repairs and maintenance	22,901
Insurance	18,493
Janitorial supplies	13,553
Office supplies	8,553
Miscellaneous	34,757
Park facility repairs, maintenance and improvements	89,090
Special projects	22,082
Payroll taxes and benefits	134,818
Salaries	444,979
Telephone and communications	5,104
Travel	1,211
Utilities	241,265
TOTAL EXPENSES	1,108,304
CHANGE IN NET ASSETS	42,578
NET ASSETS - UNASSIGNED - BEGINNING OF YEAR	6,392
NET ASSETS - END OF YEAR	\$ 48,970

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

**STARKVILLE PARK COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Starkville Park Commission was created and organized by the Mayor and Board of Aldermen of the City of Starkville, Mississippi, under Ordinance Number 1983-1 at the April 19, 1983, Board of Aldermen meeting. The Park Commission was established pursuant to Section 21-37-33 of the Mississippi Code, 1972, as amended.

The Starkville Park Commission is a component unit of the City of Starkville, Mississippi. The basic - but not the only - criterion for determining whether an entity is a potential component unit within the reporting entity is a governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility includes, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Starkville Park Commission is determined to be a component unit of the City of Starkville.

The Starkville Park Commission financial statements include only the operating aspects of the Parks and Recreation Department of the City of Starkville, Mississippi. Revenues such as the 2% special tax allocated for support of the Starkville Park Commission and expenditures such as bonded debt service and park and recreational improvements are reported in the general fund of the City of Starkville, Mississippi; therefore, are not included in these financial statements.

**STARKVILLE PARK COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING

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

C. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

The Starkville Park Commission defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

2. Capital Assets:

Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over their estimated useful lives.

Legal title to the capital assets utilized by the Starkville Park Commission are held by and reported in the financial statements of the City of Starkville, Mississippi.

3. Revenues:

Substantially all revenues are accrued. Subsidies and grants which finance either capital or current operations are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

**STARKVILLE PARK COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

5. Compensated Absences:

The Park Commission accrues accumulated unpaid vacation, sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) is immaterial and therefore not recorded in the financial statements.

6. Basis of Budgeting:

The Starkville Park Commission prepares its governmental fund type budgets in accordance with state statutes, which require the cash basis of accounting for revenues. Expenditures are budgeted and reported on the modified accrual basis of accounting.

7. Net Assets:

GASB 54 requires the classification of net assets into five components – nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as follows:

Nonspendable Net Assets – amounts that cannot be spent due to form such as inventories, prepaid amounts, etc...

Restricted Net Assets – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation. The restricted net asset is the balance donated for the soccer pavilion.

Committed Net Assets – amounts constrained for a specific purpose by an entity using its highest level of decision-making authority. It would require the same group to remove or change the constraints placed on the resources. The committed net asset is the balance in a private donation account.

Assigned Net Assets – for all funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.

Unassigned Net Assets – for the general fund, any remaining amounts not classified as nonspendable, restricted or committed.

**STARKVILLE PARK COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

8. Use of Estimates:

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

9. Subsequent Events:

Subsequent events have been evaluated through March 27, 2013, which is the date the financial statements were issued.

NOTE 2: CASH, OTHER DEPOSITS, AND INVESTMENTS

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

The carrying amount of the Starkville Park Commission's deposits with financial institutions was \$113,502 on September 30, 2012, and the bank balance was \$126,254.

The balances reflect only that of the Starkville Park Commission and do not reflect cash or other deposits held in the name of the City of Starkville, Mississippi which are separately secured.

NOTE 3: DEFINED BENEFIT PENSION PLAN

Plan Description. The Starkville Park Commission 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.

**STARKVILLE PARK COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 3: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the Park Commission is required to contribute at an actuarially determined rate. The current rate is 12.00% 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 Park Commission's contribution to PERS for the fiscal year ending September 30, 2012 was \$43,631, which equaled the required contributions for the year.

NOTE 4: RISK MANAGEMENT

The Park Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Park Commission carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5: ECONOMIC DEVELOPMENT, TOURISM AND CONVENTION TAX

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

Economic Development Authority – 15%

Visitor and Convention Council – 15%

Starkville Park Commission – 40%

Mississippi State University – 20%

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

The financial statements of the Starkville Park Commission do not include the revenues or expenditures from the allocation of the 2 % tax monies.



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

Board of Commissioners
Starkville Park Commission
Starkville, Mississippi

We have audited the accompanying financial statements of Starkville Park Commission (a component unit of the City of Starkville, Mississippi) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Park Commission'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 Park Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Park Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Board of Commissioners
Starkville Park Commission
Starkville, Mississippi

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (Finding 2012-01 and Finding 2012-02)

A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies. (Finding 2012-03)

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners, management, and the City of Starkville, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

The Starkville Park Commission's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Park Commission's responses and, accordingly, we express no opinion on them.

Starkville, Mississippi
March 27, 2013

Walter Ward and Staff

**STARKVILLE PARK COMMISSION
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2012-01

Finding: The Starkville Park Commission does not have adequate policies and procedures in place to monitor the internal budgets for capital projects. The Splash Pad project exceeded its budget and the Commission's board minutes do not reflect amendments for the overage. Additionally, the budget adopted by the Commission and presented to the Board of Alderman reflected that both 2% funds and a private donation were the funding source for the project. While the expenditures were allowable under the 2% ordinance, the 2% funds expenditures exceeded its budget.

Recommendation: The Starkville Park Commission should adopt policies and procedures to timely monitor capital projects and preparation of required budget amendments. Policies should be implemented to insure that any funding changes related to amounts that come from the 2% funds managed by the City of Starkville are timely communicated to the Board of Aldermen.

Response: Management of the Starkville Park Commission will work with management of the City of Starkville to implement the appropriate policies and procedures to coordinate the communications and flow of information for jointly funded projects. Management will also make certain that budget amendments are properly presented to the Commission for approval in the minutes.

2012-02

Finding: The Starkville Park Commission issued a cashier's check in the amount of \$35,000 on October 17, 2012, to a vendor related to the construction of the Splash Pad from the committed asset bank account. Invoices by the vendor were submitted to and subsequently paid by the City of Starkville on November 7, 2012 out of the 2% funds. The vendor repaid the \$35,000 to the Park Commission on November 8, 2012, and it was re-deposited to the committed asset bank account. The transfer was not approved in the Commission minutes.

Recommendation: The manner in which these claims were handled gives the appearance of the Park Commission having made an advance to the vendor. We can find no statutory authority for the making of such an advance even in the case of delinquent claims. Park Commission

**STARKVILLE PARK COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

2012-02 Recommendation (Continued)

management should establish procedures with the City of Starkville for the processing of vendor claims in a timely manner so as to insure that claims do not become delinquent. Mississippi Code Ann. (1972) Section 31-7-305 provides specific guidance for the processing of municipal claims and the Park Commission should insure that management complies with the provisions of this statute.

Response: The Park Commission will adopt policies to insure that claims are properly handled and approved through the claims docket and that all claims are timely paid.

2012-03 Finding: The Park Commission exceeded the budget on numerous line items. While sufficient funds were available to cover the overages, the appropriate amendments were not recorded in the Commission minutes as having been presented to or approved by the Commission.

Recommendation: Management should timely prepare and submit for approval the necessary budget amendments before an over expenditure occurs and record the amendments in its minutes.

Response: Management will closely monitor budgets for necessary amendments and timely prepare appropriate amendments for submission to the Commission and proper inclusion in the Commission minutes.