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City of Starkville, Mississippi

Audit Report

September 30, 2015

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Audit Report
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
City of Starkville, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison information, schedule of City's proportionate share of the net pension liability, and schedule of the City contributions on pages 5-15 and 51-54 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Starkville, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the City of Starkville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Starkville, Mississippi's internal control over financial reporting and compliance.

Starkville, Mississippi
June 22, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT DISCUSSION AND ANALYSIS

City of Starkville
Management Discussion and Analysis
September 30, 2015

Introduction

The discussion and analysis of the City of Starkville's financial performance provides a narrative review of the municipality's financial activities for the fiscal year ended September 30, 2015. The intent of this discussion and analysis is to view the City's performance as a whole. Readers should also review the notes to financial statements as well as the financial statements to fully develop their understanding of the City's overall financial performance and condition.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is mandated as part of the presentation.

The City of Starkville is located in Oktibbeha County which is in the northeastern portion of the State of Mississippi, approximately 37 miles from the Alabama state line along U.S Highway 82. The population, according to the recent 2010 United States census, is 23,888. The official census records show that the population has continued to grow incrementally to have passed the previously larger neighboring city, Columbus, Mississippi. The local economic base is driven by retail, manufacturing, healthcare and Mississippi State University with some emphasis on transportation and sciences research.

Financial Highlights

The City of Starkville is financially sound and has a stable economic base that evidences continued expansion in retail, commercial and residential arenas. The City is committed to financial responsibility and continues to focus on highly efficient operations through sound strategic planning, budgeting and strong internal controls. The City is committed to maintaining a quality fiscal management structure. The City's trend demonstrates progressive, responsible growth that ensures its future and reflects positively on that of the University, the County and the Golden Triangle region as well.

Starkville enjoys unprecedented growth in both residential and commercial real estate development. Sales tax collections continue to grow with improvement that ranked among the highest in Mississippi in growth rate. The State approved the extension of House Bill 1833 which allowed an additional extension of the two percent (2%) economic development, tourism, and convention tax on the gross revenue derived from the sale of prepared food and alcoholic and nonalcoholic beverages. The additional tax revenue is used to promote economic development and tourism in Starkville. Starkville's unemployment rate is one of the lowest in the state at a current rate of 4.5%. The MSU football team reached the ranking of #1 in the nation during this fiscal year, resulting in increased restaurant revenues and hotels filled to capacity levels.

Capital improvement in fiscal year 2015 primarily focused on improvements to water, wastewater, road, bicycle and pedestrian infrastructure. With regard to electric service, the City continues its plan to add redundancy and improve reliability within the system. In 2015, the City began a 1.7 mile, \$1.2 million project which will connect Starkville's McKee Park and the Sportsplex to Locksley Way as part of a project which will eventually provide a pedestrian and bike path all the way to the Mississippi State University campus. The Mississippi Department of Transportation's Transportation Alternative Program (TAP) provided funding for this endeavor.

City of Starkville
Management Discussion and Analysis
September 30, 2015

With the completion of a new hotel in 2015, the total number of hotel beds in Starkville now top 1,100. The City's retail base continued to expand with the addition of a 20,000 square foot shopping center and a 50,000 square foot expansion to an existing grocery store. A new car dealership is currently under construction in east Starkville along with a Wal-Mart Community Market. With the assistance of Mississippi Development Authority, a 450 car parking garage was completed near the MSU campus which offers parking for guests at the new Cotton Mill Convention Center as well as a nearby hotel and allows parking for the Starkville – MSU Area Rapid Transit (SMART) bus system. The SMART bus system contributes to increase transportation alternatives for the City of Starkville and the campus of MSU at no cost to the participants through grant funding.

Both the Starkville George M. Bryan field and the Golden Triangle Regional Airport continue to be the beneficiaries of significant Federal Aviation Administration grants that have provided additional space for lease revenue opportunities while also increasing potential flight capacity with commercial carriers and private aviation participation. The Golden Triangle Regional Airport is one of only three airports in Mississippi which operates a profitable passenger service. During FY 2015 the Airport was awarded an \$840,000 Multi Modal grant from the Mississippi Department of Transportation for the construction of an eight (8) unit T-Hanger. The units have already been reserved before construction, showing the need for expansion and the growth of the area.

Fiscal Year 2015 brought significant gains in multi-family housing. Starkville experienced construction starts with an anticipated value of \$90 million inside the city limits. Steady enrollment growth at Mississippi State University offers reason for optimism that the recent construction surge will continue. A new car dealership is being built inside the City limits to the east along with a Wal-Mart Community Market. A new shopping center has been completed near the entrance to the City's primary retail corridor on Highway 12 and a new hotel is being constructed there also. Highway 182 is a traditional retail corridor in need of redevelopment and is being assessed currently with a Brownfield grant as well as participation from local property owners.

Total net position decreased by \$16,796,928 which represents a 31.74% decrease from the prior fiscal year. The City's ending cash balance increased by \$937,674 which represents a 7.68% increase from the prior fiscal year.

The City had \$76,939,370 in total revenues. Tax revenues account for \$12,381,221 or 16.29% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$8,061,839 or 10.61% of total revenues.

The City had \$71,795,792 in total expenses, which represents an increase of \$4,751,397 or 7.09% over the prior fiscal year. Expenses in the amount of \$58,602,523 were offset by charges for services, grants or outside contributions. General revenues of \$18,336,847 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$18,553,147 in revenues and \$26,218,432 in expenditures. The General Fund's fund balance increased \$1,586,819 from the prior year.

City of Starkville
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Among major funds, the Parking Mill Project had \$6,116,732 in revenues and \$5,207,129 in expenditures. The Parking Mill Project fund balance increased by \$968,872 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$11,867,627.

Long-term debt increased by \$32,749,505.

Overview of the Financial Statements

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

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

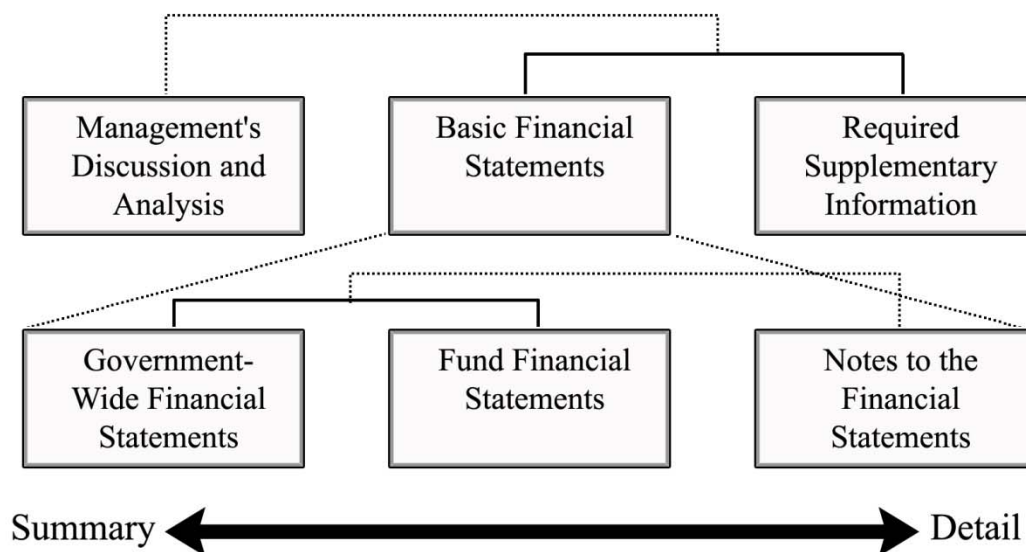


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

City of Starkville
Management Discussion and Analysis
September 30, 2015

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

City of Starkville
Management Discussion and Analysis
September 30, 2015

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

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

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

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

The Government-wide Financial Statements can be found on pages 18 and 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

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

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accrual basis of accounting is used for fiduciary funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30 through 49 of this report.

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

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund, if applicable. This required supplementary information can be found on page 51 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 76 of this report.

Government-wide Financial Analysis

Net Position – Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Starkville, assets exceeded liabilities by \$36,131,151 as of September 30, 2015.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens.

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

City of Starkville
Management Discussion and Analysis
September 30, 2015

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2015.

	<u>2015</u>
Cash and Other Assets	\$ 26,727,361
Capital assets, net	<u>72,874,252</u>
Total assets	<u>99,601,613</u>
Deferred Outflows of Resources	<u>4,141,306</u>
Other Liabilities	12,031,179
Long-term debt outstanding	<u>54,565,829</u>
Total liabilities	<u>66,597,008</u>
Deferred Inflows of Resources	<u>1,014,760</u>
Net position:	
Invested in capital assets, net of related debt	43,551,958
Contributed capital	8,967,665
Restricted	3,801,814
Unrestricted	<u>(20,190,286)</u>
Total net position	<u>\$ 36,131,151</u>

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

- (\$21,940,706) prior period adjustment related to the adoption of GASB 68.
- \$6,750,000 addition to property and equipment and long-term debt related to the lease purchase of the new City Hall building.
- \$7,424,891 addition to property and equipment related to the Parking Mill Project.

Changes in Net Position – The City's total revenues for the fiscal year ended September 30, 2015 was \$76,939,370. The total cost for all services provided was \$71,795,792. The increase in net position was \$5,143,578. The following table presents a summary of the change in net position for the fiscal year ended September 30, 2015.

	<u>Current Year</u> <u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 49,615,052
Operating grants & contributions	668,037
Capital grants & contributions	8,319,434
General revenues	
Property taxes	4,601,386

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Sales and Use taxes	7,301,091
Other taxes	478,744
Interest income	31,932
Transfers	970,400
Miscellaneous	<u>4,953,294</u>
Total Revenues	<u>\$ 76,939,370</u>

Expenses:	
General government	4,117,669
Public safety	10,077,142
Highways and streets	2,563,681
Health and sanitation	213,412
Culture and recreation	2,226,082
Conservation of natural resources	135,598
Other	2,554,973
Utilities	46,308,731
Sanitation	3,073,531
Interest on long-term debt	<u>524,973</u>
Total Expenses	<u>\$ 71,795,792</u>

Increase in Net Position	<u>\$ 5,143,578</u>
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Governmental Activities – The following table presents the cost of five major functional activities of the City: General Government, Public Safety, Public Services, Parks & Recreation and Utilities.

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

	Total Costs	Net Costs
General Government	\$ 4,117,669	\$ 3,786,419
Public Safety	10,077,142	9,314,825
Public Services	2,777,093	2,149,523
Culture and Recreation	2,226,082	1,942,985
Utilities	46,308,731	(1,129,807))

City of Starkville
Management Discussion and Analysis
September 30, 2015

Financial Analysis of the City's Funds

Governmental funds – At the close of the fiscal year, the City of Starkville's governmental funds reported a combined fund balance of \$5,190,052, an increase of \$2,720,828. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$1,586,819 which is primarily due to an increase in revenues in the current fiscal year.

Budgetary Highlights of Major Funds

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

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

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2015, the City of Starkville's total capital assets were \$182,467,041. This includes infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase over the previous year of \$16,301,175.

Total accumulated depreciation as of September 30, 2015 was \$109,592,789 including \$5,500,952 of depreciation expense for the year. The balance in total net capital assets was \$72,874,252 at year-end.

Additional information on the City of Starkville's capital assets can be found in note 4 on pages 40 and 41 of this report.

Debt Administration – At September 30, 2015, the City of Starkville had \$54,565,829 in long-term debt outstanding. This includes general obligation bonds, other loans, obligations under capital lease, and the unfunded pension liability. Of this debt \$3,031,150 is due within one year.

The State of Mississippi limits the amount of debt a City can issue to generally 15% of total assessed value. The City's outstanding debt is significantly below its current limit.

Additional information on City of Starkville's long-term debt can be found in note 5 on pages 41 - 43 of this report.

City of Starkville
Management Discussion and Analysis
September 30, 2015

Current and Future Items of Impact

The City of Starkville's future growth continues to be encouraging. The developments that are in progress include residential and commercial projects. These projects will be of significance in not only the economic impact but also the quality of life.

There continue to be strong economic forces investing in the region. The County owned local hospital has completed the construction on the twenty seven million dollar addition and renovation to the existing hospital. This increased investment in healthcare substantially increases the presence of healthcare as a dynamic economic influence in the region.

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

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

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

Oktibbeha County has an unemployment rate of 6.0% with Rankin County being 1st with a rate of 4.2% and Jefferson County being the 82nd or highest with a rate of 15.3%. Oktibbeha County compares on par with the state average rate of 6.0%.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Starkville City Clerk's office at 110 W. Main Street, Starkville, Mississippi 39759.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Starkville
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,128,349	8,236,734	9,365,083
Cash - restricted	3,780,831	-	3,780,831
Accounts receivable, net	771,132	7,350,254	8,121,386
Other receivables, net	12,710	64,321	77,031
Notes receivable, net	41,699	-	41,699
Due from other departments	360,644	146,156	506,800
Due from other funds	459,030	-	459,030
Prepaid expense	-	3,259,474	3,259,474
Inventory	19,017	862,257	881,274
Capital assets:			
Land and construction in progress	1,247,782	3,158,990	4,406,772
Property and equipment	77,420,210	100,640,059	178,060,269
Less: accumulated depreciation	(60,305,876)	(49,286,913)	(109,592,789)
Other assets	-	234,753	234,753
Total assets	<u>24,935,528</u>	<u>74,666,085</u>	<u>99,601,613</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized work order closeout	-	581,120	581,120
Unamortized debt expense	-	97,738	97,738
Difference between expected and actual experience - net pension liability	<u>2,386,050</u>	<u>1,076,398</u>	<u>3,462,448</u>
Total deferred outflows of resources	<u>2,386,050</u>	<u>1,755,256</u>	<u>4,141,306</u>
<u>LIABILITIES</u>			
Accounts payable	1,214,389	6,695,034	7,909,423
Accrued liabilities	-	506,704	506,704
Due to other departments	90,502	665,325	755,827
Due to other funds	70,544	267,022	337,566
Customer deposits	-	2,401,833	2,401,833
Other liabilities	7,725	112,101	119,826
Long-term liabilities:			
Due within one year	1,583,082	1,448,068	3,031,150
Due in more than one year	15,764,796	10,526,348	26,291,144
Unfunded pension liability	<u>17,465,789</u>	<u>7,777,746</u>	<u>25,243,535</u>
Total liabilities	<u>36,196,827</u>	<u>30,400,181</u>	<u>66,597,008</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>469,103</u>	<u>545,657</u>	<u>1,014,760</u>
Total deferred inflows of resources	<u>469,103</u>	<u>545,657</u>	<u>1,014,760</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,014,238	42,537,720	43,551,958
Contributed capital	-	8,967,665	8,967,665
Restricted	3,801,814	-	3,801,814
Unrestricted	<u>(14,160,404)</u>	<u>(6,029,882)</u>	<u>(20,190,286)</u>
Total net position	<u>\$ (9,344,352)</u>	<u>45,475,503</u>	<u>36,131,151</u>

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

City of Starkville
Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 4,117,669	331,250	-	-	(3,786,419)
Public safety					
Police	5,430,772	-	243,107	44,005	(5,143,660)
Fire	4,262,196	-	368,930	50,275	(3,842,991)
Public inspection	351,681	-	-	-	(351,681)
Civil defense	18,696	-	56,000	-	37,304
Other	13,797	-	-	-	(13,797)
Highways and streets	2,563,681	-	-	627,570	(1,936,111)
Health and sanitation	213,412	-	-	-	(213,412)
Culture and recreation	2,226,082	-	-	283,097	(1,942,985)
Conservation of natural resources	135,598	-	-	137,173	1,575
Economic development and assistance	-	-	-	6,251,682	6,251,682
Other	2,554,973	-	-	-	(2,554,973)
Interest on long-term debt	524,973	-	-	-	(524,973)
Total governmental activities	22,413,530	331,250	668,037	7,393,802	(14,020,441)
Business-type Activities					
Electric utilities	38,476,728	40,866,162	-	-	2,389,434
Water and sewer utilities	7,832,003	5,646,744	-	925,632	(1,259,627)
Sanitation and waste	2,828,784	2,679,705	-	-	(149,079)
Sanitary landfill	244,747	91,191	-	-	(153,556)
Total business-type activities	49,382,262	49,283,802	-	925,632	827,172
Total primary government	\$ 71,795,792	49,615,052	668,037	8,319,434	(13,193,269)
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (14,020,441)	827,172	(13,193,269)
General revenues					
Taxes					
Property taxes			4,601,386	-	4,601,386
Sales and use taxes			7,301,091	-	7,301,091
Other taxes			478,744	-	478,744
Investment income			13,228	18,704	31,932
Other			4,832,548	120,746	4,953,294
Transfers			970,400	-	970,400
Total general revenues and transfers			18,197,397	139,450	18,336,847
Change in net position			4,176,956	966,622	5,143,578
Net position, October 1, 2014			1,373,825	51,554,454	52,928,279
Prior period adjustment			(14,895,133)	(7,045,573)	(21,940,706)
Net position, September 30, 2015			\$ (9,344,352)	45,475,503	36,131,151

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

FUND FINANCIAL STATEMENTS

City of Starkville
Balance Sheet - Governmental Funds
September 30, 2015

	General	Parking Mill Project	Park Commission	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,054,231	-	63,325	(718,342)	399,214
Cash - restricted	3,151,977	-	42,978	585,876	3,780,831
Receivables (Net)					
Accounts	770,957	-	175	-	771,132
Other	12,615	-	-	95	12,710
Notes receivable (Net)	-	-	-	41,699	41,699
Due from other departments	274,281	-	-	815,498	1,089,779
Due from other funds	459,030	-	-	-	459,030
Inventory	19,017	-	-	-	19,017
	<u>5,742,108</u>	<u>-</u>	<u>106,478</u>	<u>724,826</u>	<u>6,573,412</u>
Total Assets	<u>\$ 5,742,108</u>	<u>-</u>	<u>106,478</u>	<u>724,826</u>	<u>6,573,412</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 1,168,095	-	8,034	38,260	1,214,389
Other liabilities	-	-	1,280	6,445	7,725
Due to other departments	-	-	90,502	-	90,502
Due to other funds	70,544	-	-	-	70,544
	<u>1,238,639</u>	<u>-</u>	<u>99,816</u>	<u>44,705</u>	<u>1,383,160</u>
Total Liabilities	<u>1,238,639</u>	<u>-</u>	<u>99,816</u>	<u>44,705</u>	<u>1,383,160</u>
<u>FUND BALANCES</u>					
Fund balances - nonspendable	19,017	-	-	-	19,017
Fund balances - restricted					
Restricted for fire protection	116,947	-	-	-	116,947
Restricted for police protection	32,981	-	-	3,264	36,245
Restricted for airport projects	396,603	-	-	-	396,603
Restricted for debt service	-	-	-	86,459	86,459
Restricted for capital projects	2,621,208	-	-	544,352	3,165,560
Fund balances - committed	-	-	42,978	-	42,978
Fund balances - unassigned	1,316,713	-	(36,316)	46,046	1,326,443
	<u>4,503,469</u>	<u>-</u>	<u>6,662</u>	<u>680,121</u>	<u>5,190,252</u>
Total Fund Balances	<u>4,503,469</u>	<u>-</u>	<u>6,662</u>	<u>680,121</u>	<u>5,190,252</u>
Total Liabilities and Fund Balances	<u>\$ 5,742,108</u>	<u>-</u>	<u>106,478</u>	<u>724,826</u>	<u>6,573,412</u>

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

City of Starkville
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2015

Fund Balances - total governmental funds		\$ 5,190,252
Amounts reported for governmental activities in Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	78,667,992	
Less accumulated depreciation	<u>(60,305,876)</u>	18,362,116
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Long-Term Liabilities	(34,813,667)	
Deferred Outflows of Resources	2,386,050	
Deferred Inflows of Resources	<u>(469,103)</u>	<u>(32,896,720)</u>
Net Position of Governmental Activities		<u><u>\$ (9,344,352)</u></u>

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

City of Starkville
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	General	Parking Mill Project	Park Commission	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
General property taxes	\$ 4,601,386	-	-	-	4,601,386
Licenses and permits	355,855	-	-	-	355,855
Intergovernmental:					
Federal	1,229,809	6,093,332	-	50,275	7,373,416
State of Mississippi	7,720,292	-	-	679,970	8,400,262
Oktibbeha County and Mississippi State	930,774	-	-	-	930,774
Fines and forfeits	1,193,067	-	-	-	1,193,067
Interest income	12,846	-	228	154	13,228
Penalties and interest	29,424	-	-	-	29,424
Other revenues	2,479,894	23,400	183,596	35,984	2,722,874
Total Revenues	<u>18,553,347</u>	<u>6,116,732</u>	<u>183,824</u>	<u>766,383</u>	<u>25,620,286</u>
<u>EXPENDITURES</u>					
General government	10,370,557	-	-	-	10,370,557
Public safety:					
Police	4,930,657	-	-	-	4,930,657
Fire	3,766,579	-	-	-	3,766,579
Public inspection	334,881	-	-	-	334,881
Civil defense	18,696	-	-	-	18,696
Other	13,797	-	-	-	13,797
Highways and streets	1,299,887	-	-	-	1,299,887
Health and sanitation	213,412	-	-	-	213,412
Culture and recreation	1,140,800	-	1,034,789	-	2,175,589
Conservation of natural resources	135,598	-	-	-	135,598
Other	150,885	-	-	91,504	242,389
Capital outlay	2,218,122	5,207,129	-	342,829	7,768,080
Debt service:					
Principal	1,239,482	-	-	230,000	1,469,482
Interest	385,079	-	-	139,894	524,973
Total Expenditures	<u>26,218,432</u>	<u>5,207,129</u>	<u>1,034,789</u>	<u>804,227</u>	<u>33,264,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,665,085)</u>	<u>909,603</u>	<u>(850,965)</u>	<u>(37,844)</u>	<u>(7,644,291)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	31,928	59,269	-	83,546	174,743
Transfers out	(174,743)	-	-	-	(174,743)
Transfers from other departments	-	-	970,400	-	970,400
Transfers to other departments	(191,439)	-	-	-	(191,439)
Proceeds from bond sale	2,700,000	-	-	-	2,700,000
Inception of capital leases	6,886,358	-	-	-	6,886,358
Net other financing sources	<u>9,252,104</u>	<u>59,269</u>	<u>970,400</u>	<u>83,546</u>	<u>10,365,319</u>
Net change in fund balances	1,587,019	968,872	119,435	45,702	2,721,028
Fund balances, October 1, 2014	<u>2,916,450</u>	<u>(968,872)</u>	<u>(112,773)</u>	<u>634,419</u>	<u>2,469,224</u>
Fund balances, September 30, 2015	<u>\$ 4,503,469</u>	<u>\$ -</u>	<u>\$ 6,662</u>	<u>\$ 680,121</u>	<u>\$ 5,190,252</u>

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

City of Starkville
Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
September 30, 2015

Net change in Fund Balances - total governmental funds \$ 2,721,028

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

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is depreciated over their estimated useful lives:

Expenditures for capital assets	12,396,935	
Less loss on disposal of capital assets	(30,296)	
Less current year depreciation	<u>(2,160,167)</u>	10,206,472

Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments:

Issuance of bonds, notes and capital leases	(9,586,358)	
Principal payments	<u>1,469,482</u>	(8,116,876)

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

Change in unfunded pension liability	(4,055,447)	
Change in deferred outflows of resources	1,926,913	
Change in deferred inflows of resources	1,474,825	
Change in long-term compensated absences	<u>20,241</u>	<u>(633,468)</u>

Change in Net Position of Governmental Funds		<u><u>\$ 4,177,156</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

City of Starkville
Statement of Fund Net Position - Proprietary Funds
September 30, 2015

	<u>June 30, 2015</u>	<u>September 30, 2015</u>			
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 8,082,134	269,217	589,021	25,497	8,965,869
Accounts receivables, net	5,785,191	1,054,139	438,013	72,911	7,350,254
Other receivables, net	55,894	-	-	8,427	64,321
Due from other departments	122,362	23,794	-	-	146,156
Prepaid expense	3,259,474	-	-	-	3,259,474
Inventory	730,373	131,884	-	-	862,257
Total current assets	18,035,428	1,479,034	1,027,034	106,835	20,648,331
Non-current assets:					
Other assets	234,753	-	-	-	234,753
Capital assets:					
Fixed assets, net of depreciation	31,856,805	21,308,922	1,226,892	119,517	54,512,136
Total non-current assets	32,091,558	21,308,922	1,226,892	119,517	54,746,889
Total Assets	50,126,986	22,787,956	2,253,926	226,352	75,395,220
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Unamortized work order closeout	581,120	-	-	-	581,120
Unamortized debt expense	97,738	-	-	-	97,738
Difference between expected and actual experience - net pension liability	403,410	458,856	183,542	30,590	1,076,398
Total Deferred Outflows of Resources	1,082,268	458,856	183,542	30,590	1,755,256
Total Assets and Deferred Outflows of Resources	51,209,254	23,246,812	2,437,468	256,942	77,150,476
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	6,087,751	536,207	65,023	6,053	6,695,034
Accrued liabilities	211,318	224,210	49,722	21,454	506,704
Due to other departments	1,391,672	2,788	-	-	1,394,460
Due to other funds	-	75,589	166,103	25,330	267,022
Accrued interest - long-term debt	19,213	-	-	-	19,213
Bonds payable, current	640,000	-	-	-	640,000
Notes payable, current	36,756	606,928	164,384	-	808,068
Other current liabilities	37,834	-	-	-	37,834
Total current liabilities	8,424,544	1,445,722	445,232	52,837	10,368,335
Non-current liabilities:					
Bonds payable, non-current	3,010,000	-	-	-	3,010,000
Notes payable, non-current	82,808	6,844,769	588,771	-	7,516,348
Customer deposits	2,226,859	174,974	-	-	2,401,833
Other liabilities	55,054	-	-	-	55,054
Unfunded pension liability	2,851,499	3,358,806	1,343,521	223,920	7,777,746
Total non-current liabilities	8,226,220	10,378,549	1,932,292	223,920	20,760,981
Total Liabilities	16,650,764	11,824,271	2,377,524	276,757	31,129,316
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Difference between projected and actual earnings on pension plan investments - net pension liability	413,346	90,212	36,085	6,014	545,657
Total Deferred Inflows of Resources	413,346	90,212	36,085	6,014	545,657
<u>NET POSITION</u>					
Invested in capital assets, net of related debt	28,087,241	13,857,225	473,737	119,517	42,537,720
Contributed capital	-	8,967,665	-	-	8,967,665
Unrestricted	6,057,903	(11,492,561)	(449,878)	(145,346)	(6,029,882)
Total Net Position	34,145,144	11,332,329	23,859	(25,829)	45,475,503
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 51,209,254	23,246,812	2,437,468	256,942	77,150,476

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

City of Starkville
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2015

	June 30, 2015	September 30, 2015			
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 40,866,162	5,646,744	2,679,705	91,191	49,283,802
Total operating revenues	40,866,162	5,646,744	2,679,705	91,191	49,283,802
<u>OPERATING EXPENSES</u>					
Purchased power	32,558,161	-	-	-	32,558,161
Operating and maintenance	4,060,432	6,408,301	2,387,309	205,923	13,061,965
Depreciation	1,718,719	1,231,663	368,866	21,537	3,340,785
Total operating expenses	38,337,312	7,639,964	2,756,175	227,460	48,960,911
Operating income (loss)	2,528,850	(1,993,220)	(76,470)	(136,269)	322,891
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Other revenue	-	104,632	10,273	5,841	120,746
Federal grants	-	925,632	-	-	925,632
Interest on investments	18,704	-	-	-	18,704
Amortization expense	(30,182)	-	-	-	(30,182)
Interest and fiscal charges	(92,984)	(139,762)	(27,622)	(16,721)	(277,089)
Other expenses	(16,250)	(52,277)	(44,987)	(566)	(114,080)
Total non-operating revenues (expenses)	(120,712)	838,225	(62,336)	(11,446)	643,731
Income (loss) before transfers	2,408,138	(1,154,995)	(138,806)	(147,715)	966,622
Transfers in	-	-	-	119,475	119,475
Transfers out	-	-	(119,475)	-	(119,475)
Change in net position	2,408,138	(1,154,995)	(258,281)	(28,240)	966,622
Total net position, beginning	34,581,388	15,351,773	1,427,919	193,374	51,554,454
Prior period adjustment	(2,844,382)	(2,864,449)	(1,145,779)	(190,963)	(7,045,573)
Total net position, ending	\$ 34,145,144	11,332,329	23,859	(25,829)	45,475,503

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

City of Starkville
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2015

	<u>June 30, 2015</u>	<u>September 30, 2015</u>			
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	41,207,358	6,195,183	2,779,651	67,246	50,249,438
Cash paid to employees	(1,417,092)	(1,380,007)	(595,348)	(84,682)	(3,477,129)
Cash paid to suppliers	(35,096,766)	(4,985,666)	(1,772,951)	(71,768)	(41,927,151)
Other receipts	(67,204)	152,078	147,284	-	232,158
Net Cash Flows from Operating Activities	<u>4,626,296</u>	<u>(18,412)</u>	<u>558,636</u>	<u>(89,204)</u>	<u>5,077,316</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Transfers in	-	-	-	119,475	119,475
Transfers out	-	-	(119,475)	-	(119,475)
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(119,475)</u>	<u>119,475</u>	<u>-</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Proceeds from issuance of debt	-	987,114	-	-	987,114
Payment of debt	(655,494)	(594,207)	(181,350)	(9,457)	(1,440,508)
Payment of interest	(81,282)	(139,762)	(27,622)	(371)	(249,037)
Purchase of capital assets	(2,874,001)	(1,852,475)	(78,350)	-	(4,804,826)
Other receipts (payments)	(256,944)	977,987	(33,018)	(11,075)	676,950
Net Cash Flows from Capital and Related Financing Activities	<u>(3,867,721)</u>	<u>(621,343)</u>	<u>(320,340)</u>	<u>(20,903)</u>	<u>(4,830,307)</u>
<u>Cash Flows from Investing Activities</u>					
Receipt of interest	18,704	-	-	-	18,704
Net Cash Flows from Investing Activities	<u>18,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,704</u>
Net Change in Cash	777,279	(639,755)	118,821	9,368	265,713
Cash and Cash Equivalents, October 1, 2014	<u>7,304,855</u>	<u>908,972</u>	<u>470,200</u>	<u>16,129</u>	<u>8,700,156</u>
Cash and Cash Equivalents, September 30, 2015	<u>\$ 8,082,134</u>	<u>269,217</u>	<u>589,021</u>	<u>25,497</u>	<u>8,965,869</u>
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>					
Operating Income (Loss)	\$ 2,528,850	(1,993,220)	(76,470)	(136,269)	322,891
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,718,719	1,231,663	368,866	21,537	3,340,785
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	167,664	528,431	99,946	(23,945)	772,096
(Increase) decrease in inventory	72,124	(24,740)	-	-	47,384
(Increase) decrease in other assets	533,206	(20,008)	-	-	513,198
Increase in deferred outflows of resources	(1,082,268)	(458,856)	(183,542)	(30,590)	(1,755,256)
Increase in payables	32,611	67,368	19,010	19,992	138,981
Increase in due to other funds	-	46,373	96,999	21,100	164,472
Increase in customer deposits	173,532	20,008	-	-	193,540
Increase in unfunded pension liability	7,117	494,357	197,742	32,957	732,173
Increase in other liabilities	61,395	-	-	-	61,395
Increase in deferred inflows of resources	413,346	90,212	36,085	6,014	545,657
Total adjustments	<u>2,097,446</u>	<u>1,974,808</u>	<u>635,106</u>	<u>47,065</u>	<u>4,754,425</u>
Net cash provided by (used in) operating activities	<u>\$ 4,626,296</u>	<u>(18,412)</u>	<u>558,636</u>	<u>(89,204)</u>	<u>5,077,316</u>

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

City of Starkville
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2015

	Employee Benefit Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	544,878
Cash - restricted	77,820	1,156,426
Due from other funds	-	71,050
	<hr/>	<hr/>
Total Assets	77,820	1,772,354
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Due to other funds	-	192,514
Due to outside entities	-	706,430
	<hr/>	<hr/>
Total Liabilities	-	898,944
	<hr/>	<hr/>
<u>NET POSITION</u>		
Restricted - held in trust	\$ 77,820	873,410
	<hr/> <hr/>	<hr/> <hr/>

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

City of Starkville
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended September 30, 2015

	Employee Benefit Trust Fund
ADDITIONS	
Investment earnings	
Interest	\$ -
Total investment earnings	-
Transfers in	-
Total Additions	-
DEDUCTIONS	
Transfers out	-
Total Deductions	-
Change in Net Position	-
Net Position, October 1, 2014	77,820
Net Position, September 30, 2015	\$ 77,820

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

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

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

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

a. Reporting Entity

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

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

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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

Included within the reporting entity:

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

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

Excluded from the reporting entity:

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

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

b. Basic Financial Statements – Government-Wide Statements

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

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, etc.) or a business-type activity. Operating revenues include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

c. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes General Activities, Parks and Recreation Activities, Multi-Unit Drug Task Force Operations, Airport Activities, Restricted Police Activities, and Restricted Fire Activities.

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

- b. Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds are the CDBG Henderson Street Area Redevelopment Project Fund, the Law Enforcement Grants Fund, the Computer Assessments Fund, the CDBG Rehabilitation Loan Program Fund, the Home Program Grant Fund, and the TVA Hewlett Wood Products, Inc. Loan Fund.
- c. Debt Service Funds** are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The Debt Service Funds are the City Bond and Interest Fund and the School Bond and Interest Fund.
- d. Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Funds are the Road Maintenance Bond Fund, Middleton Marketplace TIF Bond Fund, American Recovery Reinvestment Fund, the Parking Mill Project Fund, and the Parks and Recreation Tourism Fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Enterprise Funds are the Electric Department Fund, the Water and Sewer Department Fund, the Sanitation Fund, and the Sanitary Landfill Fund.

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The City's fiduciary fund is the Employee Benefit Trust Fund.

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

d. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

e. Financial Statement Amounts

1. Cash and Cash Equivalents:

For purposes of the statement of cash flows for the proprietary funds, the City defines cash equivalents as short-term, highly liquid investments with original maturity dates of three months or less.

2. Inventory:

Inventory is valued at the lower of cost (first-in, first-out) or market.

3. Capital Assets:

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

Buildings	20 – 50 years
Water and sewer system	30 – 50 years
Machinery and equipment	5 – 10 years
Improvements	10 – 20 years
Other infrastructure	10 – 50 years

4. Revenues:

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

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

5. Expenditures:

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

6. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

7. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Basis of Budgeting

The City prepares its governmental fund type budgets in accordance with state statutes, which require the cash basis of accounting for revenues. Expenditures are budgeted and reported on the modified accrual basis of accounting. For purposes of budgetary comparisons in the financial statements, the City has elected to compare GAAP basis revenue to budget. This presentation provides a reasonable basis of comparison because the difference in beginning and ending receivables is immaterial.

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

9. Net Position

GASB 63 requires the classification of net position into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a.** Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- b.** Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c.** Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

10. Fund Balance

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

- a. **Nonspendable fund balance**** - amounts that cannot be spent due to form such as inventories, prepaid amounts, etc...

The City has the following nonspendable assets: capital assets, net of related debt, inventory and prepaid expenses.

City of Starkville
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

- b. Restricted fund balance** - amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

The City has the following restricted assets: restricted for fire protection, restricted for police protection, restricted for airport activities, restricted for parks and recreation, restricted for debt service and restricted for capital projects.

- c. Committed fund balance** - 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 City's committed asset is the cash balance in a private donation account that is to be used at the discretion of the Starkville Park Commission.

- d. Assigned fund balance** - for all funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed.

The City does not have any assigned assets.

- e. Unassigned fund balance** - for the general fund, any remaining amounts not classified as nonspendable, restricted or committed.

The City has the following unassigned assets: cash and cash equivalents, accounts receivable, other receivables, notes receivable and other assets.

11. Use of Estimates

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

City of Starkville
Notes to Financial Statements

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. All of the City's funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2015.

The carrying amount of the City's deposits with financial institutions was \$6,842,904 on September 30, 2015, and the bank balance was \$7,842,604.

The balances do not reflect cash or other deposits held in the name of Starkville Electric Department which are separately secured.

Note 3: Interfund Receivable and Payable Balances

Interfund receivables and payables at September 30, 2015, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 459,030	70,544
Proprietary Funds:		
Water & Sewer Department	-	75,589
Sanitation and Waste	-	166,103
Landfill	-	25,330
Fiduciary Funds:		
Payroll Clearing Fund	71,050	100,000
A/P Clearing Fund	-	829
Tax Collectors Fund	-	91,685
	<u>\$ 530,080</u>	<u>530,080</u>

City of Starkville
Notes to Financial Statements

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Adjustments	Increases	Decreases	Balance September 30, 2015
Governmental Activities					
Non-depreciable					
Land	\$ 1,247,782	-	-	-	1,247,782
Construction in Progress	2,217,762	(2,217,762)	-	-	-
Total	3,465,544	(2,217,762)	-	-	1,247,782
Depreciable:					
Buildings	4,223,741	-	6,750,000	-	10,973,741
Building Improvements	-	-	-	-	-
Improvements other than buildings	49,757,548	2,217,762	5,229,294	-	57,204,604
Vehicles	4,516,160	-	292,476	(164,097)	4,644,539
Machinery and equipment	4,521,743	-	125,165	(49,582)	4,597,326
Total	63,019,192	2,217,762	12,396,935	(213,679)	77,420,210
Less accumulated depreciation					
Buildings	(1,841,025)	-	(272,404)	-	(2,113,429)
Building Improvements	-	-	-	-	-
Improvements other than buildings	(49,042,088)	-	(1,348,215)	-	(50,390,303)
Vehicles	(3,698,305)	-	(393,558)	133,977	(3,957,886)
Machinery and equipment	(3,747,674)	-	(145,990)	49,406	(3,844,258)
Total	(58,329,092)	-	(2,160,167)	183,383	(60,305,876)
Net book value	4,690,100	2,217,762	10,236,768	(30,296)	17,114,334
Governmental Activities Capital Assets, net	\$ 8,155,644	\$ -	\$ 10,236,768	\$ (30,296)	\$ 18,362,116
Business-type Activities					
Non-depreciable					
Land - Starkville Electric	\$ 355,929	-	-	-	355,929
Land - Landfill	16,800	-	-	-	16,800
Land - Water	105,623	-	-	-	105,623
Construction in progress - Stk Elec	1,306,724	-	-	(47,153)	1,259,571
Construction in progress - Stk Sewer	835,242	(835,242)	1,421,067	-	1,421,067
Total	2,620,318	(835,242)	1,421,067	(47,153)	3,158,990
Depreciable					
Starkville Electric Property & equipment	45,356,339	(14,312)	2,935,466	(366,153)	47,911,340
Sanitation property & equipment	4,527,250	-	78,350	(207,620)	4,397,980
Landfill property & equipment	917,931	-	-	-	917,931
Water property & equipment	46,259,292	835,242	431,408	(113,134)	47,412,808
Total	97,060,812	820,930	3,445,224	(686,907)	100,640,059
Less accumulated depreciation					
Starkville Electric Property & Equipment	(16,516,279)	(7,802)	(1,718,719)	572,765	(17,670,035)
Sanitation property & equipment	(3,008,146)	-	(368,866)	205,924	(3,171,088)
Landfill property & equipment	(793,677)	-	(21,537)	-	(815,214)
Water property & equipment	(26,512,047)	-	(1,231,663)	113,134	(27,630,576)
Total	(46,830,149)	(7,802)	(3,340,785)	891,823	(49,286,913)
Net book value	50,230,663	813,128	104,439	204,916	51,353,146
Business-type Activities Capital Assets, net	\$ 52,850,981	(22,114)	1,525,506	157,763	54,512,136

City of Starkville
Notes to Financial Statements

Note 4: Capital Assets (Continued)

The City of Starkville updated its fixed assets subsidiary records and the adjustment column reports the appropriate corrections to the various classes of fixed assets.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 18,958
Public safety - Police	207,748
Public safety - Fire	285,025
Highways and streets	1,223,425
Culture and recreation	<u>50,102</u>
 Total governmental activities depreciation expense	 <u><u>\$ 1,785,258</u></u>
 Business-type activities:	
Electric	\$ 1,647,322
Water and sewer	1,203,546
Sanitation	366,047
Landfill	<u>21,537</u>
 Total business-type activities depreciation expense	 <u><u>\$ 3,238,452</u></u>

Note 5: Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Balance			Balance	Amount Due
	October 1, 2014	Additions	Reductions	September 30, 2015	Within One Year
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 4,030,000	-	230,000	3,800,000	240,000
Public Improvement, Series 2009	3,565,000	-	600,000	2,965,000	620,000
TIF Revenue Bonds, Series 2011	428,000	-	31,000	397,000	32,000
Public Improvement, Series 2015	-	2,700,000	-	2,700,000	95,000

City of Starkville
Notes to Financial Statements

Note 5: Long-Term Liabilities (Continued)

	Balance			Balance	Amount Due
	October 1, 2014	Additions	Reductions	September 30, 2015	Within One Year
Notes payable					
Capital Improvements Revolving Loan	87,651	-	45,411	42,240	42,240
Capital Improvements Revolving Loan	70,742	-	46,492	24,250	24,250
Capital Improvements - Police Comm	10,481	-	10,481	-	-
Capital Improvements - Fire Truck	195,178	-	95,414	99,764	99,764
Capital Improvements - Dump Truck	19,590	-	6,772	12,818	6,926
Capital Improvements - Police Cars	181,445	-	90,006	91,439	91,439
Capital Improvements - Ford F-350 Truck	30,997	-	7,540	23,457	7,678
Capital Improvements - Dump Truck	29,500	-	5,635	23,865	5,765
Capital Improvements - Prius and 2 Tacomas	-	67,072	731	66,341	8,873
Capital Improvements - F-250 and 2 Tacomas	-	69,286	-	69,286	9,147
Capital Improvements - City Hall	-	6,750,000	300,000	6,450,000	300,000
Compensated absences	602,659	-	20,241	582,418	-
Total	<u>\$ 9,251,243</u>	<u>9,586,358</u>	<u>1,489,723</u>	<u>17,347,878</u>	<u>1,583,082</u>

	Balance			Balance	Amount Due
	October 1, 2014	Additions	Reductions	September 30, 2015	Within One Year
Business-type Activities					
Bonds and notes payable					
Electric System Bonds, Series 2001	1,965,000	-	250,000	1,715,000	260,000
Electric System Revenue Bonds, Series 2006	130,000	-	130,000	-	-
Electric System GO Refunding Bond, Series 2013	2,175,000	-	240,000	1,935,000	380,000
Drinking Water Improvements Revolving Loan	619,294	-	45,180	574,114	46,323
Water Pollution Control Revolving Loan	2,289,404	-	187,288	2,102,116	190,591
Water Pollution Control Revolving Loan	214,658	-	12,390	202,268	12,735
Drinking Water Improvements Revolving Loan	2,308,538	-	155,418	2,153,120	158,745
CAT D6R Lease	9,457	-	9,457	-	-
MDA Capital Improvements Loan	396,778	-	23,331	373,447	21,953
MDA Capital Improvements Loan	791,428	-	47,114	744,314	44,331
MDA Capital Improvements Loan	-	744,541	-	744,541	-
MDA Capital Improvements Loan	-	170,560	-	170,560	-
3 Garbage Trucks Lease	70,712	-	40,067	30,645	30,645
Grapple Truck Lease	59,033	-	34,615	24,418	24,418
4 Garbage Trucks Lease	804,760	-	106,668	698,092	109,321
2014 Vaccon Vacuum Truck Lease	296,194	-	59,939	236,255	61,204
Aquatech Sewer Jet Truck Lease	142,496	-	56,339	86,157	57,216
2 Cat Mini Excavators Lease	-	72,012	7,208	64,804	13,830
Electric Department - Digger Truck Lease	62,739	-	14,546	48,193	15,064
Electric Department - Bucket Truck Lease	92,319	-	20,947	71,372	21,692
Compensated absences	137,271	30,392	-	167,663	-
Total	<u>\$ 12,565,081</u>	<u>1,017,505</u>	<u>1,440,507</u>	<u>12,142,079</u>	<u>1,448,068</u>

City of Starkville
Notes to Financial Statements

Note 5: Long-Term Liabilities (Continued)

All liabilities of The City of Starkville are secured by the full faith and credit of the municipality.

The three outstanding issues of General Obligation Bonds are due in annual installments ranging from \$95,000 to \$400,000 each through various dates, the last of which is the year 2035. Interest rates range from 2.75% to 3.87%.

On March 8, 2011, the City entered into a bond purchase agreement with BancorpSouth Bank to issue and sell \$510,000 Tax Increment Financing Revenue Bonds, Series 2011 (Middleton Market Place Project). The principal of the bonds is due in annual installments of \$24,000 to \$48,000 through May 1, 2025 and bearing interest at 4.0% to 5.0%. The Series 2011 Bonds were issued for the purpose of constructing various infrastructure improvements to support the project. The City's tax increment financing bond indebtedness is recorded as a liability of the City to match revenue streams to the related debt for which they have been pledged. The obligation of the City to pay principal and interest on these bonds is limited solely to the tax increment financing (TIF) revenues generated from the project. Should TIF revenues not be sufficient to meet the required debt service obligations, the City is not obligated to make such bond payments from any other sources of its revenues. However, the City intends to annually appropriate funds sufficient to make all payments required by the bonds for the next fiscal year. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in bond payments during the next fiscal year.

Note 6: Unemployment Compensation Fund

The City has elected to establish a revolving fund for unemployment compensation which is to be maintained in the amount of 2% of the first \$6,000 of employee wages paid in the preceding calendar year. The Unemployment Compensation Fund was fully funded at September 30, 2015.

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

City of Starkville
Notes to Financial Statements

Note 7: Defined Benefit Pension Plan (Continued)

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$1,425,350, \$1,374,488 and \$1,267,463, respectively, which equaled the required contributions for each year.

City of Starkville
Notes to Financial Statements

Note 7: Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$25,243,535 of which \$22,392,036 was for its proportionate share of the net pension liability and \$2,851,499 was for the Starkville Electric Department's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was 0.144857 percent.

For the year ended September 30, 2015, the City recognized pension expense of \$838,088. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 564,709	-
Net difference between projected and actual earnings on pension plan investments	1,928,997	1,014,760
Changes of assumptions		
Change in proportion percentage	421,073	-
City contributions subsequent to the measurement date	547,669	-
	<u>\$ 3,462,448</u>	<u>1,014,760</u>

\$547,669 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2016	\$ 510,758
2017	510,758
2018	510,758
2019	367,745
	<u>\$ 1,900,019</u>

City of Starkville
Notes to Financial Statements

Note 7: Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

City of Starkville
Notes to Financial Statements

Note 7: Defined Benefit Pension Plan (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that Employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 33,272,533	\$ 25,243,535	\$ 18,579,915

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8: Joint Ventures

The City of Starkville entered into an agreement with the Golden Triangle Solid Waste Management Authority. This Authority was organized under laws of the State of Mississippi (Section 17-17-301 et seq. Miss. Code of 1972 as amended). The Authority's purpose is to operate and maintain a landfill facility. The project was permitted by DEQ in December, 1994. The City of Starkville's share of expense and liability is based on a pro rata share of waste tonnage. The City's portion of this expense was \$363,471 in 2015. The members, in addition to the City of Starkville, are Noxubee County, City of West Point, Clay County, City of Columbus, Lowndes County, City of Macon, Oktibbeha County, Webster County, City of Eupora, Choctaw County, and the Town of Ackerman. Because of the nature of the Authority's operations there is no determinable equity interest of the City of Starkville. The Authority is designed to generate revenues from its members in an amount adequate only to cover its operating costs. The Authority is audited separately and financial statements are available upon request.

City of Starkville
Notes to Financial Statements

Note 9: Risk Management

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

Note 10: Property Tax

Numerous statutes exist under which the Mayor and Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Mayor and Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. The City taxes are collected and remitted to the City by the Oktibbeha County Tax Collector.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

The distribution of taxes to funds was made in accordance with prescribed tax levies, and uncollected taxes were properly handled.

Delinquent taxes are not recorded as assets.

Note 11: Economic Development, Tourism, and Convention Tax

In 2004, the Legislature of the State of Mississippi passed a local and private bill on behalf of the City of Starkville authorizing a 2 % tax on the gross income of restaurants derived from the sale of prepared food and alcoholic and nonalcoholic beverages until June 30, 2015. During the current fiscal year, this bill was extended from June 30, 2015 to June 30, 2018. 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:

City of Starkville
Notes to Financial Statements

Note 11: Economic Development, Tourism, and Convention Tax (Continued)

Economic Development Authority – 15%
Visitor and Convention Council – 15%
Starkville Park Commission – 40%
Mississippi State University – 20%
Used for economic and community development projects, initiatives or opportunities – 10%

The distribution of the tax is audited in the course of this audit.

Note 12: Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 13: Prior Period Adjustment

A prior period adjustment is made on these financial statements to record a \$14,895,133 and \$7,045,573 reduction in unrestricted net position of governmental and proprietary funds, respectively, as required by Statement No. 68 of the Governmental Accounting Standards Board which addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers.

A summary of the adjustment is as follows:

Implementation of GASB 68:

Unfunded pension liability	\$ (20,044,244)
Deferred inflows of resources	(2,905,562)
Deferred outflows of resources	<u>1,009,100</u>

Total prior period adjustment related to GASB 68	<u><u>\$ (21,940,706)</u></u>
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Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Starkville evaluated the activity of the City through June 22, 2016, the date which the financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Starkville
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For the Year Ended September 30, 2015

	Original Budget	Revisions	Revised Budget	Actual	Variance
<u>REVENUES</u>					
General property taxes	\$ 4,555,000	-	4,555,000	4,601,386	46,386
Licenses and permits	263,000	5,652	268,652	355,855	87,203
Intergovernmental					
Federal	383,832	262,437	646,269	1,229,809	583,540
State of Mississippi	7,495,288	67,611	7,562,899	7,720,292	157,393
Oktibbeha County and Mississippi State	612,428	35,000	647,428	930,774	283,346
Fines and forfeits	1,348,000	-	1,348,000	1,193,067	(154,933)
Interest income	30,000	-	30,000	12,846	(17,154)
Penalties and interest	87,000	-	87,000	29,424	(57,576)
Other revenues	2,624,488	141,103	2,765,591	2,479,894	(285,697)
Total Revenues before Prior Year Fund Balance	17,399,036	511,803	17,910,839	18,553,347	642,508
Prior year fund balance:					
Appropriated for current year budget	1,478,627	-	1,478,627	-	(1,478,627)
Total Revenues and Prior Year Fund Balance	18,877,663	511,803	19,389,466	18,553,347	(836,119)
<u>EXPENDITURES</u>					
General government	3,466,164	235,653	3,701,817	10,370,557	(6,668,740)
Public safety:					
Police	4,801,834	224,950	5,026,784	4,930,657	96,127
Fire	3,984,371	(20,000)	3,964,371	3,766,579	197,792
Public inspection	266,919	-	266,919	334,881	(67,962)
Civil defense	16,000	5,000	21,000	18,696	2,304
Other	-	14,000	14,000	13,797	203
Highways and streets	1,330,400	4,200	1,334,600	1,299,887	34,713
Health and sanitation	206,900	6,000	212,900	213,412	(512)
Culture and recreation	1,140,800	-	1,140,800	1,140,800	-
Conservation of natural resources	200,000	-	200,000	135,598	64,402
Other	14,000	-	14,000	150,885	(136,885)
Capital outlay - street improvements	1,461,483	2,650,000	4,111,483	2,218,122	1,893,361
Debt service:					
Principal	1,119,255	-	1,119,255	1,239,482	(120,227)
Interest	394,763	-	394,763	385,079	9,684
Total Expenditures	18,402,889	3,119,803	21,522,692	26,218,432	(4,695,740)
Excess (deficiency) of revenues over (under) expenditures	474,774	(2,608,000)	(2,133,226)	(7,665,085)	(5,531,859)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	25,000	-	25,000	31,928	6,928
Transfers out	(31,928)	-	(31,928)	(174,743)	(142,815)
Other financing sources (uses)	2,640,000	-	2,640,000	9,394,919	6,754,919
Net other financing sources (uses)	2,633,072	-	2,633,072	9,252,104	6,619,032
Excess of revenues and other sources over expenditures and other uses	3,107,846	(2,608,000)	499,846	1,587,019	1,087,173
Fund balances, October 1, 2014 (Non-GAAP budgetary basis)	2,593,748		4,130,519	2,916,450	(1,214,069)
Less budgeted fund balance	(1,478,627)	-	(1,478,627)	-	1,478,627
Fund balances, September 30, 2015 (Non-GAAP budgetary basis)	\$ 4,222,967		3,151,738	4,503,469	1,351,731

City of Starkville
Schedule of the City's Proportionate Share of the Net Pension Liability
(Excluding Starkville Electric Department)
Last 10 Fiscal Years*

	<u>2015</u>
City's proportion of the net pension liability	\$ 22,392,036
City's proportionate share of the net pension liability	0.144857%
City's covered-employee payroll	\$ 9,049,841
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

* The amounts for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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

City of Starkville
Schedule of the City's Contributions
(Excluding Starkville Electric Department)
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 1,425,350
Contribution in relation to the contractually required contribution	1,425,350
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	9,049,841
Contributions as a percentage of covered-employee payroll	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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

City of Starkville
Notes to Required Supplementary Information

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 9/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 9/30/2015.

OTHER INFORMATION

City of Starkville
Combining Balance Sheet by Activity
General Fund
September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Task Force Operations	Airport Activities	Subtotal	Eliminating Entries	Total General Fund
<u>Assets</u>								
Cash and cash equivalents	\$ 1,028,294	-	-	25,937	-	1,054,231		1,054,231
Cash - restricted	2,621,208	12,553	116,947	-	401,269	3,151,977		3,151,977
Receivables (Net)								
Accounts	770,732	-	-	-	225	770,957		770,957
Other	12,615	-	-	-	-	12,615		12,615
Due from other departments	274,281	-	-	-	-	274,281		274,281
Due from other funds	459,030	-	-	-	-	459,030		459,030
Inventory	19,017	-	-	-	-	19,017		19,017
Total Assets	<u>\$ 5,185,177</u>	<u>12,553</u>	<u>116,947</u>	<u>25,937</u>	<u>401,494</u>	<u>5,742,108</u>	<u>-</u>	<u>5,742,108</u>
<u>Liabilities</u>								
Accounts payable	\$ 1,157,695	5,509	-	-	4,891	1,168,095		1,168,095
Due to other funds	70,544	-	-	-	-	70,544		70,544
Total Liabilities	<u>1,228,239</u>	<u>5,509</u>	<u>-</u>	<u>-</u>	<u>4,891</u>	<u>1,238,639</u>	<u>-</u>	<u>1,238,639</u>
<u>Fund Equity</u>								
Fund balances - nonspendable	19,017	-	-	-	-	19,017		19,017
Fund balances - restricted								
Restricted for fire protection	-	-	116,947	-	-	116,947		116,947
Restricted for police protection	-	7,044	-	25,937	-	32,981		32,981
Restricted for airport projects	-	-	-	-	396,603	396,603		396,603
Restricted for capital projects	2,621,208	-	-	-	-	2,621,208		2,621,208
Fund balances - unassigned	1,316,713	-	-	-	-	1,316,713		1,316,713
Total Fund Equity	<u>3,956,938</u>	<u>7,044</u>	<u>116,947</u>	<u>25,937</u>	<u>396,603</u>	<u>4,503,469</u>	<u>-</u>	<u>4,503,469</u>
Total Liabilities and Fund Equity	<u>\$ 5,185,177</u>	<u>12,553</u>	<u>116,947</u>	<u>25,937</u>	<u>401,494</u>	<u>5,742,108</u>	<u>-</u>	<u>5,742,108</u>

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
<u>Revenues</u>						
Taxes						
General property taxes	\$ 4,601,386					4,601,386
Licenses and permits						
Privilege license	39,669					39,669
Permits and inspections	277,767					277,767
Franchise fees	38,419					38,419
Intergovernmental						
Federal						
DUI	127,976					127,976
JAG	83,236					83,236
FAA					149,759	149,759
Safe routes grant	10,828					10,828
Brownfield grant	137,173					137,173
Urban youth corps grant	35,000					35,000
Homeland security grant	58,267					58,267
MDOT grant	627,570					627,570
State of Mississippi						
General sales tax	6,621,121					6,621,121
Liquor licenses	57,825					57,825
Municipal aid - gas tax	23,727					23,727
Law enforcement assistance grants	15,506					15,506
Fire protection grants	-		129,979			129,979
Municipal aid	11,913					11,913
Homestead	181,599					181,599
Tennessee Valley Authority	358,169					358,169
MDOT grant					133,338	133,338
Miscellaneous	187,115					187,115
Oktibbeha County and Mississippi State						
Road maintenance	618,344					618,344

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Airport support	7,915				39,023	46,938
Fire control	242,961					242,961
Lieu of tax	22,531					22,531
Fines and forfeits	1,193,067					1,193,067
Interest income	12,846					12,846
Penalties and interest	29,424					29,424
Miscellaneous						
Administration/Electric	1,455,417					1,455,417
Administration/Sanitation	62,500					62,500
Mississippi Valley Gas	82,973					82,973
Rents	10,180				99,182	109,362
TV Cable Franchise	198,516					198,516
Administration/Water	200,000					200,000
Telephone Utility Tax	43,593					43,593
Other	295,546	10,057			21,930	327,533
Total Revenues	17,970,079	10,057	129,979	-	443,232	18,553,347
<u>Expenditures</u>						
General government:						
Legislative						
Personnel services	170,082					170,082
Contractual services	22,301					22,301
Total Legislative	192,383	-	-	-	-	192,383

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Judicial						
Personnel services	389,081					389,081
Supplies	14,382					14,382
Contractual services	20,046					20,046
Capital outlay	5,529					5,529
Total Judicial	<u>429,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,038</u>
Executive						
Personnel services	405,492					405,492
Supplies	4,120					4,120
Contractual services	97,330					97,330
Capital outlay	6,815,331					6,815,331
Total Executive	<u>7,322,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,322,273</u>
City Clerk and Tax Collector						
Personnel services	298,181					298,181
Contractual services	133,434					133,434
Total City Clerk and Tax Collector	<u>431,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,615</u>
Legal						
Personnel services	65,674					65,674
Contractual services	241,186					241,186
Total Legal	<u>306,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,860</u>
City Planner						
Personnel services	173,581					173,581
Supplies	3,276					3,276
Contractual services	100,608					100,608

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Capital outlay	-					-
Total City Planner	277,465	-	-	-	-	277,465
Other Administrative						
Personnel services	164,570					164,570
Supplies	12,269					12,269
Contractual services	536,626					536,626
Capital outlay	-					-
Total Other Administrative	713,465	-	-	-	-	713,465
City Hall						
Personnel services	19,158					19,158
Supplies	4,569					4,569
Contractual services	44,909					44,909
Total City Hall	68,636	-	-	-	-	68,636
Other Miscellaneous						
Personnel services	178,454				40,550	219,004
Supplies	34,610				5,337	39,947
Contractual services	97,974				141,846	239,820
Capital outlay	-				130,051	130,051
Total Other Miscellaneous	311,038	-	-	-	317,784	628,822
Total General Government	10,052,773	-	-	-	317,784	10,370,557
Public Safety						
Public Safety - Police and E911						
Personnel services	3,813,336					3,813,336
Supplies	489,814	3,604				493,418
Contractual services	465,669	1,771				467,440
Capital outlay	120,518	35,945				156,463
Total Public Safety - Police and E911	4,889,337	41,320	-	-	-	4,930,657

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Public Safety - Fire						
Personnel services	3,319,096					3,319,096
Supplies	94,202		-			94,202
Contractual services	294,618					294,618
Capital outlay	58,663					58,663
Total Public Safety - Fire	<u>3,766,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,766,579</u>
Public Safety - Public Inspection						
Personnel services	252,168					252,168
Supplies	63,668					63,668
Contractual services	19,045					19,045
Total Public Safety - Public Inspection	<u>334,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,881</u>
Public Safety - Civil Defense						
Contractual services	3,696					3,696
Capital outlay	15,000					15,000
Total Public Safety - Civil Defense	<u>18,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,696</u>
Public Safety - Other						
Capital outlay	13,797					13,797
Total Public Safety - Other	<u>13,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,797</u>
Total Public Safety	<u>9,023,290</u>	<u>41,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,064,610</u>
Highways and Streets						
City Streets						
Personnel services	545,306					545,306
Supplies	204,149					204,149
Contractual services	30,078					30,078
Capital outlay	71,869					71,869
Total City Streets	<u>851,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,402</u>

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Street Lights						
Contractual services	448,485					448,485
Total Street Lights	448,485	-	-	-	-	448,485
Total Highways and Streets	1,299,887	-	-	-	-	1,299,887
Health and Sanitation						
Health and welfare - animals						
Personnel services	81,595					81,595
Supplies	4,338					4,338
Contractual services	21,479					21,479
Transfer to Humane Society	106,000					106,000
Total Health and Welfare - Animals	213,412	-	-	-	-	213,412
Total Health and Sanitation	213,412	-	-	-	-	213,412
Culture and Recreation						
Parks and Recreation						
Personnel services	-					-
Contractual services	30,000					30,000
Library	170,400					170,400
Transfer to Parks and Rec	940,400					940,400
Total Parks and Recreation	1,140,800	-	-	-	-	1,140,800
Total Culture and Recreation	1,140,800	-	-	-	-	1,140,800
Conservation of Natural Resources						
Contractual services	135,598					135,598
Capital Outlay	-					-
Total Conservation of Natural Resources	135,598	-	-	-	-	135,598
Debt Service						
Principal	1,144,067		95,414			1,239,481
Interest	376,179		8,900			385,079
Total Debt Service	1,520,246	-	104,314	-	-	1,624,560

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2015

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Miscellaneous						
Capital outlay - street improvements	2,218,122					2,218,122
Other miscellaneous	150,886					150,886
Total Miscellaneous	2,369,008	-	-	-	-	2,369,008
Total Expenditures	25,755,014	41,320	104,314	-	317,784	26,218,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,784,935)	(31,263)	25,665	-	125,448	(7,665,085)
<u>Other Financing Sources (Uses)</u>						
Operating transfers in	-				31,928	31,928
Operating transfers out	(174,743)				-	(174,743)
Transfers to other departments	(191,439)					(191,439)
Proceeds from bond sale	2,700,000					2,700,000
Inception of capital leases	6,886,358					6,886,358
Total Other Financing Sources (Uses)	9,220,176	-	-	-	31,928	9,252,104
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,435,241	(31,263)	25,665	-	157,376	1,587,019
<u>Fund Balances</u>						
September 30, 2014	2,521,697	38,307	91,282	25,937	239,227	2,916,450
September 30, 2015	\$ 3,956,938	7,044	116,947	25,937	396,603	4,503,469

City of Starkville
Balance Sheet - Non-Major Governmental Funds
September 30, 2015

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8,039	(729,039)	2,658	(718,342)
Cash - restricted	3,264	-	582,612	585,876
Receivables (Net)				
Other	95	-	-	95
Notes receivable (Net)	41,699	-	-	41,699
Due from other departments	-	815,498	-	815,498
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 53,097	86,459	585,270	724,826
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>				
Accounts payable	\$ -	-	38,260	38,260
Other liabilities	6,445	-	-	6,445
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	6,445	-	38,260	44,705
	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>				
Fund balances - restricted				
Restricted for police protection	3,264	-	-	3,264
Restricted for debt service	-	86,459	-	86,459
Restricted for capital projects	-	-	544,352	544,352
Fund balances - unassigned	43,388	-	2,658	46,046
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	46,652	86,459	547,010	680,121
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 53,097	86,459	585,270	724,826
	<hr/>	<hr/>	<hr/>	<hr/>

City of Starkville
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Funds
For the Year Ended September 30, 2015

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>Revenues</u>				
Intergovernmental:				
Federal	\$ 50,275	-	-	50,275
Special 2% Tax	-	-	679,970	679,970
Property tax revenue		729,136	-	729,136
Interest income	130	18	6	154
Miscellaneous income	35,984	-	-	35,984
Total Revenues	<u>86,389</u>	<u>729,154</u>	<u>679,976</u>	<u>1,495,519</u>
<u>Expenditures</u>				
Debt Service:				
Principal	-	620,000	230,000	850,000
Interest	-	99,300	149,730	249,030
Capital outlay	50,275	-	292,554	342,829
Miscellaneous	81,408	8,156	1,940	91,504
Total Expenditures	<u>131,683</u>	<u>727,456</u>	<u>674,224</u>	<u>1,533,363</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(45,294)</u>	<u>1,698</u>	<u>5,752</u>	<u>(37,844)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	83,546	-	-	83,546
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>83,546</u>	<u>-</u>	<u>-</u>	<u>83,546</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	38,252	1,698	5,752	45,702
<u>Fund Balances</u>				
September 30, 2014	<u>8,400</u>	<u>84,761</u>	<u>541,258</u>	<u>634,419</u>
September 30, 2015	<u>\$ 46,652</u>	<u>\$ 86,459</u>	<u>\$ 547,010</u>	<u>\$ 680,121</u>

City of Starkville
Statement of Net Position - Non-Major Enterprise Funds
September 30, 2015

	Sanitary Landfill Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 25,497
Accounts receivables, net	72,911
Other receivables, net	8,427
Total current assets	<u>106,835</u>
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	<u>119,517</u>
Total non-current assets	<u>119,517</u>
Total Assets	<u>226,352</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Difference between expected and actual experience - net pension liability	<u>30,590</u>
Total Deferred Outflows of Resources	<u>30,590</u>
Total Assets and Deferred Outflows of Resources	<u><u>256,942</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	6,053
Accrued liabilities	21,454
Due to other funds	25,330
Total current liabilities	<u>52,837</u>
Non-current liabilities:	
Unfunded pension liability	<u>223,920</u>
Total non-current liabilities	<u>223,920</u>
Total Liabilities	<u>276,757</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>6,014</u>
Total Deferred Inflows of Resources	<u>6,014</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	119,517
Unrestricted	<u>(145,346)</u>
Total Net Position	<u>(25,829)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 256,942</u></u>

City of Starkville
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Non-Major Enterprise Funds
For the Year Ended September 30, 2015

	Sanitary Landfill Fund
<u>OPERATING REVENUES</u>	
Charges for services	\$ 91,191
Total operating revenues	<u>91,191</u>
<u>OPERATING EXPENSES</u>	
Operating and maintenance	205,923
Depreciation	<u>21,537</u>
Total operating expenses	<u>227,460</u>
Operating loss	<u>(136,269)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Other revenue	5,841
Interest and fiscal charges	(16,721)
Other expenses	<u>(566)</u>
Total non-operating expenses	<u>(11,446)</u>
Income before transfers	(147,715)
Transfers in	<u>119,475</u>
Change in net position	(28,240)
Total net position, beginning	193,374
Prior period adjustment	<u>(190,963)</u>
Total net position, ending	<u><u>\$ (25,829)</u></u>

City of Starkville
Statement of Cash Flows - Non-Major Enterprise Funds
For the Year Ended September 30, 2015

	Sanitary Landfill Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 67,246
Cash paid to employees	(84,682)
Cash paid to suppliers	(71,768)
Net cash flows from operating activities	<u>(89,204)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in	119,475
Net cash flows from noncapital financing activities	<u>119,475</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Payment of debt	(9,457)
Payment of interest	(371)
Other receipts (payments)	(11,075)
Net cash flows from capital and related financing activities	<u>(20,903)</u>
<u>Cash Flows from Investing Activities</u>	
Receipt of interest	-
Net cash flows from investing activities	<u>-</u>
Net change in cash	9,368
Cash and cash equivalents, October 1, 2014	16,129
Cash and cash equivalents, September 30, 2015	<u>\$ 25,497</u>
<u>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:</u>	
Operating loss	\$ (136,269)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	21,537
Changes in operating assets and liabilities:	
Increase in receivables	(23,945)
Increase in deferred outflows of resources	(30,590)
Increase in payables	19,992
Increase in due to other funds	21,100
Increase in unfunded pension liability	32,957
Increase in deferred inflows of resources	6,014
Total adjustments	<u>47,065</u>
Net cash used in operating activities	<u>\$ (89,204)</u>

City of Starkville
Schedule of Surety Bonds for Municipal Officials
September 30, 2015

Name	Position	Bonding Company	Bond Amount
Parker Wiseman	Mayor	Travelers Casualty	\$ 100,000
Velisia Wynn	Alderman	Travelers Casualty	\$ 100,000
Ben Carver	Alderman	Travelers Casualty	\$ 100,000
Jason Walker	Alderman	Travelers Casualty	\$ 100,000
David Little	Alderman	Travelers Casualty	\$ 100,000
Scott Maynard	Alderman	Travelers Casualty	\$ 100,000
Roy A. Perkins	Alderman	Travelers Casualty	\$ 100,000
Henry Vaughn, Sr.	Alderman	Travelers Casualty	\$ 100,000
Taylor Adams	Chief Administrative Officer	Western Surety Co.	\$ 300,000
Lesa Hardin	City Clerk	Western Surety Co.	\$ 50,000
Joanna McLaurin	Grants Manager	Western Surety Co.	\$ 50,000
Martesa Bishop	Deputy City Clerk	Western Surety Co.	\$ 50,000
Kaneshia Hendrix	Deputy City Clerk	Western Surety Co.	\$ 50,000
Stephanie Halbert	Deputy City Clerk	Western Surety Co.	\$ 50,000
Ashley Wigelsworth	Deputy City Clerk	Western Surety Co.	\$ 50,000
Jameika Smith	Office Assistant	Western Surety Co.	\$ 10,000
Tony Rook	Court Administrator	Travelers Casualty	\$ 50,000
Pamela Simpson	Court Clerk	Western Surety Co.	\$ 50,000
Courtney Goodson	Deputy Court Clerk	Travelers Casualty	\$ 50,000
Casandra Young	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Shalonda Sykes	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Krishina Turnipseed	Deputy Court Clerk	Western Surety Co.	\$ 25,000
Joni Leigh Hogue	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Frank Nichols	Chief of Police	Western Surety Co.	\$ 50,000
Thomas Roberson	Police Officer	Western Surety Co.	\$ 25,000
Jonathan Headley	Police Officer	Western Surety Co.	\$ 25,000
Shawn Word	Police Officer	Western Surety Co.	\$ 25,000
Scotty Carrithers	Police Officer	Western Surety Co.	\$ 25,000
Vicki Lowrey	Secretary/In House Compliance	Western Surety Co.	\$ 50,000
William Green	Hearing Enforcement Officer	Western Surety Co.	\$ 50,000
Rodney Lincoln	Airport Manager	Western Surety Co.	\$ 10,000

City of Starkville
Schedule of Bonded Indebtedness
September 30, 2015

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
General Obligation Bonds						
Governmental Activities:						
Parks and Recreation, Series 2007	3/1/2015	3.87	230,000	-	230,000	-
	3/1/2016	3.87	240,000	-	-	240,000
	3/1/2017	3.87	255,000	-	-	255,000
	3/1/2018	3.87	265,000	-	-	265,000
	3/1/2019	3.87	280,000	-	-	280,000
	Thereafter	3.87	2,760,000	-	-	2,760,000
Total			4,030,000	-	230,000	3,800,000
Public Improvement, Series 2009	4/1/2015	3.00	600,000	-	600,000	-
	4/1/2016	3.00	620,000	-	-	620,000
	4/1/2017	3.00	640,000	-	-	640,000
	4/1/2018	3.00	665,000	-	-	665,000
	4/1/2019	3.00	690,000	-	-	690,000
	Thereafter	3.00	350,000	-	-	350,000
Total			3,565,000	-	600,000	2,965,000
TIF Revenue Bonds, Series 2011	5/1/2015	4.25	31,000	-	31,000	-
	5/1/2016	4.25	32,000	-	-	32,000
	5/1/2017	4.50	34,000	-	-	34,000
	5/1/2018	4.50	35,000	-	-	35,000
	5/1/2019	4.50	39,000	-	-	39,000
	Thereafter	4.50 - 5.00	257,000	-	-	257,000
Total			428,000	-	31,000	397,000
Public Improvement, Series 2015	6/1/2016	3.00	-	95,000	-	95,000
	6/1/2017	3.00	-	100,000	-	100,000
	6/1/2018	3.00	-	100,000	-	100,000
	6/1/2019	3.00	-	105,000	-	105,000
	6/1/2020	3.00	-	110,000	-	110,000
	Thereafter	2.50 - 3.00	-	2,190,000	-	2,190,000
Total			-	2,700,000	-	2,700,000
Total Bond Liability, Governmental Activities			8,023,000	2,700,000	861,000	9,862,000
Business-type Activities:						
GO Utility Refunding Bonds, Series 2011	4/1/2015	4.60	250,000	-	250,000	-
	4/1/2016	4.60	260,000	-	-	260,000
	4/1/2017	4.625	270,000	-	-	270,000
	4/1/2018	4.50	280,000	-	-	280,000
	4/1/2019	4.50	290,000	-	-	290,000
	Thereafter	4.50	615,000	-	-	615,000
Total			1,965,000	-	250,000	1,715,000
Electric System Revenue Bonds, Series 2006	11/1/2014	4.00	130,000	-	130,000	-
Total			130,000	-	130,000	-
GO Utility Refunding Bonds, Series 2013	6/30/2015	2.00	240,000	-	240,000	-
	6/30/2016	2.00	380,000	-	-	380,000
	6/30/2017	2.00	395,000	-	-	395,000
	6/30/2018	2.00	400,000	-	-	400,000
	6/30/2018	2.00	400,000	-	-	400,000
	Thereafter	2.00	360,000	-	-	360,000
Total			2,175,000	-	240,000	1,935,000
Total Bond Liability, Business-type Activities			4,270,000	-	620,000	3,650,000
Total Bond Liability			12,293,000	2,700,000	1,481,000	13,512,000

City of Starkville
Schedule of Long-Term Notes
September 30, 2015

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Capital Improvements - Fire Truck	FY15	4.47%	95,414	-	95,414	-
	FY16	4.47%	99,764	-	-	99,764
Total			195,178	-	95,414	99,764
Capital Improvements Revolving Loan	FY15	5.66%	45,411	-	45,411	-
	FY16	5.66%	42,240	-	-	42,240
Total			87,651	-	45,411	42,240
Capital Improvements Revolving Loan	FY15	5.66%	46,492	-	46,492	-
	FY16	5.66%	24,250	-	-	24,250
Total			70,742	-	46,492	24,250
Capital Improvements - Police Comm	FY15	3.84%	10,481	-	10,481	-
Total			10,481	-	10,481	-
Capital Improvements - Dump Truck	FY15	2.25%	6,772	-	6,772	-
	FY16	2.25%	6,926	-	-	6,926
	FY17	2.25%	5,892	-	-	5,892
Total			19,590	-	6,772	12,818
Capital Improvements - Police Cars	FY15	1.58%	90,006	-	90,006	-
	FY16	1.58%	91,439	-	-	91,439
Total			181,445	-	90,006	91,439
Capital Improvements - Ford F350	FY15	1.81%	7,540	-	7,540	-
	FY16	1.81%	7,678	-	-	7,678
	FY17	1.81%	7,818	-	-	7,818
	FY18	1.81%	7,961	-	-	7,961
Total			30,997	-	7,540	23,457
Capital Improvements - Dump Truck	FY15	2.27%	5,635	-	5,635	-
	FY16	2.27%	5,765	-	-	5,765
	FY17	2.27%	5,897	-	-	5,897
	FY18	2.27%	6,032	-	-	6,032
	FY19	2.27%	6,171	-	-	6,171
Total			29,500	-	5,635	23,865
Capital Improvements - Toyota Prius And 2 Toyota Tacomas	FY15	2.59%	-	731	731	-
	FY16	2.59%	-	8,873	-	8,873
	FY17	2.59%	-	9,106	-	9,106
	FY18	2.59%	-	9,345	-	9,345
	FY19	2.59%	-	9,590	-	9,590
	Thereafter	2.59%	-	29,427	-	29,427
Total			-	67,072	731	66,341
Capital Improvements - Ford F250 And 2 Toyota Tacomas	FY16	2.59%	-	9,147	-	9,147
	FY17	2.59%	-	9,386	-	9,386
	FY18	2.59%	-	9,632	-	9,632
	FY19	2.59%	-	9,885	-	9,885
	FY20	2.59%	-	10,144	-	10,144
	Thereafter	2.59%	-	21,092	-	21,092
Total			-	69,286	-	69,286

City of Starkville
Schedule of Long-Term Notes
September 30, 2015

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Capital Improvements - City Hall	FY15	3.00%	-	300,000	300,000	-
	FY16	3.00%	-	310,000	-	310,000
	FY17	3.00%	-	320,000	-	320,000
	FY18	2.50%	-	325,000	-	325,000
	FY19	2.50%	-	335,000	-	335,000
	Thereafter	2.50% - 4.50%	-	5,160,000	-	5,160,000
Total			-	6,750,000	300,000	6,450,000
Total Notes Payable, Governmental Activities			<u>\$ 625,584</u>	<u>\$ 6,886,358</u>	<u>\$ 608,482</u>	<u>\$ 6,903,460</u>

City of Starkville
Schedule of Long-Term Notes
September 30, 2015

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type activities:						
Water Pollution Control	FY15	1.75%	187,288	-	187,288	-
Revolving Loan	FY16	1.75%	190,591	-	-	190,591
	FY17	1.75%	193,954	-	-	193,954
	FY18	1.75%	197,375	-	-	197,375
	FY19	1.75%	200,857	-	-	200,857
	Thereafter	1.75%	1,319,339	-	-	1,319,339
Total			2,289,404	-	187,288	2,102,116
Drinking Water Systems	FY15	2.50%	45,180	-	45,180	-
Improvements Revolving Loan	FY16	2.50%	46,323	-	-	46,323
	FY17	2.50%	47,494	-	-	47,494
	FY18	2.50%	48,695	-	-	48,695
	FY19	2.50%	49,927	-	-	49,927
	Thereafter	2.50%	381,675	-	-	381,675
Total			619,294	-	45,180	574,114
Water Pollution Control	FY15	2.75%	12,390	-	12,390	-
Revolving Loan	FY16	2.75%	12,735	-	-	12,735
	FY17	2.75%	13,090	-	-	13,090
	FY18	2.75%	13,455	-	-	13,455
	FY19	2.75%	13,829	-	-	13,829
	Thereafter	2.75%	149,159	-	-	149,159
Total			214,658	-	12,390	202,268
MDA Capital Improvements Loan	FY15	2.00%	47,114	-	47,114	-
	FY16	2.00%	44,331	-	-	44,331
	FY17	2.00%	45,226	-	-	45,226
	FY18	2.00%	46,138	-	-	46,138
	FY19	2.00%	47,070	-	-	47,070
	Thereafter	2.00%	561,549	-	-	561,549
Total			791,428	-	47,114	744,314
Drinking Water Systems	FY15	2.12%	155,418	-	155,418	-
Improvements Revolving Loan	FY16	2.12%	158,745	-	-	158,745
	FY17	2.12%	162,143	-	-	162,143
	FY18	2.12%	165,614	-	-	165,614
	FY19	2.12%	169,159	-	-	169,159
	Thereafter	2.12%	1,497,459	-	-	1,497,459
Total			2,308,538	-	155,418	2,153,120
CAT D6R Lease	FY15	3.27%	9,456	-	9,456	-
Total			9,456	-	9,456	-
MDA Capital Improvements Loan	FY15	2.00%	23,331	-	23,331	-
Prom Note #07-347-CP-01	FY16	2.00%	21,953	-	-	21,953
	FY17	2.00%	22,396	-	-	22,396
	FY18	2.00%	22,848	-	-	22,848
	FY19	2.00%	23,309	-	-	23,309
	Thereafter	2.00%	282,941	-	-	282,941
Total			396,778	-	23,331	373,447

City of Starkville
Schedule of Long-Term Notes
September 30, 2015

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
MDA Capital Improvements Loan Prom Note #12-347-CP-01	FY15	2.00%	-	-	-	-
	FY16	2.00%	-	-	-	-
	FY17	2.00%	-	56,439	-	56,439
	FY18	2.00%	-	62,761	-	62,761
	FY19	2.00%	-	64,028	-	64,028
	Thereafter	2.00%	-	561,313	-	561,313
Total			-	744,541	-	744,541
MDA Capital Improvements Loan Prom Note #14-347-CP-01	FY15	2.00%	-	-	-	-
	FY16	2.00%	-	-	-	-
	FY17	2.00%	-	32,830	-	32,830
	FY18	2.00%	-	36,507	-	36,507
	FY19	2.00%	-	37,244	-	37,244
	Thereafter	2.00%	-	63,979	-	63,979
Total			-	170,560	-	170,560
3 Garbage Trucks Lease	FY15	2.24%	40,067	-	40,067	-
	FY16	2.24%	30,645	-	-	30,645
Total			70,712	-	40,067	30,645
Grapple Truck Lease	FY15	2.05%	34,615	-	34,615	-
	FY16	2.05%	24,418	-	-	24,418
Total			59,033	-	34,615	24,418
4 Garbage Trucks Lease	FY15	2.46%	106,668	-	106,668	-
	FY16	2.46%	109,321	-	-	109,321
	FY17	2.46%	112,040	-	-	112,040
	FY18	2.46%	114,827	-	-	114,827
	FY19	2.46%	117,683	-	-	117,683
	Thereafter	2.46%	244,221	-	-	244,221
Total			804,760	-	106,668	698,092
Vacuum Truck Lease	FY15	2.09%	59,939	-	59,939	-
	FY16	2.09%	61,204	-	-	61,204
	FY17	2.09%	62,495	-	-	62,495
	FY18	2.09%	63,814	-	-	63,814
	FY19	2.09%	48,742	-	-	48,742
Total			296,194	-	59,939	236,255
Sewer Jet Truck Lease	FY15	2.09%	56,339	-	56,339	-
	FY16	2.09%	57,216	-	-	57,216
	FY17	2.09%	28,941	-	-	28,941
Total			142,496	-	56,339	86,157
2 Cat Mini Excavators Lease	FY15	2.29%	-	7,208	7,208	-
	FY16	2.29%	-	13,830	-	13,830
	FY17	2.29%	-	14,150	-	14,150
	FY18	2.29%	-	14,477	-	14,477
	FY19	2.29%	-	14,813	-	14,813
	Thereafter	2.29%	-	7,534	-	7,534
Total			-	72,012	7,208	64,804

City of Starkville
Schedule of Long-Term Notes
September 30, 2015

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2014</u>	<u>Transactions</u>		<u>Balance 9/30/2015</u>
				<u>Issued</u>	<u>Redeemed</u>	
Digger Truck Lease	FY15	3.50%	14,546	-	14,546	-
	FY16	3.50%	15,064	-	-	15,064
	FY17	3.50%	15,738	-	-	15,738
	FY18	3.50%	16,513	-	-	16,513
	FY19	3.50%	878	-	-	878
Total			<u>62,739</u>	<u>-</u>	<u>14,546</u>	<u>48,193</u>
Bucket Truck Lease	FY15	3.50%	20,947	-	20,947	-
	FY16	3.50%	21,691	-	-	21,691
	FY17	3.50%	22,652	-	-	22,652
	FY18	3.50%	23,627	-	-	23,627
	FY19	3.50%	3,402	-	-	3,402
Total			<u>92,319</u>	<u>-</u>	<u>20,947</u>	<u>71,372</u>
Total Notes Payable, Business-type Activities			<u>\$ 8,157,809</u>	<u>\$ 987,113</u>	<u>\$ 820,506</u>	<u>\$ 8,324,416</u>
Total Notes Payable			<u>\$ 8,783,393</u>	<u>\$ 7,873,471</u>	<u>\$ 1,428,988</u>	<u>\$ 15,227,876</u>

City of Starkville
Schedule of Expenditures Federal Awards
For the Year Ended September 30, 2015

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed-through Mississippi Development Authority:		
Community Development Block Grants	14.228	6,817,822
Home Investment Partnerships Program	14.239	50,275
Total U.S. Department of Housing and Urban Development		<u>6,868,097</u>
<u>U.S. Department of Justice</u>		
Passed-through Mississippi Department of Public Safety:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	83,236
Total U.S. Department of Justice		<u>83,236</u>
<u>U. S. Department of Transportation</u>		
Direct Programs:		
Airport Improvement Program (ARRA)	20.106	149,759
Passed through Mississippi Department of Transportation:		
Highway Planning and Construction (ARRA)	20.205	667,677
Passed through Mississippi Department of Public Safety:		
State and Community Highway Safety	20.600	23,021
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	104,955
Total U. S. Department of Transportation		<u>945,412</u>
<u>Appalachian Regional Commission:</u>		
Passed through Tennessee Valley Authority:		
Appalachian Area Development	23.002	201,142
Total Appalachian Regional Commission		<u>201,142</u>
<u>U.S. Environmental Protection Agency:</u>		
Direct Programs:		
Brownfields Assessment and Cleanup Cooperative Agreements (ARRA)	66.818	137,173
Total U.S. Environmental Protection Agency		<u>137,173</u>
<u>U.S. Department of Homeland Security</u>		
Passed through Mississippi Emergency Management Agency:		
Hazard Mitigation Grant	97.039	2,267
Passed through Mississippi Department of Public Safety:		
Homeland Security Grant	97.067	56,000
Total U.S. Department of Homeland Security		<u>58,267</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 8,293,327</u>

Notes to Schedule

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

COMPLIANCE SECTION

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

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*

To the Honorable Mayor and Board of Aldermen
City of Starkville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the City of Starkville, Mississippi's basic financial statements and have issued our report thereon dated June 22, 2016.

Internal Control Over Financial Reporting

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

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

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 (Findings 2015-01, 2015-02 and 2015-03).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies (Findings 2015-03, 2015-04, 2015-05, 2015-06, 2015-07 and 2015-08).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Starkville, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Starkville, Mississippi's Response to Findings

The City of Starkville, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings. the City of Starkville, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Starkville, Mississippi
June 22, 2016

Watkins Ward and Stafford, PLLC

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

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

To the Honorable Mayor and Board of Aldermen
City of Starkville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Starkville, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Starkville, Mississippi's major federal programs for the year ended September 30, 2015. The City of Starkville, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Starkville, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 City of Starkville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Starkville, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Starkville, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Starkville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Starkville, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 on the effectiveness of the City of Starkville, Mississippi's internal control over compliance.

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 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Starkville, Mississippi
June 22, 2016

Watkins Ward and Stafford, PLLC

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



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA

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

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

We have audited the financial statements of the City of Starkville, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 30, 2015. 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.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests and our audit of the financial statements disclosed the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are as follows:

Finding:

In violation of Mississippi Code Section 17-17-348, the City did not publish an itemized report of all revenues, costs and expenses incurred by the municipality during fiscal year 2015 in operating the garbage or rubbish collection or disposal system.

Recommendation:

To comply with applicable state statutes, the City should publish an itemized report of all revenues, costs and expenses incurred by the municipality for each fiscal year in operating the garbage or rubbish collection or disposal system.

Response:

The board has been made aware of this violation of state statutes.

This report is intended for the information and use of the Board of Aldermen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi
June 22, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS

**City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es) | None reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section_.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Community Development Block Grants CFDA #14.228 | |
| b. | Highway Planning and Construction CFDA #20.205 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

**City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015**

Section 2: Findings Relating to the Financial Statements

Material Weaknesses

2015-01 Pooled Cash Accounts and Related Deficit Balances

Finding: The City does not have adequate internal controls related to the use of pooled cash accounts. We noted numerous transactions through pooled cash accounts that were recorded incorrectly between funds. As a result, cash balances in several funds reflect deficit balances for "Claim on Pooled Cash." Numerous and significant adjusting entries were required to reclassify and record transactions in the pooled cash accounts.

Recommendation: Management should implement a system of controls that ensures that staff responsible for recording transactions in and reconciling the pooled cash accounts are properly trained. Also, management should review monthly reconciliations of the pooled cash bank accounts and "Claim on Pooled Cash" in each fund.

Response: The City will continue to separate out accounts in order to step away from the pooled cash system which should eliminate this problem.

2015-02 Cash in Bank – 2015 Capital Improvement Bond

Finding: The City does not have adequate internal controls over the establishment of additional bank accounts. The bank account established and designated for the 2015 Capital Improvement Bond was not recorded in the City's financial records. As a result, cash and proceeds from bond issuance were materially understated.

Recommendation: Management should implement a system of controls that ensures that new bank accounts are properly and timely recorded in the financial records.

Response: A separate bank account was established, with the monies recorded in the general bank account as it was drawn down for Capital Improvement projects. It has now correctly been added to the balance sheet.

City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015

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

2015-03 Netting Revenues and Expenditures

Finding: Our tests of revenues and expenditures revealed several instances of revenue transactions being improperly netted against a related expenditure account and expenditure transactions being improperly netted against a related revenue account. One such instance involved a material revenue transaction being netted against an expenditure account. This improper netting resulted in the affected revenue and expenditure accounts being understated, and significant adjusting entries were required to correct the errors.

Recommendation: Management should implement a system of controls that ensures that staff responsible for posting revenue and expenditure transactions understand that netting revenues and expenditures is improper. Also, management should review general ledger postings for revenue and expenditure accounts monthly to check for improper netting of revenues and expenditures.

Response: Refunds and rebates were coded back against the expenses they were paid from at the request of department heads so they would see only net expenses. The staff understands now that this is not the proper way to handle these refunds and rebates and will set up separate revenue accounts for refunds and rebates.

Significant Deficiencies Not Considered to be a Material Weakness

2015-04 Accounts Payable and Payroll Liabilities Reconciliations (Repeat of Prior Year)

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

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

Response: These accounts were reconciled after the year end close and are now properly balanced.

**City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015**

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

2015-05 Bank Account Reconciliations (Repeat of Prior Year)

Finding: The City does not have adequate internal controls over the bank account reconciliations process. There were instances where outstanding items were duplicated in the accounting system causing the bank account reconciliations to be incorrect.

Recommendation: Management should implement a system of review of the bank reconciliations by another person on a monthly basis.

Response: Claims that are over eighteen months outstanding will be voided, thus making the reconciliation process less complex and any duplication noticeable.

2015-06 Cash in Bank – Fund 202 – City Bond and Interest

Finding: Fund 202 – City Bond and Interest had a deficit reconciled cash balance of \$729,135.16. This resulted from the failure to transfer funds from the Electric Department to pay for the debt service. Failure to properly and timely transfer debt service transactions creates a strain on general fund resources.

Recommendation: Management should implement a system of controls that ensures that transfers between funds for debt service payments are made in a timely manner and paid with the proper funds.

Response: Staff failed to send an invoice to Starkville Utilities when the Utility bond payments were made and Starkville Electric did not realize they had not made the payments to the City. They were billed, repaid the city general fund and now make their own bond payments.

2015-07 General Ledger Accounts and Journal Entries

Finding: Results of various test work we performed revealed inconsistent recording of transactions in several general ledger accounts. This included transactions that were coded incorrectly as well as recurring journal entries that went unrecorded. Additionally, we discovered numerous journal entries for which there was a lack of documentation supporting the entries. These account misclassifications and unrecorded journal entries resulted in several significant adjusting entries.

City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015

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

Recommendation: Management should implement a system of controls that ensures that transactions are properly coded, that all required journal entries are recorded on a monthly basis, and that there is adequate supporting documentation for all recorded journal entries.

Response: Current staff have been made aware of the importance of maintaining well documented records and regular bi-weekly staff meetings will begin at which documentation will be reviewed.

2015-08 Misclassification of Revenue

Finding: Our reconciliation of revenue passed through the State of Mississippi revealed several instances of revenues being recorded in incorrect accounts. These misclassifications included incorrect recording between accounts specified for recording of federal and state grant funds as well as incorrect recording between a CAP loan account and the related federal grant revenue account. We also discovered the recording of several federal and state grant revenues in miscellaneous income. These misclassifications resulted in the misstatement of intergovernmental federal and state revenues and other revenues, and significant adjusting entries were required to correct the misclassifications.

Recommendation: Management should implement a system of controls that ensures that revenues are classified correctly when recorded. This should include a control that identifies the nature of each revenue transaction passed through the State of Mississippi and, accordingly, results in the proper recording of each revenue transaction. Also, management should review general ledger postings for revenue monthly to check for misclassifications of revenue.

Response: Staff will begin requesting monthly printouts from the State listing all revenues direct deposited to the City and their sources and identifying numbers. All sources will be coded to the correct account the first time and not to miscellaneous revenue until they can be researched.

**City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015**

Section 3: Findings Relating to Federal Awards

2015-09 Identification of Federal Grant Awards

Finding: The City does not have adequate internal controls over the identification of federal grant awards. A majority of the federal awards that the City receives are passed through various state agencies. We discovered several instances where the City did not properly identify the grant associated with the funds being received. Also, in some of these instances, the City did not identify whether the funds being received were being passed through from a federal agency. This lack of controls resulted in grant awards being misclassified between various grant revenue accounts and an inability to provide a comprehensive list of all federal grant awards received during the fiscal year.

Recommendation: Management should implement a system of controls that ensures that grant awards are identified when received with respect to the specific grant with which they are associated and whether the awards are from a federal source. The controls should also ensure that awards from each grant are posted into separate revenue accounts and that the accounts are properly segregated between state and federal funds. Also, management should review the recording of each transaction involving funds passed through state agencies on a monthly basis.

Response: The City Clerk's Office is reviewing controls and procedures and making adjustments accordingly. The Grant Administrator will be diligent to obtain all grant documentation from departments thus better identifying the funding sources. State and Federal printouts of grant payments will be requested on a regular basis.

2015-10 Financial Management Related to the Community Development Block Grant (CFDA #14.228) (Project #1130-13-347-PF-01)

A compliance review by the Mississippi Development Authority identified the following finding:

Finding: It was noted that on one (1) occasion the City retained a bank account balance. Disbursement of payments related to RFC #4 exceeded the requirement for disbursements to be made within three (3) days of deposit of federal funds.

City of Starkville
Schedule of Findings
For the Year Ended September 30, 2015

Section 3: Findings Relating to Federal Awards (Continued)

Recommendation: The City must submit in writing an assurance that in the future, all CDBG funds will be disbursed from the account within three (3) days of the deposit. If cash disbursement is delayed, the City should send the excess cash back to the State or notify the Community Services Division.

Response: The City of Starkville ensures that in the future, all CDBG funds will be disbursed from the account within three (3) days of the deposit. If any cash disbursement is delayed, the excess cash will be immediately sent back to the State or the Community Services Division will be notified. The Mississippi Development Authority accepted this response on February 25, 2016.