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**City of Starkville, Mississippi**

**Audit Report**

**September 30, 2016**

**City of Starkville  
Audit Report  
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**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**



**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  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

## **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, 2016, 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, 2016, 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 August 15, 2017, 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  
August 15, 2017

*Watkins Ward and Stafford, PLLC*



## **MANAGEMENT DISCUSSION AND ANALYSIS**

**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

**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, 2016. 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 5.1%.

Capital improvement in fiscal year 2016 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.

**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

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 was recently opened in east Starkville along with the start of construction of 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.

Fiscal Year 2016 brought significant gains in multi-family housing. Starkville continued to experience construction starts. Steady enrollment growth at Mississippi State University offers reason for optimism that the recent construction surge will continue. A new car dealership was built inside the City limits to the east along with a Wal-Mart Community Market under construction. A new shopping center and hotel has been completed near the entrance to the City's primary retail corridor on Highway 12. 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 \$593,962 which represents a 6.36% decrease from the prior fiscal year. The City's ending cash balance increased by \$202,849 which represents a 17.98% increase from the prior fiscal year.

The City had \$72,259,075 in total revenues. Tax revenues account for \$12,299,944 or 17.30% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$7,307,388 or 10.11% of total revenues.

The City had \$71,017,835 in total expenses, which represents a decrease of \$777,957 or 1.08% over the prior fiscal year. Expenses in the amount of \$52,796,714 were offset by charges for services, grants or outside contributions. General revenues of \$19,479,027 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$19,833,926 in revenues and \$20,785,798 in expenditures. The General Fund's fund balance decreased \$1,091,809 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,452,924.

Long-term debt increased by \$1,160,183.

**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

**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**

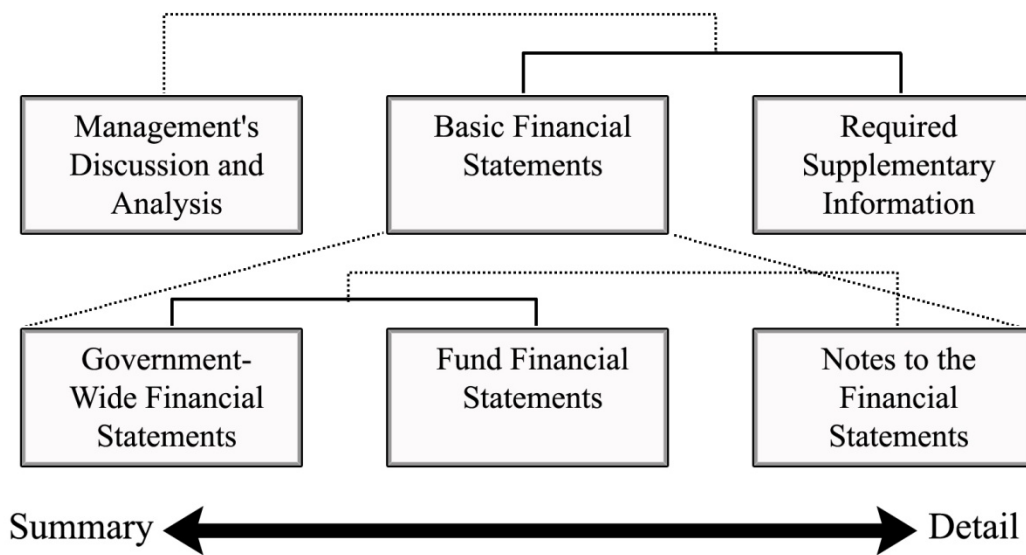


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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, 2016**

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

**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

**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**  
**Management Discussion and Analysis**  
**September 30, 2016**

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 the Uniform Guidance 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 \$37,389,056 as of September 30, 2016.

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, 2016**

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2016.

	<u>2016</u>
Cash and Other Assets	\$ 27,445,984
Capital assets, net	<u>74,327,176</u>
Total assets	<u>101,773,160</u>
 Deferred Outflows of Resources	 <u>3,567,904</u>
 Other Liabilities	 11,080,240
Long-term debt outstanding	<u>55,726,012</u>
Total liabilities	<u>66,806,252</u>
 Deferred Inflows of Resources	 <u>124,346</u>
 Net position:	
Invested in capital assets, net of related debt	46,848,356
Contributed capital	8,967,665
Restricted	3,480,417
Unrestricted	<u>(21,907,382)</u>
Total net position	<u>\$ 37,389,056</u>

**Changes in Net Position** – The City's total revenues for the fiscal year ended September 30, 2016 was \$72,259,075. The total cost for all services provided was \$71,017,835. The increase in net position was \$1,257,906. The following table presents a summary of the change in net position for the fiscal year ended September 30, 2016.

	<u>Current Year</u> <u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 50,357,062
Operating grants & contributions	425,059
Capital grants & contributions	2,014,593
 General revenues	
Property taxes	5,196,472



**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

Sales and Use taxes	7,058,503
Other taxes	44,969
Interest income	7,930
Transfers	1,284,922
Miscellaneous	<u>5,869,565</u>
Total Revenues	<u>\$ 72,259,075</u>

Expenses:	
General government	5,162,150
Public safety	10,394,779
Highways and streets	2,667,230
Health and sanitation	206,099
Culture and recreation	882,191
Conservation of natural resources	193,052
Other	1,993,441
Utilities	45,675,679
Sanitation	3,255,083
Interest on long-term debt	<u>588,131</u>
Total Expenses	<u>\$ 71,017,835</u>

Increase in Net Position	<u>\$ 1,257,906</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	\$ 5,162,150	\$ 4,860,219
Public Safety	10,394,779	9,969,720
Public Services	2,873,329	2,238,553
Utilities	45,675,679	(2,091,097)

**City of Starkville**  
**Management Discussion and Analysis**  
**September 30, 2016**

**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 \$5,197,600, an increase of \$14,010. 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.

**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, 2016, the City of Starkville's total capital assets were \$186,220,660. This includes infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase over the previous year of \$3,753,619.

Total accumulated depreciation as of September 30, 2016 was \$111,893,484 including \$2,300,695 of depreciation expense for the year. The balance in total net capital assets was \$74,327,176 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, 2016, the City of Starkville had \$55,652,465 in long-term debt outstanding. This includes general obligation bonds, other loans, obligations under capital lease, and the unfunded pension liability. Of this debt \$3,099,657 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, 2016**

**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 5.1% with Rankin County being 1st with a rate of 4.0% and Jefferson County being the 82nd or highest with a rate of 11.9%. Oktibbeha County compares on par with the state average rate of 6.1%.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City of Starkville City Clerk's office at 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, 2016**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,331,198	10,253,722	11,584,920
Cash - restricted	3,469,574		3,469,574
Accounts receivable, net	767,485	6,422,073	7,189,558
Other receivables, net	273,107	56,610	329,717
Notes receivable, net	41,699		41,699
Due from other departments	629,267	127,942	757,209
Due from other funds			-
Prepaid expense		2,720,045	2,720,045
Inventory	19,017	1,095,744	1,114,761
Capital assets:			
Land and construction in progress	1,247,782	1,648,284	2,896,066
Property and equipment	80,253,536	106,119,216	186,372,752
Less: accumulated depreciation	(62,606,571)	(52,335,071)	(114,941,642)
Other assets		238,501	238,501
Total assets	<u>25,426,094</u>	<u>76,347,066</u>	<u>101,773,160</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Unamortized work order closeout		376,019	376,019
Unamortized debt expense		78,670	78,670
Difference between expected and actual experience - net pension liability	<u>1,365,788</u>	<u>1,747,427</u>	<u>3,113,215</u>
Total deferred outflows of resources	<u>1,365,788</u>	<u>2,202,116</u>	<u>3,567,904</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	697,889	6,350,834	7,048,723
Accrued liabilities		540,428	540,428
Due to other departments	73,681	878,729	952,410
Due to other funds		175,212	175,212
Customer deposits		2,386,925	2,386,925
Other liabilities		135,776	135,776
Long-term liabilities:			
Due within one year	1,477,099	1,622,558	3,099,657
Due in more than one year	15,392,456	9,696,960	25,089,416
Unfunded pension liability	<u>18,997,918</u>	<u>9,101,198</u>	<u>28,099,116</u>
Total liabilities	<u>36,639,043</u>	<u>30,888,620</u>	<u>67,527,663</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>91,153</u>	<u>333,193</u>	<u>424,346</u>
Total deferred inflows of resources	<u>91,153</u>	<u>333,193</u>	<u>424,346</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	2,025,192	44,260,987	46,286,179
Contributed capital		8,967,665	8,967,665
Restricted	3,480,417		3,480,417
Unrestricted	<u>(15,443,923)</u>	<u>(5,901,283)</u>	<u>(21,345,206)</u>
Total net position	<u>\$ (9,938,314)</u>	<u>47,327,369</u>	<u>37,389,055</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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 5,162,150	301,931	-		(4,860,219)
Public safety					
Police	5,596,595		275,853		(5,320,742)
Fire	4,502,624		149,206		(4,353,418)
Public inspection	282,811				(282,811)
Civil defense	12,749				(12,749)
Other					-
Highways and streets	2,667,230			634,776	(2,032,454)
Health and sanitation	206,099				(206,099)
Culture and recreation	882,191				(882,191)
Conservation of natural resources	193,052				(193,052)
Economic development and assistance				668,984	668,984
Other	1,993,441				(1,993,441)
Interest on long-term debt	588,131				(588,131)
Total governmental activities	22,087,073	301,931	425,059	1,303,760	(20,056,323)
Business-type Activities					
Electric utilities	39,162,789	41,005,834		-	1,843,045
Water and sewer utilities	6,512,890	6,127,503		633,439	248,052
Sanitation and waste	3,023,919	2,871,253		77,392	(75,274)
Sanitary landfill	231,164	50,541			(180,623)
Total business-type activities	48,930,762	50,055,131	-	710,831	1,835,200
Total primary government	\$ 71,017,835	50,357,062	425,059	2,014,591	(18,221,123)
		<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
Changes in Net Position:					
Net (expense) / revenue		\$ (20,056,323)	1,835,200	(18,221,123)	
General revenues					
Taxes					
Property taxes			5,196,472		5,196,472
Sales and use taxes			7,058,503		7,058,503
Other taxes			44,969		44,969
Investment income			7,930	21,512	29,442
Other			5,869,565		5,869,565
Transfers			1,284,922	(4,846)	1,280,076
Total general revenues and transfers			19,462,361	16,666	19,479,027
Change in net position			(593,962)	1,851,866	1,257,904
Net position, October 1, 2015			(9,344,352)	45,475,503	36,131,151
Net position, September 30, 2016			\$ (9,938,314)	47,327,369	37,389,055

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, 2016**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,317,876	13,322	1,331,198
Cash - restricted	1,695,408	1,774,166	3,469,574
Receivables (Net)			
Accounts	767,485		767,485
Other	272,994	113	273,107
Notes receivable (Net)		41,699	41,699
Due from other departments	629,267		629,267
Due from other funds			-
Inventory	19,017		19,017
	<u>19,017</u>	<u></u>	<u>19,017</u>
Total Assets	<u>\$ 4,702,047</u>	<u>1,829,300</u>	<u>6,531,347</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 1,216,706	43,360	1,260,066
Other liabilities			-
Due to other departments	73,681		73,681
Due to other funds			-
	<u>73,681</u>	<u></u>	<u>73,681</u>
Total Liabilities	<u>1,290,387</u>	<u>43,360</u>	<u>1,333,747</u>
<b><u>FUND BALANCES</u></b>			
Fund balances - nonspendable	19,017		19,017
Fund balances - restricted			
Restricted for fire protection	92,060		92,060
Restricted for police protection	32,981	3,264	36,245
Restricted for airport projects	288,369		288,369
Restricted for debt service		96	96
Restricted for capital projects	1,302,213	1,761,434	3,063,647
Fund balances - committed			-
Fund balances - unassigned	1,677,020	21,146	1,698,166
	<u>1,677,020</u>	<u>21,146</u>	<u>1,698,166</u>
Total Fund Balances	<u>3,411,660</u>	<u>1,785,940</u>	<u>5,197,600</u>
Total Liabilities and Fund Balances	<u>\$ 4,702,047</u>	<u>1,829,300</u>	<u>6,531,347</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, 2016**

Fund Balances - total governmental funds		\$ 5,197,600
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	81,501,318	
Less accumulated depreciation	<u>(62,606,571)</u>	18,894,747
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Long-Term Liabilities	(35,867,473)	
Deferred Outflows of Resources	1,365,788	
Deferred Inflows of Resources	<u>(91,153)</u>	<u>(34,592,838)</u>
Net Position of Governmental Activities		<u><u>\$ (10,500,491)</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, 2016**

	<b>General</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>			
General property taxes	\$ 4,879,185	317,287	5,196,472
Licenses and permits	301,931		301,931
Intergovernmental:			
Federal	1,624,749	581,149	2,205,898
State of Mississippi	8,338,314	832,596	9,170,910
Oktibbeha County and Mississippi State	934,702		934,702
Fines and forfeits	1,311,692		1,311,692
Interest income	7,930	216	8,146
Penalties and interest	28,156		28,156
Other revenues	2,407,267	48,015	2,455,282
Total Revenues	<u>19,833,926</u>	<u>1,779,263</u>	<u>21,613,189</u>
<b><u>EXPENDITURES</u></b>			
General government	4,480,520		4,480,520
Public safety:			
Police	4,996,269		4,996,269
Fire	3,827,163		3,827,163
Public inspection	265,711		265,711
Civil defense	12,749		12,749
Other			-
Highways and streets	1,318,843		1,318,843
Health and sanitation	206,099		206,099
Culture and recreation	763,797		763,797
Conservation of natural resources	193,052		193,052
Other	354,505	206,496	561,001
Capital outlay	2,556,288	840,774	3,397,062
Debt service:			
Principal	1,383,704	620,000	2,003,704
Interest	427,098	161,033	588,131
Total Expenditures	<u>20,785,798</u>	<u>1,828,303</u>	<u>22,614,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(951,872)</u>	<u>(49,040)</u>	<u>(1,000,912)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in		19,859	19,859
Transfers out			-
Transfers from other departments			-
Transfers to other departments	(139,937)		(139,937)
Proceeds from bond sale		1,135,000	1,135,000
Inception of capital leases			-
Net other financing sources	<u>(139,937)</u>	<u>1,154,859</u>	<u>1,014,922</u>
Net change in fund balances	(1,091,809)	1,105,819	14,010
<b>Fund balances, October 1, 2015</b>	<u>4,503,469</u>	<u>680,121</u>	<u>5,183,590</u>
<b>Fund balances, September 30, 2016</b>	<u><u>\$ 3,411,660</u></u>	<u><u>\$ 1,785,940</u></u>	<u><u>\$ 5,197,600</u></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, 2016**

Net change in Fund Balances - total governmental funds \$ 14,010

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	2,833,326	
Less current year depreciation	<u>(2,300,695)</u>	532,631

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	(1,135,000)	
Principal payments	<u>1,703,964</u>	568,964

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	(2,984,202)	
Change in deferred outflows of resources	1,365,788	
Change in deferred inflows of resources	(91,153)	
Change in long-term compensated absences	<u>-</u>	<u>(1,709,567)</u>

Change in Net Position of Governmental Funds		<u><u>\$ (593,962)</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, 2016**

	<b>June 30, 2016</b>	<b>September 30, 2016</b>			
	<b>Electric Department</b>	<b>Water &amp; Sewer Department</b>	<b>Sanitation and Waste Fund</b>	<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b><u>ASSETS</u></b>					
Current assets:					
Cash and cash equivalents	\$ 8,595,705	955,878	734,083	(31,944)	10,253,722
Accounts receivables, net	5,504,449	362,252	466,028	89,344	6,422,073
Other receivables, net	55,894			716	56,610
Due from other departments	127,942				127,942
Prepaid expense	2,720,045				2,720,045
Inventory	654,812	440,932			1,095,744
Total current assets	17,658,847	1,759,062	1,200,111	58,116	20,676,136
Non-current assets:					
Other assets	238,501				238,501
Capital assets:					
Fixed assets, net of depreciation	33,273,188	20,621,529	1,439,193	98,518	55,432,428
Total non-current assets	33,511,689	20,621,529	1,439,193	98,518	55,670,929
Total Assets	51,170,536	22,380,591	2,639,305	156,634	76,347,066
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Unamortized work order closeout	376,019				376,019
Unamortized debt expense	78,670				78,670
Difference between expected and actual experience - net pension liability	711,381	666,318	321,850	47,878	1,747,427
Total Deferred Outflows of Resources	1,166,070	666,318	321,850	47,878	2,202,116
Total Assets and Deferred Outflows of Resources	\$ 52,336,606	23,046,909	2,961,155	204,512	78,549,182
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable	5,942,609	362,964	40,730	4,531	6,350,834
Accrued liabilities	241,835	227,416	49,722	21,455	540,428
Due to other departments	878,728				878,728
Due to other funds			151,153	24,059	175,212
Accrued interest - long-term debt	16,376				16,376
Bonds payable, current	665,000				665,000
Notes payable, current	38,063	679,158	240,337		957,558
Other current liabilities	52,150				52,150
Total current liabilities	7,834,761	1,269,538	481,942	50,045	9,636,286
Non-current liabilities:					
Bonds payable, non-current	2,335,737				2,335,737
Notes payable, non-current	44,745	6,326,557	989,921		7,361,223
Customer deposits	2,361,417	25,508			2,386,925
Other liabilities	67,250				67,250
Unfunded pension liability	3,506,344	3,740,867	1,598,229	255,758	9,101,198
Total non-current liabilities	8,315,493	10,092,932	2,588,150	255,758	21,252,333
Total Liabilities	16,150,254	11,362,470	3,070,092	305,803	30,888,619
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Difference between projected and actual earnings on pension plan investments - net pension liability	176,651	104,058	45,316	7,168	333,193
Total Deferred Inflows of Resources	176,651	104,058	45,316	7,168	333,193
<b><u>NET POSITION</u></b>					
Invested in capital assets, net of related debt	30,337,720	13,615,814	208,935	98,518	44,260,987
Contributed capital		8,967,665			8,967,665
Unrestricted	5,671,981	(11,003,098)	(363,188)	(206,977)	(5,901,282)
Total Net Position	36,009,701	11,580,381	(154,253)	(108,459)	47,327,370
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 52,336,606	23,046,909	2,961,155	204,512	78,549,182

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, 2016**

	<b>June 30, 2016</b>	<b>September 30, 2016</b>			
	<b>Electric Department</b>	<b>Water &amp; Sewer Department</b>	<b>Sanitation and Waste Fund</b>	<b>Non-Major Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b><u>OPERATING REVENUES</u></b>					
Charges for services	\$ 41,005,834	6,127,503	2,871,253	50,541	50,055,131
Total operating revenues	41,005,834	6,127,503	2,871,253	50,541	50,055,131
<b><u>OPERATING EXPENSES</u></b>					
Purchased power	32,264,035				32,264,035
Operating and maintenance	5,069,166	5,141,198	2,458,091	205,914	12,874,369
Depreciation	1,717,933	1,264,909	429,186	20,999	3,433,027
Total operating expenses	39,051,134	6,406,107	2,887,277	226,913	48,571,431
Operating income (loss)	1,954,700	(278,604)	(16,024)	(176,372)	1,483,700
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>					
Other revenue		633,439	77,394		710,833
Interest on investments	21,512				21,512
Amortization expense	(23,519)				(23,519)
Interest and fiscal charges	(88,136)	(66,932)	(120,120)	(4,168)	(279,356)
Other expenses		(39,851)	(16,521)	(83)	(56,455)
Total non-operating revenues (expenses)	(90,143)	526,656	(59,247)	(4,251)	373,015
Income (loss) before transfers	1,864,557	248,052	(75,272)	(180,623)	1,856,715
Transfers in	-	-		97,993	97,993
Transfers out	-	-	(102,840)	-	(102,840)
Change in net position	1,864,557	248,052	(178,112)	(82,630)	1,851,868
Total net position, beginning	34,145,144	11,332,329	23,859	(25,829)	45,475,503
Total net position, ending	\$ 36,009,701	11,580,381	(154,253)	(108,459)	47,327,371

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, 2016**

	<u>June 30, 2016</u>	<u>September 30, 2016</u>			
	<u>Electric Department</u>	<u>Water &amp; Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b><u>Cash Flows from Operating Activities</u></b>					
Cash received from customers	41,005,834	6,675,942	2,971,199	26,596	50,679,571
Cash paid to employees	(1,363,587)	(1,380,007)	(595,348)	(84,682)	(3,423,624)
Cash paid to suppliers	(35,167,273)	(3,718,563)	(1,843,733)	(71,759)	(40,801,328)
Other receipts		152,078	147,284		299,362
<b>Net Cash Flows from Operating Activities</b>	<u>4,474,974</u>	<u>1,729,450</u>	<u>679,402</u>	<u>(129,845)</u>	<u>6,753,981</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>					
Transfers in			-	97,993	97,993
Transfers out			(119,475)		(119,475)
<b>Net Cash Flows from Noncapital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>(119,475)</u>	<u>97,993</u>	<u>(21,482)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Proceeds from issuance of debt		160,945			160,945
Payment of debt	(676,756)	(606,928)	(181,350)	(14,226)	(1,479,260)
Payment of interest	(90,973)	(66,932)	(120,120)	(371)	(278,396)
Purchase of capital assets	(3,209,920)	(577,507)	(78,350)		(3,865,777)
Other receipts (payments)	(11,162)	47,633	(35,045)	(11,075)	(9,649)
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<u>(3,988,811)</u>	<u>(1,042,789)</u>	<u>(414,865)</u>	<u>(25,672)</u>	<u>(5,472,137)</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Receipt of interest	27,408		-	83	27,491
<b>Net Cash Flows from Investing Activities</b>	<u>27,408</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>27,491</u>
<b>Net Change in Cash</b>	513,571	686,661	145,062	(57,441)	1,287,853
<b>Cash and Cash Equivalents, October 1, 2015</b>	<u>8,082,134</u>	<u>269,217</u>	<u>589,021</u>	<u>25,497</u>	<u>8,965,869</u>
<b>Cash and Cash Equivalents, September 30, 2016</b>	<u>\$ 8,595,705</u>	<u>955,878</u>	<u>734,083</u>	<u>(31,944)</u>	<u>10,253,722</u>
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>					
Operating Income (Loss)	\$ 1,954,700	(278,604)	(16,024)	(176,372)	1,483,700
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,793,537	1,264,909	429,186	20,999	3,508,631
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	275,162	528,431	99,946	(23,945)	879,594
(Increase) decrease in inventory	75,561	(24,740)			50,821
(Increase) decrease in other assets	539,429	(20,008)			519,421
Increase in deferred outflows of resources	(102,870)	(458,856)	(183,542)	(30,590)	(775,858)
Increase in payables	(658,086)	67,368	19,010	19,992	(551,716)
Increase in due to other funds		46,373	96,999	21,100	164,472
Increase in customer deposits	134,558	20,008			154,566
Increase in unfunded pension liability	30,517	494,357	197,742	32,957	755,573
Increase in other liabilities	669,161				669,161
Increase in deferred inflows of resources	(236,695)	90,212	36,085	6,014	(104,384)
Total adjustments	<u>2,520,274</u>	<u>2,008,054</u>	<u>695,426</u>	<u>46,527</u>	<u>5,270,281</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 4,474,974</u>	<u>1,729,450</u>	<u>679,402</u>	<u>(129,845)</u>	<u>6,753,981</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, 2016**

	<b>Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	346,917
Cash - restricted	77,820	244,598
	<hr/>	<hr/>
Total Assets	77,820	591,515
	<hr/>	<hr/>
<b><u>LIABILITIES</u></b>		
Due to outside entities	\$ -	354,511
	<hr/>	<hr/>
Total Liabilities	-	354,511
	<hr/>	<hr/>
<b><u>NET POSITION</u></b>		
Restricted - held in trust	\$ 77,820	237,004
	<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, 2016**

	<b>Employee Benefit Trust Fund</b>
<b>ADDITIONS</b>	
Investment earnings	
Interest	\$ -
Total investment earnings	-
Transfers in	-
Total Additions	-
<b>DEDUCTIONS</b>	
Transfers out	-
Total Deductions	-
Change in Net Position	-
Net Position, October 1, 2015	77,820
Net Position, September 30, 2016	\$ 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, 2016.

The carrying amount of the City's deposits with financial institutions was \$4,800,772 on September 30, 2016, and the bank balance was \$5,442,347.

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, 2016, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ -	
<b>Proprietary Funds:</b>		
Water & Sewer Department		
Sanitation and Waste		151,153
Landfill		24,059
<b>Fiduciary Funds:</b>		
Payroll Clearing Fund	175,212	
A/P Clearing Fund		
Tax Collectors Fund		
	<u>\$ 175,212</u>	<u>175,212</u>

**City of Starkville**  
**Notes to Financial Statements**

**Note 4: Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance October 1, 2015	Adjustments	Increases	Decreases	Balance September 30, 2016
Governmental Activities					
Non-depreciable					
Land	\$ 1,247,782				1,247,782
Construction in Progress	-				-
Total	1,247,782	-	-	-	1,247,782
Depreciable:					
Buildings	10,973,741				10,973,741
Improvements other than buildings	57,204,604		2,833,326		60,037,930
Vehicles	4,644,539				4,644,539
Machinery and equipment	4,597,326				4,597,326
Total	77,420,210	-	2,833,326	-	80,253,536
Less accumulated depreciation					
Buildings	(2,113,429)		(272,404)		(2,385,833)
Building Improvements	-		-		-
Improvements other than buildings	(50,390,303)		(1,488,743)		(51,879,046)
Vehicles	(3,957,886)		(393,558)		(4,351,444)
Machinery and equipment	(3,844,258)		(145,990)		(3,990,248)
Total	(60,305,876)	-	(2,300,695)	-	(62,606,571)
Net book value	17,114,334	-	532,631	-	17,646,965
Governmental Activities Capital Assets, net	\$ 18,362,116	-	532,631	-	18,894,747
Business-type Activities					
Non-depreciable					
Land - Starkville Electric	\$ 355,929	931			356,860
Land - Landfill	16,800				16,800
Land - Water	105,623				105,623
Construction in progress - Stk Elec	1,259,571	(90,570)			1,169,001
Construction in progress - Stk Sewer	1,421,067	(1,421,067)			-
Total	3,158,990	(1,510,706)	-	-	1,648,284
Depreciable					
Starkville Electric Property & equipment	47,911,340	(1,183)	3,099,120	(258,851)	50,750,426
Sanitation property & equipment	4,397,980		641,487		5,039,467
Landfill property & equipment	917,931				917,931
Water property & equipment	47,412,808		1,998,584		49,411,392
Total	100,640,059	(1,183)	5,739,191	(258,851)	106,119,216
Less accumulated depreciation					
Starkville Electric Property & Equipment	(17,670,035)	476,043		(1,809,106)	(19,003,098)
Sanitation property & equipment	(3,171,088)			(429,186)	(3,600,274)
Landfill property & equipment	(815,214)			(20,999)	(836,213)
Water property & equipment	(27,630,576)			(1,264,910)	(28,895,486)
Total	(49,286,913)	476,043	-	(3,524,201)	(52,335,071)
Net book value	51,353,146	474,860	5,739,191	(3,783,052)	53,784,145
Business-type Activities Capital Assets, net	\$ 54,512,136	(1,035,846)	5,739,191	(3,783,052)	55,432,429

**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	\$ 405,121
Public safety - Police	223,208
Public safety - Fire	290,426
Highways and streets	1,267,963
Culture and recreation	<u>113,977</u>

Total governmental activities depreciation expense	<u><u>\$2,300,695</u></u>
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Business-type activities:

Electric	\$ 1,717,933
Water and sewer	1,264,909
Sanitation	429,186
Landfill	<u>20,999</u>

Total business-type activities depreciation expense	<u><u>\$3,433,027</u></u>
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**Note 5: Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance			Balance	Amount Due
	October 1, 2015	Additions	Reductions	September 30, 2016	Within One Year
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 3,800,000		240,000	3,560,000	255,000
Public Improvement, Series 2009	2,965,000		620,000	2,345,000	640,000
TIF Revenue Bonds, Series 2011	397,000		32,000	365,000	34,000
Public Improvement, Series 2015	2,700,000		95,000	2,605,000	100,000
TIF Revenue Bonds, Series 2016		1,135,000	-	1,135,000	90,000
Total	<u><u>\$ 9,862,000</u></u>	<u><u>1,135,000</u></u>	<u><u>987,000</u></u>	<u><u>10,010,000</u></u>	<u><u>1,119,000</u></u>

**City of Starkville**  
**Notes to Financial Statements**

**Note 5:      Long-Term Liabilities (Continued)**

	Balance			Balance	Amount Due
	October 1, 2015	Additions	Reductions	September 30, 2016	Within One Year
Notes payable					
Capital Improvements Revolving Loan	\$ 42,240		42,240	-	-
Capital Improvements Revolving Loan	24,250		24,250	-	-
Capital Improvements - Fire Truck	99,764		99,764	-	-
Capital Improvements - Dump Truck	12,818		6,926	5,892	5,892
Capital Improvements - Police Cars	91,439		91,439	-	-
Capital Improvements - Ford F-350 Truck	23,457		7,678	15,779	7,818
Capital Improvements - Dump Truck	23,865		5,765	18,100	5,897
Capital Improvements - Prius and 2 Tacomas	66,341		8,873	57,468	9,106
Capital Improvements - F-250 and 2 Tacomas	69,286		9,147	60,139	9,386
Capital Improvements - City Hall	6,450,000		310,000	6,140,000	320,000
Compensated absences	562,177			562,177	-
Total	<u>\$ 7,465,637</u>	<u>-</u>	<u>606,082</u>	<u>6,859,555</u>	<u>358,099</u>

	Balance			Balance	Amount Due
	October 1, 2015	Additions	Reductions	September 30, 2016	Within One Year
Business-type Activities					
Bonds and notes payable					
Electric System Bonds, Series 2001	\$ 1,715,000		260,000	1,455,000	270,000
Electric System GO Refunding Bond, Series 2013	1,935,000		380,000	1,555,000	395,000
Drinking Water Improvements Revolving Loan	574,114		46,323	527,791	47,494
Water Pollution Control Revolving Loan	2,102,116		190,591	1,911,525	193,954
Water Pollution Control Revolving Loan	202,268		12,735	189,533	13,090
Drinking Water Improvements Revolving Loan	2,153,120		158,745	1,994,375	162,143
MDA Capital Improvements Loan		160,945		160,945	27,026
MDA Capital Improvements Loan	373,447		21,953	351,494	22,396
MDA Capital Improvements Loan	744,314		44,331	699,983	45,226
MDA Capital Improvements Loan	744,541			744,541	56,439
MDA Capital Improvements Loan	170,560			170,560	32,830
3 Garbage Trucks Lease	30,645		30,645	-	-
Grapple Truck Lease	24,418		24,418	-	-
4 Garbage Trucks Lease	1,339,577		109,321	1,230,256	240,337
2014 Vaccon Vacuum Truck Lease	236,255		61,204	175,051	62,495
Aquatech Sewer Jet Truck Lease	86,157		57,216	28,941	28,941
2 Cat Mini Excavators Lease	64,804		13,830	50,974	14,150
Compensated absences	167,663			167,663	-
Total	<u>\$ 12,663,999</u>	<u>160,945</u>	<u>1,411,312</u>	<u>11,413,632</u>	<u>1,611,521</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%.

The City has entered into a bond purchase agreements to issue and sell Tax Increment Financing Revenue Bonds. The principal of the bonds is due in annual installments The Series 2011 and Series 2016 Bonds were issued for the purpose of constructing various infrastructure improvements to support the projects. 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, 2016.

**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, 2016 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, 2016, 2015 and 2014 were \$1,506,965, \$1,425,350 and \$1,374,488 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, 2016, the City reported a liability of \$29,082,225 of which \$25,575,881 was for its proportionate share of the net pension liability and \$3,506,344 was for the Starkville Electric Department's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.143182 percent.

For the year ended September 30, 2016, the City recognized pension expense of \$1,570,383. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 833,328	-
Net difference between projected and actual earnings on pension plan investments	3,016,716	104,851
Changes of assumptions	674,566	(67,962)
Change in proportion percentage	(110,866)	252,234
City contributions subsequent to the measurement date	<u>628,757</u>	<u>-</u>
	<u><u>\$ 5,042,501</u></u>	<u><u>289,123</u></u>

\$628,757 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**City of Starkville**  
**Notes to Financial Statements**

**Note 7:      Defined Benefit Pension Plan (Continued)**

Year ended September 30,

2017	\$	685,505
2018		671,244
2019		558,678
2020		556,544
		<hr/>
	\$	2,471,971
		<hr/>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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, 2016 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:

**City of Starkville**  
**Notes to Financial Statements**

**Note 7:      Defined Benefit Pension Plan (Continued)**

<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	100	%		

*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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 37,415,696	\$ 29,082,224	\$ 22,167,992

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

**City of Starkville**  
**Notes to Financial Statements**

**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 \$452,593 in 2016. The members, in addition to the City of Starkville, are Noxubee County, City of West Point, Clay County, City of Columbus, Lowndes County, City of Macon, Oktibbeha County, Webster County, City of Eupora, Choctaw County, and the Town of Ackerman. Because of the nature of the Authority's operations there is no determinable equity interest of the City of Starkville. The Authority is designed to generate revenues from its members in an amount adequate only to cover its operating costs. The Authority is audited separately and financial statements are available upon request.

**Note 9:      Risk Management**

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

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts, theft of, damage to, and the destruction of assets, errors and omissions, injuries to employees, natural disasters at September 30, 2016, therefore no liability has been accrued at this time.

**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

**City of Starkville**  
**Notes to Financial Statements**

**Note 10: Property Tax (Continued)**

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

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

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

Delinquent taxes are not recorded as assets.

**Note 11: Economic Development, Tourism, and Convention Tax**

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

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.

**City of Starkville**  
**Notes to Financial Statements**

**Note 13: 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 August 15, 2017, 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, 2016**

	<b>Original Budget</b>	<b>Revisions</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
<b><u>REVENUES</u></b>					
General property taxes	\$ 4,957,500	-	4,957,500	4,879,185	(78,315)
Licenses and permits	236,700	(10,000)	226,700	301,931	75,231
Intergovernmental					
Federal	456,600	1,237,033	1,693,633	1,624,749	(68,884)
State of Mississippi	6,794,094	1,450,000	8,244,094	8,338,314	94,220
Oktibbeha County and Mississippi State	1,225,000	-	1,225,000	934,702	(290,298)
Fines and forfeits	1,377,500	(29,500)	1,348,000	1,311,692	(36,308)
Interest income	20,000	10,000	30,000	7,930	(22,070)
Penalties and interest	85,000	2,000	87,000	28,156	(58,844)
Other revenues	1,874,730	(1,107,180)	767,550	2,407,267	1,639,717
	<u>17,027,124</u>	<u>1,552,353</u>	<u>18,579,477</u>	<u>19,833,926</u>	<u>1,254,449</u>
Total Revenues before Prior Year Fund Balance					
Prior year fund balance:					
Appropriated for current year budget	2,869,794	-	2,869,794	-	(2,869,794)
Total Revenues and Prior Year Fund Balance	<u>19,896,918</u>	<u>1,552,353</u>	<u>21,449,271</u>	<u>19,833,926</u>	<u>(1,615,345)</u>
<b><u>EXPENDITURES</u></b>					
General government	3,682,771	19,046	3,701,817	4,480,520	(778,703)
Public safety:					
Police	4,998,545	28,239	5,026,784	4,996,269	30,515
Fire	4,030,096	(65,725)	3,964,371	3,827,163	137,208
Public inspection	296,496	(29,577)	266,919	265,711	1,208
Civil defense	33,000	(12,000)	21,000	12,749	8,251
Other	-	14,000	14,000	-	14,000
Highways and streets	1,429,151	(94,551)	1,334,600	1,318,843	15,757
Health and sanitation	214,950	(2,050)	212,900	206,099	6,801
Culture and recreation	1,268,370	(127,570)	1,140,800	763,797	377,003
Conservation of natural resources	200,000	-	200,000	193,052	6,948
Other	364,000	-	364,000	354,505	9,495
Capital outlays	2,184,863	1,926,620	4,111,483	2,556,288	1,555,195
Debt service:					
Principal	1,884,384	-	1,884,384	1,383,704	500,680
Interest	427,098	-	427,098	427,098	-
	<u>21,013,724</u>	<u>1,656,432</u>	<u>22,670,156</u>	<u>20,785,798</u>	<u>1,884,358</u>
Total Expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>(1,116,806)</u>	<u>(104,079)</u>	<u>(1,220,885)</u>	<u>(951,872)</u>	<u>269,013</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in		-		-	-
Transfers out		-		-	-
Other financing sources (uses)		-		(139,937)	(139,937)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(139,937)</u>	<u>(139,937)</u>
Net other financing sources (uses)					
Excess of revenues and other sources over expenditures and other uses	(1,116,806)	(104,079)	(1,220,885)	(1,091,809)	129,076
Fund balances, October 1, 2015 (Non-GAAP budgetary basis)	4,222,967		4,222,967	3,956,938	(266,029)
Less budgeted fund balance	<u>(2,869,794)</u>	<u>-</u>	<u>(2,869,794)</u>	<u>-</u>	<u>2,869,794</u>
Fund balances, September 30, 2016 (Non-GAAP budgetary basis)	<u>\$ 236,367</u>	<u></u>	<u>132,288</u>	<u>2,865,129</u>	<u>2,732,841</u>



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

	2016	2015
City's proportion of the net pension liability	\$ 25,575,881	\$ 22,392,036
City's proportionate share of the net pension liability	0.143182%	0.144857%
City's covered-employee payroll	\$ 9,524,748	\$ 9,049,841
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	268.52%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	73.17%	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**

	2016	2015
Contractually required contribution	\$ 1,506,965	\$ 1,425,350
Contribution in relation to the contractually required contribution	1,506,965	1,425,350
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	9,568,019	9,049,841
Contributions as a percentage of covered-employee payroll	15.75%	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**

**NOTE 1 – CHANGES OF ASSUMPTIONS**

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**NOTE 2 – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as June 30, two years prior to the end of the fiscal year in which contributions are reported (2015 Employer contributions are developed from 2013 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	32.2 years
Asset valuation method	5-year smoothed market
Price inflation	3.50%
Salary increase	4.25% to 19.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment

## **OTHER INFORMATION**

**City of Starkville**  
**Combining Balance Sheet by Activity**  
**General Fund**  
**September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Task Force Operations</b>	<b>Airport Activities</b>	<b>Total General Fund</b>
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 1,291,939			25,937		1,317,876
Cash - restricted	1,302,213	(15,959)	92,060		317,094	1,695,408
Receivables (Net)						
Accounts	767,260				225	767,485
Other	272,994					272,994
Due from other departments	629,267					629,267
Due from other funds						-
Inventory	19,017					19,017
Total Assets	<u>\$ 4,282,690</u>	<u>(15,959)</u>	<u>92,060</u>	<u>25,937</u>	<u>317,319</u>	<u>4,702,047</u>
<b><u>Liabilities</u></b>						
Accounts payable	\$ 1,183,999	3,757			28,950	1,216,706
Due to other departments	73,681					73,681
Total Liabilities	<u>1,257,680</u>	<u>3,757</u>	<u>-</u>	<u>-</u>	<u>28,950</u>	<u>1,290,387</u>
<b><u>Fund Equity</u></b>						
Fund balances - nonspendable	19,017					19,017
Fund balances - restricted						
Restricted for fire protection			92,060			92,060
Restricted for police protection		7,044		25,937		32,981
Restricted for airport projects					288,369	288,369
Restricted for capital projects	1,302,213					1,302,213
Fund balances - unassigned	1,703,780	(26,760)				1,677,020
Total Fund Equity	<u>3,025,010</u>	<u>(19,716)</u>	<u>92,060</u>	<u>25,937</u>	<u>288,369</u>	<u>3,411,660</u>
Total Liabilities and Fund Equity	<u>\$ 4,282,690</u>	<u>(15,959)</u>	<u>92,060</u>	<u>25,937</u>	<u>317,319</u>	<u>4,702,047</u>

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
<b><u>Revenues</u></b>						
Taxes						
General property taxes	\$ 4,879,185					4,879,185
Licenses and permits						
Privilege license	50,934					50,934
Permits and inspections	198,977					198,977
Franchise fees	52,020					52,020
Intergovernmental						
Federal						
DUI	107,644					107,644
JAG	64,098					64,098
FAA					343,414	343,414
Brownfield grant	196,241					196,241
Urban youth corps grant	29,851					29,851
Homeland security grant	104,111					104,111
MDOT grant	634,776					634,776
Other	144,614					144,614
State of Mississippi						
General sales tax	7,058,303					7,058,303
Liquor licenses	62,775					62,775
Municipal aid - gas tax	23,727					23,727
Law enforcement assistance grants	7,200	14,337				21,537
Fire protection grants	497		149,206			149,703
Municipal aid	26,404					26,404
Homestead	188,741					188,741
Tennessee Valley Authority	203,617					203,617
MDOT grant	37,936				325,570	363,506
Miscellaneous	236,001		4,000			240,001
Oktibbeha County and Mississippi State						
Road maintenance	590,859					590,859

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Airport support					70,951	70,951
Fire control	252,679					252,679
Lieu of tax	20,213					20,213
Fines and forfeits	1,311,692					1,311,692
Interest income	7,930					7,930
Penalties and interest	28,156					28,156
Miscellaneous						
Administration/Electric	1,355,000					1,355,000
Administration/Sanitation	50,000					50,000
Mississippi Valley Gas	70,756					70,756
Rents	44,008				51,016	95,024
TV Cable Franchise	198,331					198,331
Administration/Water	100,000					100,000
Telephone Utility Tax	44,969					44,969
Other	198,254				294,933	493,187
Total Revenues	<u>18,580,499</u>	<u>14,337</u>	<u>153,206</u>	<u>-</u>	<u>1,085,884</u>	<u>19,833,926</u>
<b><u>Expenditures</u></b>						
General government:						
Legislative						
Personnel services	184,616					184,616
Contractual services	24,948					24,948
Total Legislative	<u>209,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,564</u>

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Judicial						
Personnel services	392,219					392,219
Supplies	11,886					11,886
Contractual services	22,082					22,082
Capital outlay	4,711					4,711
Total Judicial	430,897	-	-	-	-	430,897
Executive						
Personnel services	337,771					337,771
Supplies	6,860					6,860
Contractual services	193,244					193,244
Capital outlay	54,173					54,173
Total Executive	592,047	-	-	-	-	592,047
City Clerk and Tax Collector						
Personnel services	317,018					317,018
Contractual services	129,891					129,891
Total City Clerk and Tax Collector	446,909	-	-	-	-	446,909
Legal						
Personnel services	65,741					65,741
Contractual services	130,500					130,500
Total Legal	196,241	-	-	-	-	196,241
City Planner						
Personnel services	206,710					206,710
Supplies	3,399					3,399
Contractual services	156,823					156,823



**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Public Safety - Fire						
Personnel services	3,269,059					3,269,059
Supplies	116,170		29,016			145,186
Contractual services	335,692					335,692
Capital outlay	32,462		44,764			77,226
Total Public Safety - Fire	<u>3,753,383</u>	<u>-</u>	<u>73,780</u>	<u>-</u>	<u>-</u>	<u>3,827,163</u>
Public Safety - Public Inspection						
Personnel services	240,762					240,762
Supplies	5,310					5,310
Contractual services	19,639					19,639
Total Public Safety - Public Inspection	<u>265,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,711</u>
Public Safety - Civil Defense						
Contractual services	12,749					12,749
Capital outlay	-					-
Total Public Safety - Civil Defense	<u>12,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,749</u>
Public Safety - Other						
Capital outlay	-					-
Total Public Safety - Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Safety	<u>8,987,014</u>	<u>41,097</u>	<u>73,780</u>	<u>-</u>	<u>-</u>	<u>9,101,891</u>
Highways and Streets						
City Streets						
Personnel services	495,781					495,781
Supplies	210,153					210,153
Contractual services	68,284					68,284
Capital outlay	49,905					49,905
Total City Streets	<u>824,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,122</u>

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Capital outlay	-					-
Total City Planner	366,932	-	-	-	-	366,932
Other Administrative						
Personnel services	152,042					152,042
Supplies	17,524					17,524
Contractual services	513,612					513,612
Capital outlay	1,346					1,346
Total Other Administrative	684,523	-	-	-	-	684,523
City Hall						
Personnel services	-					-
Supplies	5,258					5,258
Contractual services	71,542					71,542
Total City Hall	76,800	-	-	-	-	76,800
Other Miscellaneous						
Personnel services	176,107				51,703	227,810
Supplies	2,829				158,277	161,106
Contractual services	103,553				83,975	187,528
Capital outlay	-				900,163	900,163
Total Other Miscellaneous	282,488	-	-	-	1,194,118	1,476,606
Total General Government	3,286,402	-	-	-	1,194,118	4,480,520
Public Safety						
Public Safety - Police and E911						
Personnel services	3,872,769					3,872,769
Supplies	419,844	3,070				422,914
Contractual services	549,302	2,994				552,296
Capital outlay	113,257	35,033				148,290
Total Public Safety - Police and E911	4,955,172	41,097	-	-	-	4,996,269

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Street Lights						
Contractual services	494,721					494,721
Total Street Lights	494,721	-	-	-	-	494,721
Total Highways and Streets	1,318,843	-	-	-	-	1,318,843
Health and Sanitation						
Health and welfare - animals						
Personnel services	79,285					79,285
Supplies	3,716					3,716
Contractual services	17,097					17,097
Transfer to Humane Society	106,000					106,000
Total Health and Welfare - Animals	206,099	-	-	-	-	206,099
Total Health and Sanitation	206,099	-	-	-	-	206,099
Culture and Recreation						
Parks and Recreation						
Personnel services	487,084					
Contractual services	588,397					588,397
Library	175,400					175,400
Transfer to Parks and Rec						-
Total Parks and Recreation	763,797	-	-	-	-	763,797
Total Culture and Recreation	763,797	-	-	-	-	763,797
Conservation of Natural Resources						
Contractual services	193,052					193,052
Capital Outlay						-
Total Conservation of Natural Resources	193,052	-	-	-	-	193,052
Debt Service						
Principal	1,283,939		99,765			1,383,704
Interest	422,550		4,548			427,098
Total Debt Service	1,706,489	-	104,313	-	-	1,810,801

**City of Starkville**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2016**

	<b>General Activities</b>	<b>Restricted Police Activities</b>	<b>Restricted Fire Activities</b>	<b>Multi-Unit Drug Task Force Operations</b>	<b>Airport Activities</b>	<b>Total</b>
Miscellaneous						
Capital outlays	2,556,288					2,556,288
Other miscellaneous	354,506					354,506
Total Miscellaneous	2,910,794	-	-	-	-	2,910,794
Total Expenditures	19,372,490	41,097	178,093	-	1,194,118	20,785,798
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(791,991)	(26,760)	(24,887)	-	(108,234)	(951,872)
<b><u>Other Financing Sources (Uses)</u></b>						
Operating transfers in						-
Operating transfers out						-
Transfers to other departments	(139,937)					(139,937)
Proceeds from bond sale						-
Inception of capital leases						-
Total Other Financing Sources (Uses)	(139,937)	-	-	-	-	(139,937)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(931,928)	(26,760)	(24,887)	-	(108,234)	(1,091,809)
<b><u>Fund Balances</u></b>						
September 30, 2015	3,956,938	7,044	116,947	25,937	396,603	4,503,469
September 30, 2016	\$ 3,025,010	(19,716)	92,060	25,937	288,369	3,411,660

**City of Starkville**  
**Balance Sheet - Non-Major Governmental Funds**  
**September 30, 2016**

	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 10,664		2,658	13,322
Cash - restricted	3,264	96	1,770,806	1,774,166
Receivables (Net)				
Other	113			113
Notes receivable (Net)	41,699			41,699
Due from other departments				-
	<u>\$ 55,740</u>	<u>96</u>	<u>1,773,464</u>	<u>1,829,300</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 31,330		12,030	43,360
Other liabilities				-
	<u>31,330</u>	<u>-</u>	<u>12,030</u>	<u>43,360</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - restricted				
Restricted for police protection	3,264			3,264
Restricted for debt service		96		96
Restricted for capital projects			1,761,434	1,761,434
Fund balances - unassigned	21,146			21,146
	<u>24,410</u>	<u>96</u>	<u>1,761,434</u>	<u>1,785,940</u>
Total Fund Balances	<u>24,410</u>	<u>96</u>	<u>1,761,434</u>	<u>1,785,940</u>
Total Liabilities and Fund Balances	<u>\$ 55,740</u>	<u>96</u>	<u>1,773,464</u>	<u>1,829,300</u>

**City of Starkville**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Non-Major Governmental Funds**  
**For the Year Ended September 30, 2016**

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>				
Intergovernmental:				
Federal	\$ 51,475		529,674	581,149
Special 2% Tax			832,596	832,596
Property tax revenue		317,287		317,287
Interest income	30	-	186	216
Miscellaneous income	48,015	-		48,015
Total Revenues	<u>99,520</u>	<u>317,287</u>	<u>1,362,456</u>	<u>1,779,263</u>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal		380,000	240,000	620,000
Interest		19,350	141,683	161,033
Capital outlay	51,475		789,299	840,774
Miscellaneous	90,146	4,300	112,050	206,496
Total Expenditures	<u>141,621</u>	<u>403,650</u>	<u>1,283,032</u>	<u>1,828,303</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(42,101)</u>	<u>(86,363)</u>	<u>79,424</u>	<u>(49,040)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	19,859		-	19,859
Proceeds of bonds			1,135,000	1,135,000
Operating transfers out			-	-
Total Other Financing Sources (Uses)	<u>19,859</u>	<u>-</u>	<u>1,135,000</u>	<u>1,154,859</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(22,242)</u>	<u>(86,363)</u>	<u>1,214,424</u>	<u>1,105,819</u>
<b><u>Fund Balances</u></b>				
September 30, 2015	<u>46,652</u>	<u>86,459</u>	<u>547,010</u>	<u>680,121</u>
September 30, 2016	<u>\$ 24,410</u>	<u>\$ 96</u>	<u>\$ 1,761,434</u>	<u>\$ 1,785,940</u>

**City of Starkville**  
**Statement of Net Position - Non-Major Enterprise Funds**  
**September 30, 2016**

	<b>Sanitary Landfill Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ (31,944)
Accounts receivables, net	89,344
Other receivables, net	716
Total current assets	<u>58,116</u>
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	<u>98,518</u>
Total non-current assets	<u>98,518</u>
Total Assets	<u>156,634</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Difference between expected and actual experience - net pension liability	<u>47,878</u>
Total Deferred Outflows of Resources	<u>47,878</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 204,512</u></u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	\$ 4,531
Accrued liabilities	21,455
Due to other funds	24,059
Total current liabilities	<u>50,045</u>
Non-current liabilities:	
Unfunded pension liability	<u>255,758</u>
Total non-current liabilities	<u>255,758</u>
Total Liabilities	<u>305,803</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>7,168</u>
Total Deferred Inflows of Resources	<u>7,168</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	98,518
Unrestricted	<u>(206,977)</u>
Total Net Position	<u>(108,459)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 204,512</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, 2016**

	<b>Sanitary Landfill Fund</b>
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 50,541
Total operating revenues	<u>50,541</u>
<b><u>OPERATING EXPENSES</u></b>	
Operating and maintenance	205,914
Depreciation	<u>20,999</u>
Total operating expenses	<u>226,913</u>
Operating loss	<u>(176,372)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Interest and fiscal charges	(4,168)
Other expenses	<u>(83)</u>
Total non-operating expenses	<u>(4,251)</u>
Income before transfers	(180,623)
Transfers in	<u>97,993</u>
Change in net position	(82,630)
Total net position, beginning	<u>(25,829)</u>
Total net position, ending	<u><u>\$ (108,459)</u></u>



**City of Starkville**  
**Statement of Cash Flows - Non-Major Enterprise Funds**  
**For the Year Ended September 30, 2016**

	<b>Sanitary Landfill Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 26,596
Cash paid to employees	(84,682)
Cash paid to suppliers	(71,759)
Net cash flows from operating activities	<u>(129,845)</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers in	97,993
Net cash flows from noncapital financing activities	<u>97,993</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Payment of debt	(14,226)
Payment of interest	(371)
Other receipts (payments)	(11,075)
Net cash flows from capital and related financing activities	<u>(25,672)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Receipt of interest	83
Net cash flows from investing activities	<u>83</u>
Net change in cash	(57,441)
Cash and cash equivalents, October 1, 2015	25,497
Cash and cash equivalents, September 30, 2016	<u><u>\$ (31,944)</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:</u></b>	
Operating loss	\$ (176,372)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	20,999
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>46,527</u>
Net cash used in operating activities	<u><u>\$ (129,845)</u></u>

**City of Starkville**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2016**

<b>Name</b>	<b>Position</b>	<b>Bonding Company</b>	<b>Bond Amount</b>
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, 2016

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2015</u>	<u>Transactions</u>		<u>Balance 9/30/2016</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>General Obligation Bonds</b>						
<b>Governmental Activities:</b>						
Parks and Recreation, Series 2007	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
	3/1/2020	3.87	290,000			290,000
	Thereafter	3.87	2,470,000			2,470,000
Total			<u>3,800,000</u>	<u>-</u>	<u>240,000</u>	<u>3,560,000</u>
Public Improvement, Series 2009	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
	4/1/2020	3.00	350,000			350,000
	Thereafter	3.00	-			-
Total			<u>2,965,000</u>	<u>-</u>	<u>620,000</u>	<u>2,345,000</u>
TIF Revenue Bonds, Series 2011	5/1/2016	4.25	32,000		32,000	-
	5/1/2017	4.25	34,000			34,000
	5/1/2018	4.50	35,000			35,000
	5/1/2019	4.50	39,000			39,000
	5/1/2020	4.50	40,000			40,000
	Thereafter	4.50 - 5.00	217,000			217,000
Total			<u>397,000</u>	<u>-</u>	<u>32,000</u>	<u>365,000</u>
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			<u>2,700,000</u>	<u>-</u>	<u>95,000</u>	<u>2,605,000</u>
TIF Revenue Bonds, Series 2016	7/1/2017	5.00		90,000		90,000
	7/1/2018	5.00		95,000		95,000
	7/1/2019	5.00		100,000		100,000
	7/1/2020	5.00		105,000		105,000
	7/1/2021	5.00		110,000		110,000
	Thereafter	5.00		635,000		635,000
Total				<u>1,135,000</u>	<u>-</u>	<u>1,135,000</u>
<b>Total Bond Liability, Governmental Activities</b>			<u>9,862,000</u>	<u>1,135,000</u>	<u>987,000</u>	<u>10,010,000</u>
<b>Business-type Activities:</b>						
GO Utility Refunding Bonds, Series 2011	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
	4/1/2020	4.50	300,000			300,000
	Thereafter	4.50	315,000			315,000
			<u>1,715,000</u>	<u>-</u>	<u>260,000</u>	<u>1,455,000</u>
Total						
GO Utility Refunding Bonds, Series 2013	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
	6/30/2019	2.00	420,000			420,000
	6/30/2020	2.00	165,000			165,000
	Thereafter	2.00	175,000			175,000
Total			<u>1,935,000</u>	<u>-</u>	<u>380,000</u>	<u>1,555,000</u>
<b>Total Bond Liability, Business-type Activities</b>			<u>3,650,000</u>	<u>-</u>	<u>640,000</u>	<u>3,010,000</u>
<b>Total Bond Liability</b>			<u>\$ 13,512,000</u>	<u>1,135,000</u>	<u>1,627,000</u>	<u>13,020,000</u>

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2016**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2015</u>	<u>Transactions</u>		<u>Balance 9/30/2016</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable</b>						
<b>Governmental Activities:</b>						
Capital Improvements - Fire Truck	FY16	4.47%	99,764		99,764	-
Total			99,764	-	99,764	-
Capital Improvements Revolving Loan	FY16	5.66%	42,240		42,240	-
Total			42,240	-	42,240	-
Capital Improvements Revolving Loan	FY16	5.66%	24,250		24,250	-
Total			24,250	-	24,250	-
Capital Improvements - Dump Truck	FY16	2.25%	6,926		6,926	-
	FY17	2.25%	5,892		-	5,892
Total			12,818	-	6,926	5,892
Capital Improvements - Police Cars	FY16	1.58%	91,439		91,439	-
Total			91,439	-	91,439	-
Capital Improvements - Ford F350	FY16	1.81%	7,678		7,678	-
	FY17	1.81%	7,818		-	7,818
	FY18	1.81%	7,961			7,961
Total			23,457	-	7,678	15,779
Capital Improvements - Dump Truck	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			23,865	-	5,765	18,100
Capital Improvements - Toyota Prius and 2 Toyota Tacomas	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
	FY20	2.59%	9,841			9,841
	Thereafter	2.59%	19,586			19,586
Total			66,341	-	8,873	57,468
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	-	9,147	60,139

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2016**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2015</u>	<u>Transactions</u>		<u>Balance 9/30/2016</u>
				<u>Issued</u>	<u>Redeemed</u>	
Capital Improvements - City Hall	FY16	3.00%	310,000		310,000	-
	FY17	3.00%	320,000		-	320,000
	FT18	3.00%	325,000		-	325,000
	FY19	2.50%	335,000		-	335,000
	FY20	2.50%	345,000		-	345,000
	Thereafter	2.50% - 4.50%	4,815,000		-	4,815,000
Total			<u>6,450,000</u>	<u>-</u>	<u>310,000</u>	<u>6,140,000</u>
<b>Total Notes Payable, Governmental Activities</b>			<u>\$ 6,903,460</u>	<u>-</u>	<u>606,082</u>	<u>6,297,378</u>

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2016**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2015</u>	<u>Transactions</u>		<u>Balance 9/30/2016</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Business-type activities:</b>						
Water Pollution Control 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
	FY20	1.75%	204,400			204,400
	Thereafter	1.75%	1,114,939			1,114,939
Total			2,102,116	-	190,591	1,911,525
Drinking Water Systems 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
	FY20	2.50%	51,189			51,189
	Thereafter	2.50%	330,486			330,486
Total			574,114	-	46,323	527,791
Water Pollution Control 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
	FY20	2.75%	14,215			14,215
	Thereafter	2.75%	134,945			134,945
Total			202,269	-	12,735	189,534
MDA Capital Improvements Loan	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
	FY20	2.00%	48,020			48,020
	Thereafter	2.00%	513,529			513,529
Total			744,314	-	44,331	699,983
Drinking Water Systems 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
	FY20	2.12%	172,781			172,781
	Thereafter	2.12%	1,324,678			1,324,678
Total			2,153,120	-	158,745	1,994,375
MDA Capital Improvements Loan 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
	FY20	2.00%	23,779		-	23,779
	Thereafter	2.00%	259,162		-	259,162
Total			373,447	-	21,953	351,494

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2016**

<b>Payee</b>	<b>Maturity Date</b>	<b>Interest Percent</b>	<b>Balance 10/1/2015</b>	<b>Transactions</b>		<b>Balance 9/30/2016</b>
				<b>Issued</b>	<b>Redeemed</b>	
MDA Capital Improvements Loan Prom Note #12-347-CP-01	FY16	2.00%	-			-
	FY17	2.00%	56,439			56,439
	FY18	2.00%	62,761			62,761
	FY19	2.00%	64,028			64,028
	FY20	2.00%	65,320			65,320
	Thereafter	2.00%	495,994			495,994
Total			744,542	-	-	744,542
MDA Capital Improvements Loan Prom Note #14-347-CP-01	FY16	2.00%	-			-
	FY17	2.00%	32,830			32,830
	FY18	2.00%	36,507			36,507
	FY19	2.00%	37,244			37,244
	FY20	2.00%	37,996			37,996
	Thereafter	2.00%	25,983			25,983
Total			170,560	-	-	170,560
3 Garbage Trucks Lease						
	FY16	2.24%	30,645		30,645	-
Total			30,645	-	30,645	-
Grapple Truck Lease						
	FY16	2.05%	24,418		24,418	-
Total			24,418	-	24,418	-
Garbage Trucks Lease						
	FY16	2.46%	109,321		109,321	-
	FY17	2.46%	240,337			240,337
	FY18	2.46%	243,124			243,124
	FY19	2.46%	245,980			245,980
	FY20	2.46%	248,908			248,908
	Thereafter	2.46%	251,907			251,907
Total			1,339,577	-	109,321	1,230,256
Vacuum Truck Lease						
	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			236,255	-	61,204	175,051
Sewer Jet Truck Lease						
	FY16	2.09%	57,216		57,216	-
	FY17	2.09%	28,941			28,941
Total			86,157	-	57,216	28,941
2 Cat Mini Excavators Lease						
	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
	FY20	2.29%	7,534			7,534
Total			64,804	-	13,830	50,974

**City of Starkville  
Schedule of Long-Term Notes  
September 30, 2016**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2015</u>	<u>Transactions</u>		<u>Balance 9/30/2016</u>
				<u>Issued</u>	<u>Redeemed</u>	
MDA Capital Improvements Loan Prom Note #16-347-CP-01	FY16	2.00%	-			-
	FY17	2.00%		27,026		27,026
	FY18	2.00%		27,026		27,026
	FY19	2.00%		27,026		27,026
	FY20	2.00%		27,026		27,026
	Thereafter	2.00%		52,841		52,841
Total			-	160,945	-	160,945
<b>Total Notes Payable, Business-type Activities</b>			8,846,338	160,945	771,312	8,235,971
<b>Total Notes Payable</b>			\$ 15,749,798	\$ 160,945	\$ 1,377,394	\$ 14,533,349



**City of Starkville**  
**Schedule of Expenditures Federal Awards**  
**For the Year Ended September 30, 2016**

<b><u>Federal Agency/ Pass-through Entity/ Program Title</u></b>	<b><u>Catalog of Federal Domestic Assistance Number</u></b>	<b><u>Federal Expenditures</u></b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed-through Mississippi Development Authority:		
Community Development Block Grants	14.228	864,442
Home Investment Partnerships Program	14.239	51,475
Total U.S. Department of Housing and Urban Development		<u>915,917</u>
<b><u>U.S. Department of Justice</u></b>		
Passed-through Mississippi Department of Public Safety:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	102,338
Total U.S. Department of Justice		<u>102,338</u>
<b><u>U. S. Department of Transportation</u></b>		
Direct Programs:		
Airport Improvement Program (ARRA)	20.106	649,315
Passed through Mississippi Department of Transportation:		
Highway Planning and Construction (ARRA)	20.205	809,245
Passed through Mississippi Department of Public Safety:		
State and Community Highway Safety	20.600	50,872
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	107,644
Total U. S. Department of Transportation		<u>1,617,076</u>
<b><u>Appalachian Regional Commission:</u></b>		
Passed through Tennessee Valley Authority:		
Appalachian Area Development	23.002	165,510
Total Appalachian Regional Commission		<u>165,510</u>
<b><u>U.S. Environmental Protection Agency:</u></b>		
Direct Programs:		
Brownfields Assessment and Cleanup Cooperative Agreements (ARRA)	66.818	196,241
Total U.S. Environmental Protection Agency		<u>196,241</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed through Mississippi Department of Public Safety:		
Homeland Security Grant	97.067	15,000
Total U.S. Department of Homeland Security		<u>15,000</u>
<b><u>Total Expenditures of Federal Awards</u></b>		<u><u>\$ 3,012,082</u></u>

**City of Starkville**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2016**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Starkville under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Starkville, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Starkville.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**Note 3: Indirect Cost**

The City of Starkville utilizes a final indirect cost rate as defined by 2 CFR Part 200, Appendix IV.

## **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***



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Certified Public Accountants

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

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, 2016, 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 August 15, 2017.

**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 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiency described in the accompanying schedule of findings to be a significant deficiency (Finding 2016-01).

**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  
August 15, 2017

*Watkins Ward and Stafford, PLLC*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Starkville, Mississippi  
August 15, 2017

*Watkins Ward and Stafford, PLLC*

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



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**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, 2016, and have issued our report thereon dated August 15, 2017. 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 no material instance of noncompliance with state laws and regulations.

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  
August 15, 2017

*Watkins Ward and Stafford, PLLC*

## **SCHEDULE OF FINDINGS**

**City of Starkville  
Schedule of Findings  
For the Year Ended September 30, 2016**

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

**Financial Statements:**

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

**Federal Awards:**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed as required by Section 200.516(a) of the Uniform Guidance Subpart F?	No
Federal programs identified as major programs:	
Community Development Block Grants CFDA #14.228	
Highway Planning and Construction CFDA #20.205	
The dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance?	No

**City of Starkville**  
**Schedule of Findings**  
**For the Year Ended September 30, 2016**

**Section 2: Findings Relating to the Financial Statements**

2016-01      Transfer of Accounting of Water and Sewer Department from City Clerk to Utility Department

Finding: The City transferred the processing of the accounting records of the Water and Sewer Department from the City Clerk to the Utility Department. This transfer had an effective date of October 1, 2015. The Utility Department did not start processing the accounting records until November 9, 2015, which left transaction for the same fund on two sets of accounting records. Additionally, transactions were still posted by City Hall through the fiscal year.

Recommendation: Management should implement a system of controls that ensures that accounting records are maintained in an appropriate manner that properly reflects the activity of the fund.

Response: The City will plan any accounting records transfer to prevent a similar occurrence. All Water and Sewer Department records are currently maintained in the Utility Department account system.