

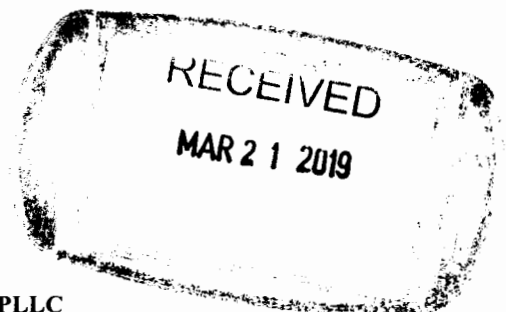


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**City of Starkville, Mississippi**

**Audit Report**

**September 30, 2017**



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

## City of Starkville, Mississippi

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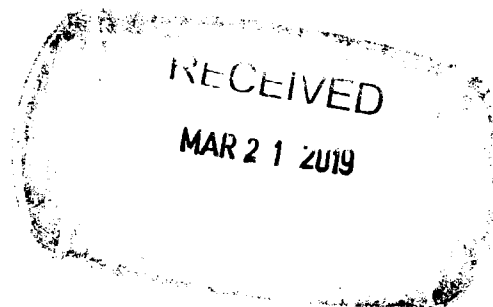
## City of Starkville, Mississippi

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**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**



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



**WATKINS, WARD and STAFFORD**  
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Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of and for the year ended September 30, 2017, 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, 2017, 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 January 31, 2018, 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  
January 31, 2018

*Watkins Ward and Stafford, P.C.*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**City of Starkville, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

**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, 2017. 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 most recent 2010 United States census, is 23,888. The current report from the United States Census Bureau for 2016 shows a population estimate of 25,570. This supports the finding that the population has continued to grow incrementally. Starkville's position within the Golden Triangle Region has surpassed the previously larger city to the east, Columbus. That trend shows no signs of abating. The local economic base is driven by retail, manufacturing, healthcare and Mississippi State University with some emphasis on transportation and sciences research.

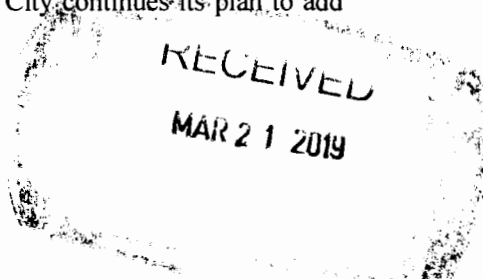
**Financial Highlights**

The City of Starkville is financially sound and has a stable economic base with continued expansion in retail, commercial and residential areas. Through zoning changes and an emphasis on athletic events and tourism over the past 8-10 years the city has begun to see the increase in density and mixed-use development in its urban core. Starkville has seen many such projects that include housing for students and alumni expand into areas that are closely adjacent to the campus. This includes at least two 500+ bed mixed use development projects that have not broken ground but are set for opening in fall of 2019 and are focusing on the quality of life available in a university town.

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 entire Golden Triangle region.

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 city derives additional revenue from a two percent (2%) tax on food and beverage sales which then supports economic development, tourism, parks and student activity. Starkville's most recent unemployment rate is one of the lowest in the state at a recently reported rate of 3.4%.

Capital improvement in fiscal year 2017 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, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

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. The new concept Wal-Mart neighborhood market has opened and added 105 jobs to the economy. 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. This city-wide service offers options for all the residents of Starkville to access the healthcare system and the shopping venues.

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 and has expansion plans.

Fiscal Year 2017 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.

The Mill conference center has proven a huge boon for the city and the university as the number of conferences and seminars that the city is able to attract mushroomed and keeps Starkville in focus for the entire state year round in addition to the traditional special events calendar.

Total net position decreased by \$203,049 which represents a 2.21% decrease from the prior fiscal year. The City's ending cash balance increased by \$1,037,268 which represents an 11.27% increase from the prior fiscal year.

The City had \$71,415,819 in total revenues. Tax revenues accounted for \$14,139,696 or 19.80% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, accounted for \$5,487,811 or 7.68% of total revenues.

The City had \$70,938,351 in total expenses, which represents a decrease of \$79,484 or .11% over the prior fiscal year. Expenses in the amount of \$52,646,213 were offset by charges for services, grants or outside contributions. General revenues of \$18,467,072 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$19,711,180 in revenues and \$20,839,236 in expenditures. The General Fund's fund balance decreased \$131,098 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$9,201,170.

Long-term debt increased by \$5,400,169.

**City of Starkville, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

**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**

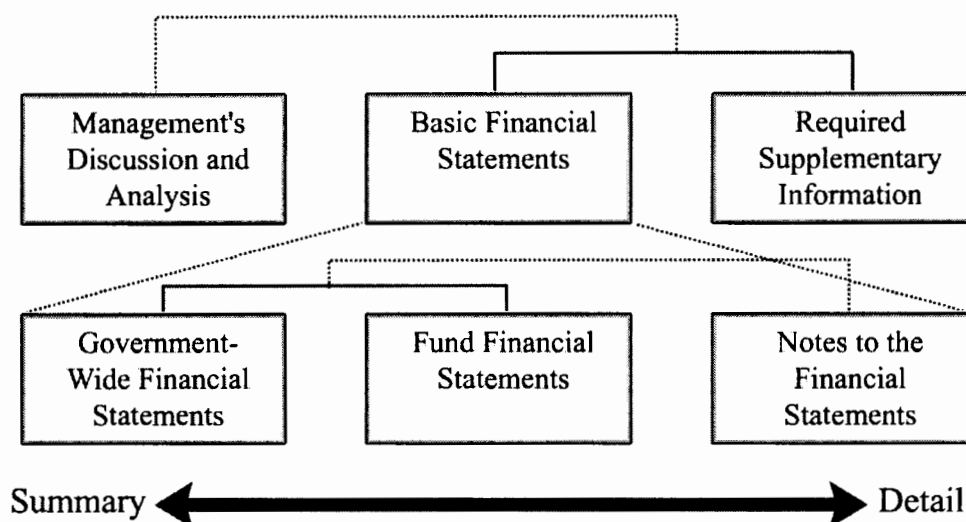
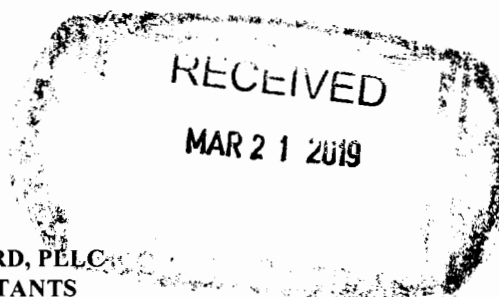


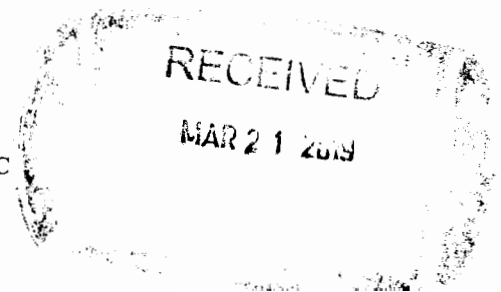
Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

	<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, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

**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). The activities of the City include general government; public safety; public services (infrastructure); utilities; parks and recreation; sanitation; and interest on long-term debt.

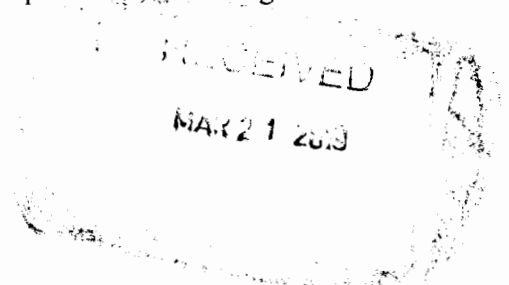
The Government-wide Financial Statements can be found on pages 18 and 19 of this report.

**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.

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



**City of Starkville, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

**Proprietary funds** are used to account for services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government wide statements, provide both long and short term financial information. The City's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary fund is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows are all required statements.

**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 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 \$38,597,206 as of September 30, 2017.

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, Mississippi**  
**Management Discussion and Analysis**  
**September 30, 2017**

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2017.

Cash and Other Assets	\$ 29,873,449
Capital assets, net	<u>80,632,280</u>
Total assets	<u>110,505,729</u>
 Deferred Outflows of Resources	 <u>4,234,168</u>
 Other Liabilities	 11,907,940
Long-term debt outstanding	<u>61,688,358</u>
Total liabilities	<u>73,596,298</u>
 Deferred Inflows of Resources	 <u>2,546,393</u>
 Net position:	
Invested in capital assets, net of related debt	51,976,900
Contributed capital	8,967,665
Restricted	2,113,744
Unrestricted	<u>(24,461,103)</u>
Total net position	<u>\$ 38,597,206</u>

**Changes in Net Position** – The City's total revenues for the fiscal year ended September 30, 2017 was \$71,415,819. The total cost for all services provided was \$70,938,351. The increase in net position was \$477,468. The following table presents a summary of the change in net position for the fiscal year ended September 30, 2017.

	<u>Current Year</u> <u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 50,900,213
Operating grants & contributions	391,578
Capital grants & contributions	1,656,956
 General revenues	
Property taxes	6,308,766

**City of Starkville, Mississippi  
Management Discussion and Analysis  
September 30, 2017**

Sales and Use taxes	7,210,217
Other taxes	620,713
Interest income	97,646
Transfers	28,392
Miscellaneous	<u>4,201,338</u>
Total Revenues	<u>\$ 71,415,819</u>

Expenses:	
General government	\$ 5,190,726
Public safety	10,218,195
Highways and streets	2,692,548
Health and sanitation	185,289
Culture and recreation	1,484,731
Other	465,220
Utilities	46,184,882
Sanitation	3,828,296
Interest on long-term debt	<u>688,464</u>
Total Expenses	<u>\$ 70,938,351</u>

Increase in Net Position	<u>\$ 477,468</u>
--------------------------	-------------------

**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	\$ 5,190,726	\$ 4,808,389
Public Safety	10,218,195	9,826,617
Public Services	2,692,548	1,936,382
Utilities	46,184,882	(1,668,769)

**City of Starkville, Mississippi  
Management Discussion and Analysis  
September 30, 2017**

**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 \$4,601,859, a decrease of \$595,741. The decrease was net of a prior period adjustment of \$730,682. The primary reasons for this decrease 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 is provided in this report as required supplementary information.

**Capital Assets and Debt Administration**

**Capital Assets** – As of September 30, 2017, the City of Starkville's total capital assets were \$200,627,833. 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 \$14,225,081.

Total accumulated depreciation as of September 30, 2017 was \$119,995,553 including \$5,900,664 of depreciation expense for the year. The balance in total net capital assets was \$80,632,280 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, 2017, the City of Starkville had \$61,688,538 in long-term debt outstanding. This includes general obligation bonds, other loans, obligations under capital lease, and the unfunded pension liability. Of this debt \$3,502,463 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 71 - 79 of this report.

**City of Starkville, Mississippi  
Management Discussion and Analysis  
September 30, 2017**

**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 an analysis of their fiscal position and is researching partnering with additional healthcare facility in the state. 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.

Starkville and Oktibbeha County partnered in 2017 by issuing a total of 14 million dollars in bonds for an industrial park. This partnership included major utility providers ATMOS, TVA, Mississippi Department of Transportation and Four County Electric funding a project valued at roughly 35 million dollars for new industry in the city and county.

The steady increase in the population 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.

**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.

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## **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

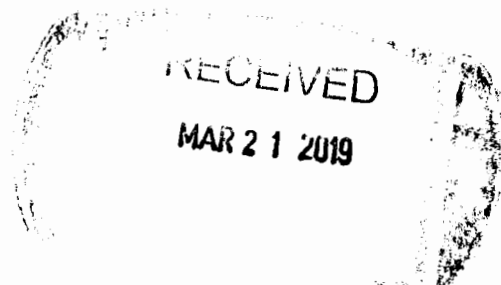
In addition, the notes to financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Starkville, Mississippi**  
**Statement of Net Position**  
**September 30, 2017**

	Primary Government		
	Governmental	Business-type	Totals
	Activities	Activities	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,368,466	9,836,295	12,204,761
Cash - restricted	1,942,610		1,942,610
Accounts receivable, net	877,710	6,345,481	7,223,191
Other receivables, net	113	195,486	195,599
Notes receivable, net	41,699		41,699
Due from other departments	55,882	182,626	238,508
Due from other funds	385,842		385,842
Prepaid expense		2,921,560	2,921,560
Inventory		813,255	813,255
Capital assets:			
Land and construction in progress	1,247,782	2,427,234	3,675,016
Property and equipment	90,559,824	110,068,009	200,627,833
Less: accumulated depreciation	(64,930,922)	(55,064,631)	(119,995,553)
Other assets		231,408	231,408
Total assets	32,549,006	77,956,723	110,505,729
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Unamortized work order closeout		170,918	170,918
Unamortized debt expense		59,603	59,603
Difference between expected and actual experience - net pension liability	2,146,957	1,856,690	4,003,647
Total deferred outflows of resources	2,146,957	2,087,211	4,234,168
<b><u>LIABILITIES</u></b>			
Accounts payable	996,782	6,249,374	7,246,156
Accrued liabilities		429,580	429,580
Due to other departments	73,681	1,083,399	1,157,080
Due to other funds		189,362	189,362
Customer deposits		2,773,529	2,773,529
Other liabilities		112,233	112,233
Long-term liabilities:			
Due within one year	1,823,230	1,679,233	3,502,463
Due in more than one year	19,029,391	9,798,541	28,827,932
Unfunded pension liability	20,197,264	9,160,699	29,357,963
Total liabilities	42,120,348	31,475,950	73,596,298
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Difference between projected and actual earnings on pension plan investments - net pension liability	1,986,296	560,097	2,546,393
Total deferred inflows of resources	1,986,296	560,097	2,546,393
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	6,024,063	45,952,837	51,976,900
Contributed capital		8,967,665	8,967,665
Restricted	2,113,744		2,113,744
Unrestricted	(17,548,488)	(6,912,615)	(24,461,103)
Total net position	\$ (9,410,681)	48,007,887	38,597,206

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



**City of Starkville, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 5,190,726	382,337			(4,808,389)
Public safety					
Police	5,449,924		217,183		(5,232,741)
Fire	4,500,789		174,395		(4,326,394)
Public inspection	226,819				(226,819)
Civil defense	40,663				(40,663)
Highways and streets	2,692,548			756,166	(1,936,382)
Health and sanitation	185,289				(185,289)
Culture and recreation	1,484,731				(1,484,731)
Economic development and assistance	263,056			668,984	405,928
Interest on long-term debt	688,464				(688,464)
Total governmental activities	<u>20,723,009</u>	<u>382,337</u>	<u>391,578</u>	<u>1,425,150</u>	<u>(18,523,944)</u>
Business-type Activities					
Electric utilities	40,034,491	41,476,786			1,442,295
Water and sewer utilities	6,150,391	6,145,059		231,806	226,474
Sanitation and waste	3,828,296	2,838,353			(989,943)
Sanitary landfill	202,164	57,678			(144,486)
Total business-type activities	<u>50,215,342</u>	<u>50,517,876</u>	<u>-</u>	<u>231,806</u>	<u>534,340</u>
Total primary government	<u>\$ 70,938,351</u>	<u>50,900,213</u>	<u>391,578</u>	<u>1,656,956</u>	<u>(17,989,604)</u>
			<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Changes in Net Position:					
Net (expense) / revenue			<u>\$ (18,523,944)</u>	<u>534,340</u>	<u>(17,989,604)</u>
General revenues					
Taxes					
Property taxes			6,308,766		6,308,766
Sales and use taxes			7,210,217		7,210,217
Other taxes			620,713		620,713
Investment income			61,323	36,323	97,646
Other			4,201,338		4,201,338
Transfers			(81,462)	109,854	28,392
Total general revenues and transfers			<u>18,320,895</u>	<u>146,177</u>	<u>18,467,072</u>
Change in net position			(203,049)	680,517	477,468
Net position, October 1, 2016, as restated			<u>(9,207,632)</u>	<u>47,327,370</u>	<u>38,119,738</u>
Net position, September 30, 2017			<u>\$ (9,410,681)</u>	<u>48,007,887</u>	<u>38,597,206</u>

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

**FUND FINANCIAL STATEMENTS**

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**City of Starkville, Mississippi**  
**Balance Sheet - Governmental Funds**  
**September 30, 2017**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,355,657	12,809	2,368,466
Cash - restricted	647,446	1,295,164	1,942,610
Receivables (Net)			
Accounts	877,710		877,710
Other		113	113
Notes receivable (Net)		41,699	41,699
Due from other departments	55,882		55,882
Due from other funds	385,842		385,842
	<u>4,322,537</u>	<u>1,349,785</u>	<u>5,672,322</u>
Total Assets	<u>\$ 4,322,537</u>	<u>1,349,785</u>	<u>5,672,322</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 968,294	28,488	996,782
Due to other departments	73,681		73,681
	<u>1,041,975</u>	<u>28,488</u>	<u>1,070,463</u>
Total Liabilities	<u>1,041,975</u>	<u>28,488</u>	<u>1,070,463</u>
<b><u>FUND BALANCES</u></b>			
Fund balances - restricted			
Restricted for fire protection	94,978		94,978
Restricted for police protection	25,937	3,264	29,201
Restricted for airport projects	267,566		267,566
Restricted for debt service		17,296	17,296
Restricted for capital projects	455,929	1,248,774	1,704,703
Fund balances - unassigned	2,436,152	51,963	2,488,115
	<u>3,280,562</u>	<u>1,321,297</u>	<u>4,601,859</u>
Total Fund Balances	<u>3,280,562</u>	<u>1,321,297</u>	<u>4,601,859</u>
Total Liabilities and Fund Balances	<u>\$ 4,322,537</u>	<u>1,349,785</u>	<u>5,672,322</u>

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

**City of Starkville, Mississippi**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**September 30, 2017**

Fund Balances - total governmental funds		\$	4,601,859
Amounts reported for governmental activities in Statement of Net Position are different because:			
Prior Period Adjustment			730,682
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	91,076,924		
Less accumulated depreciation	<u>(64,930,922)</u>		26,146,002
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
Long-Term Liabilities	(41,049,885)		
Deferred Outflows of Resources	2,146,957		
Deferred Inflows of Resources	<u>(1,986,296)</u>		<u>(40,889,224)</u>
Net Position of Governmental Activities		\$	<u><u>(9,410,681)</u></u>

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

**City of Starkville, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2017**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
General property taxes	\$ 5,523,037	785,729	6,308,766
Licenses and permits	382,337		382,337
Intergovernmental:			
Federal	1,064,264		1,064,264
State of Mississippi	8,151,757		8,151,757
Oktibbeha County and Mississippi State	975,728		975,728
Fines and forfeits	1,044,233		1,044,233
Interest income	15,736	45,587	61,323
Penalties and interest	21,150		21,150
Other revenues	2,532,938	58,926	2,591,864
Total Revenues	<u>19,711,180</u>	<u>890,242</u>	<u>20,601,422</u>
<b><u>EXPENDITURES</u></b>			
General government	4,555,088		4,555,088
Public safety:			
Police	5,333,926		5,333,926
Fire	4,178,437		4,178,437
Public inspection	211,247		211,247
Civil defense	40,663		40,663
Highways and streets	1,333,736		1,333,736
Health and sanitation	185,289		185,289
Culture and recreation	1,484,421		1,484,421
Other	185,237	77,819	263,056
Capital outlay	1,343,412	6,357,812	7,701,224
Debt service:			
Principal	1,428,540	255,000	1,683,540
Interest	559,240	129,224	688,464
Total Expenditures	<u>20,839,236</u>	<u>6,819,855</u>	<u>27,659,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,128,056)</u>	<u>(5,929,613)</u>	<u>(7,057,669)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in		64,970	64,970
Disposal of fixed assets	92,197		92,197
Transfers to other departments	(146,432)		(146,432)
Proceeds from bond sale		5,400,000	5,400,000
Inception of capital leases	320,511		320,511
Net other financing sources	<u>266,276</u>	<u>5,464,970</u>	<u>5,731,246</u>
Net change in fund balances	(861,780)	(464,643)	(1,326,423)
<b>Fund balances, October 1, 2016</b>	3,411,660	1,785,940	5,197,600
<b>Prior Period Adjustment</b>	<u>730,682</u>		<u>730,682</u>
<b>Fund balances, September 30, 2017</b>	<u>\$ 3,280,562</u>	<u>1,321,297</u>	<u>4,601,859</u>

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

**City of Starkville, Mississippi**  
**Reconciliation of Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**September 30, 2017**

Net change in Fund Balances - total governmental funds \$ (1,326,423)

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	9,848,239	
Less current year depreciation	<u>(2,324,351)</u>	7,523,888

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	(5,720,511)	
Principal payments	<u>1,683,540</u>	(4,036,971)

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	(1,199,346)	
Change in deferred outflows of resources	781,169	
Change in deferred inflows of resources	(1,895,143)	
Change in long-term compensated absences	<u>(50,223)</u>	<u>(2,363,543)</u>

Change in Net Position of Governmental Funds		<u><u>\$ (203,049)</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

**City of Starkville, Mississippi**  
**Statement of Fund Net Position - Proprietary Funds**  
**September 30, 2017**

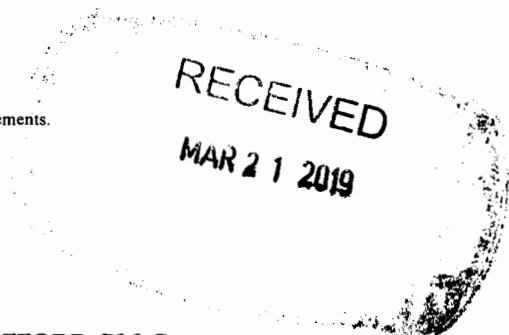
	<u>June 30, 2017</u>	<u>September 30, 2017</u>			
	<u>Electric Department</u>	<u>Water &amp; Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>					
Current assets:					
Cash and cash equivalents	\$ 8,569,958	622,638	643,699	-	9,836,295
Accounts receivables, net	5,023,702	798,031	465,836	57,912	6,345,481
Other receivables, net	194,770			716	195,486
Due from other departments	182,626				182,626
Prepaid expense	2,921,560				2,921,560
Inventory	763,255	50,000			813,255
Total current assets	<u>17,655,871</u>	<u>1,470,669</u>	<u>1,109,536</u>	<u>58,628</u>	<u>20,294,704</u>
Non-current assets:					
Other assets	231,408				231,408
Capital assets:					
Fixed assets, net of depreciation	34,726,792	21,305,313	1,320,987	77,519	57,430,611
Total non-current assets	<u>34,958,200</u>	<u>21,305,313</u>	<u>1,320,987</u>	<u>77,519</u>	<u>57,662,019</u>
Total Assets	<u>52,614,071</u>	<u>22,775,982</u>	<u>2,430,523</u>	<u>136,147</u>	<u>77,956,723</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Unamortized work order closeout	170,918				170,918
Unamortized debt expense	59,603				59,603
Difference between expected and actual experience - net pension liability	<u>1,003,362</u>	<u>443,868</u>	<u>385,135</u>	<u>24,325</u>	<u>1,856,690</u>
Total Deferred Outflows of Resources	<u>1,233,883</u>	<u>443,868</u>	<u>385,135</u>	<u>24,325</u>	<u>2,087,211</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 53,847,954</u>	<u>23,219,850</u>	<u>2,815,658</u>	<u>160,472</u>	<u>80,043,934</u>
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable	5,786,119	304,174	43,645	2,358	6,136,296
Cash deficit				113,078	113,078
Accrued liabilities	259,680	93,558	57,677	18,665	429,580
Due to other departments	1,083,399				1,083,399
Due to other funds			167,002	22,360	189,362
Accrued interest - long-term debt	13,097				13,097
Bonds payable, current	680,000				680,000
Notes payable, current	39,417	712,512	247,304		999,233
Other current liabilities	49,072				49,072
Total current liabilities	<u>7,910,784</u>	<u>1,110,244</u>	<u>515,628</u>	<u>156,461</u>	<u>9,693,117</u>
Non-current liabilities:					
Bonds payable, non-current	1,665,000				1,665,000
Notes payable, non-current	5,329	7,126,170	1,002,042		8,133,541
Customer deposits	2,411,565	361,964			2,773,529
Other liabilities	50,064				50,064
Unfunded pension liability	4,254,311	2,552,112	2,214,414	139,862	9,160,699
Total non-current liabilities	<u>8,386,269</u>	<u>10,040,246</u>	<u>3,216,456</u>	<u>139,862</u>	<u>21,782,833</u>
Total Liabilities	<u>16,297,053</u>	<u>11,150,490</u>	<u>3,732,084</u>	<u>296,323</u>	<u>31,475,950</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>62,582</u>	<u>262,505</u>	<u>227,770</u>	<u>7,240</u>	<u>560,097</u>
Total Deferred Inflows of Resources	<u>62,582</u>	<u>262,505</u>	<u>227,770</u>	<u>7,240</u>	<u>560,097</u>
<b><u>NET POSITION</u></b>					
Invested in capital assets, net of related debt	32,337,046	13,466,631	71,641	77,519	45,952,837
Contributed capital		8,967,665			8,967,665
Unrestricted	<u>5,151,273</u>	<u>(10,627,441)</u>	<u>(1,215,837)</u>	<u>(220,610)</u>	<u>(6,912,615)</u>
Total Net Position	<u>37,488,319</u>	<u>11,806,855</u>	<u>(1,144,196)</u>	<u>(143,091)</u>	<u>48,007,887</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 53,847,954</u>	<u>23,219,850</u>	<u>2,815,658</u>	<u>160,472</u>	<u>80,043,934</u>

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

**City of Starkville, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds**  
**For the Year Ended September 30, 2017**

	June 30, 2017	September 30, 2017			
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<b><u>OPERATING REVENUES</u></b>					
Charges for services	\$ 41,476,786	6,145,059	2,838,353	57,678	50,517,876
Total operating revenues	41,476,786	6,145,059	2,838,353	57,678	50,517,876
<b><u>OPERATING EXPENSES</u></b>					
Purchased power	33,223,634				33,223,634
Operating and maintenance	4,887,054	4,622,861	3,406,286	181,093	13,097,294
Depreciation	1,823,524	1,330,521	400,853	21,071	3,575,969
Total operating expenses	39,934,212	5,953,382	3,807,139	202,164	49,896,897
Operating income (loss)	1,542,574	191,677	(968,786)	(144,486)	620,979
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>					
Other revenue		231,806			231,806
Interest on investments	36,323				36,323
Amortization expense	(25,670)				(25,670)
Interest and fiscal charges	(74,609)	(197,009)	(21,157)		(292,775)
Total non-operating revenues (expenses)	(63,956)	34,797	(21,157)	-	(50,316)
Income (loss) before transfers	1,478,618	226,474	(989,943)	(144,486)	570,663
Transfers in	-	-		109,854	109,854
Change in net position	1,478,618	226,474	(989,943)	(34,632)	680,517
Total net position, beginning	36,009,701	11,580,381	(154,253)	(108,459)	47,327,370
Total net position, ending	\$ 37,488,319	11,806,855	(1,144,196)	(143,091)	48,007,887

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



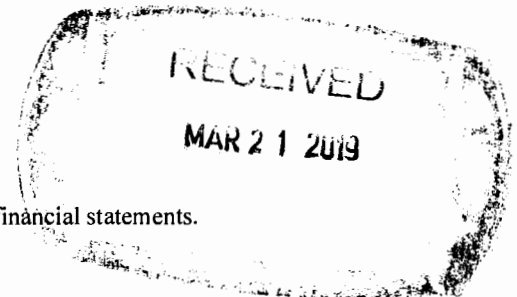
City of Starkville, Mississippi  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2017

	June 30, 2017	September 30, 2017			
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<b><u>Cash Flows from Operating Activities</u></b>					
Cash received from customers	41,476,786	6,145,059	2,838,545	57,678	50,518,068
Cash paid to employees	(1,580,280)	(1,521,496)	(595,348)	(49,840)	(3,746,964)
Cash paid to suppliers	(35,828,596)	(3,845,060)	(2,808,023)	(227,396)	(42,709,075)
Other receipts			386,295		386,295
Net Cash Flows from Operating Activities	4,067,910	778,503	(178,531)	(219,558)	4,448,324
<b><u>Cash Flows from Noncapital Financing Activities</u></b>					
Transfers in				109,854	109,854
Cash deficit covered by pooled cash				113,672	113,672
Net Cash Flows from Noncapital Financing Activities	-	-	-	223,526	223,526
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>					
Proceeds from issuance of debt		1,520,082			1,520,082
Payment of debt	(703,062)	(687,114)	(241,732)		(1,631,908)
Payment of interest	(77,888)	(197,009)	(21,157)		(296,054)
Purchase of capital assets	(3,343,746)	(2,014,305)	(282,647)		(5,640,698)
Other receipts (payments)	(17,186)	266,603	633,683	(4,051)	879,049
Net Cash Flows from Capital and Related Financing Activities	(4,141,882)	(1,111,743)	88,147	(4,051)	(5,169,529)
<b><u>Cash Flows from Investing Activities</u></b>					
Receipt of interest	48,225			83	48,308
Net Cash Flows from Investing Activities	48,225	-	-	83	48,308
<b>Net Change in Cash</b>	(25,747)	(333,240)	(90,384)	-	(449,371)
<b>Cash and Cash Equivalents, October 1, 2016</b>	8,595,705	955,878	734,083	-	10,285,666
<b>Cash and Cash Equivalents, September 30, 2017</b>	<u>\$ 8,569,958</u>	<u>622,638</u>	<u>643,699</u>	<u>-</u>	<u>9,836,295</u>
<b><u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u></b>					
Operating Income (Loss)	\$ 1,542,574	191,677	(968,786)	(144,486)	620,980
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,887,993	1,330,521	400,853	21,071	3,640,438
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	287,187	(435,779)	192	31,432	(116,968)
(Increase) decrease in inventory	(108,443)	390,932			282,489
(Increase) decrease in other assets	(201,515)	(34,798)			(236,313)
(Increase) decrease in deferred outflows of resources	(86,880)	222,450	(63,285)	23,553	95,838
Increase (decrease) in payables	48,181	(58,790)	2,915	(2,173)	(9,867)
Increase (decrease) in due to other funds			15,849	(1,699)	14,150
Increase in deficit cash				(31,432)	(31,432)
Increase (decrease) in customer deposits	50,148	336,456			386,604
Increase (decrease) in unfunded pension liability	747,967	(1,188,755)	616,185	(115,896)	59,501
Increase (decrease) in other liabilities	14,767	(133,858)			(119,091)
Increase (decrease) in deferred inflows of resources	(114,069)	158,447	(182,454)	72	(138,004)
Total adjustments	2,525,336	586,826	790,255	(75,073)	3,827,345
Net cash provided by (used in) operating activities	<u>\$ 4,067,910</u>	<u>778,503</u>	<u>(178,531)</u>	<u>(219,558)</u>	<u>4,448,324</u>

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

**City of Starkville, Mississippi**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**September 30, 2017**

	<b>Employee Benefit Trust Fund</b>	<b>Agency Funds</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	467,492
Cash - restricted	77,820	132,580
Total Assets	77,820	600,072
<b><u>LIABILITIES</u></b>		
Due to outside entities	\$ -	473,094
Total Liabilities	-	473,094
<b><u>NET POSITION</u></b>		
Restricted - held in trust	\$ 77,820	126,978



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

**City of Starkville, Mississippi**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Funds**  
**For the Year Ended September 30, 2017**

	<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, 2016	77,820
Net Position, September 30, 2017	\$ 77,820

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

**City of Starkville, Mississippi**  
**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, Mississippi**  
**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:

**City of Starkville Electric Department and Water and Sewer Department.** The Electric Department and Water and Sewer 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, Mississippi**  
**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, Multi-Unit Drug Task Force Operations, Airport Activities, Restricted Police Activities, and Restricted Fire Activities.

**City of Starkville, Mississippi  
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, Federal Forfeited Funds 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 Cotton Mill Crossing Fund, Middleton Marketplace TIF Bond Fund, American Recovery Reinvestment Fund, the Parking Mill Project Fund, Police Department Bonds 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, Mississippi**  
**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, Mississippi  
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, Mississippi  
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:**

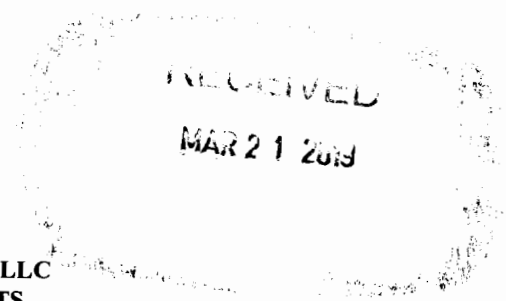
The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents 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, Mississippi  
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, Mississippi  
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 Board of Aldermen.

- 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, Mississippi**  
**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, 2017.

The carrying amount of the City's deposits with financial institutions was \$5,194,067 on September 30, 2017, and the bank balance was \$6,072,882.

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, 2017, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ 385,842	
<b>Proprietary Funds:</b>		
Sanitation and Waste		167,002
Landfill		22,360
<b>Fiduciary Funds:</b>		
Payroll Clearing Fund		100,000
A/P Clearing Fund		4,795
Tax Collectors Fund		91,685
	<u>\$ 385,842</u>	<u>385,842</u>

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

**Note 4: Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Adjustments	Increases	Decreases	Balance September 30, 2017
<b>Governmental Activities</b>					
Non-depreciable					
Land	\$ 1,247,782				1,247,782
Construction in Progress	-				-
Total	1,247,782	-	-	-	1,247,782
Depreciable:					
Buildings	10,973,741		6,357,812		17,331,553
Improvements other than buildings	60,037,930		2,828,594		62,866,524
Vehicles	4,644,539		469,573		5,114,112
Machinery and equipment	4,597,326		650,309		5,247,635
Total	80,253,536	-	10,306,288	-	90,559,824
Less accumulated depreciation					
Buildings	(2,385,833)		(445,161)		(2,830,994)
Building Improvements	-				-
Improvements other than buildings	(51,879,046)		(1,602,962)		(53,482,008)
Vehicles	(4,351,444)		(131,356)		(4,482,800)
Machinery and equipment	(3,990,248)		(144,872)		(4,135,120)
Total	(62,606,571)	-	(2,324,351)	-	(64,930,922)
Net book value	17,646,965	-	7,981,937	-	25,628,902
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 18,894,747</b>	<b>-</b>	<b>7,981,937</b>	<b>-</b>	<b>26,876,684</b>
<b>Business-type Activities</b>					
Non-depreciable					
Land - Starkville Electric	\$ 356,860				356,860
Land - Landfill	16,800				16,800
Land - Water	105,623				105,623
Construction in progress - Stk Elec	1,169,001				1,169,001
Construction in progress - Stk Sewer	-	778,950			778,950
Total	1,648,284	778,950	-	-	2,427,234
Depreciable					
Starkville Electric Property & equipment	50,750,426		3,238,385	(807,594)	53,181,217
Sanitation property & equipment	5,039,467		282,647		5,322,114
Landfill property & equipment	917,931				917,931
Water property & equipment	47,412,808	3,233,939			50,646,747
Total	104,120,632	3,233,939	3,521,032	(807,594)	110,068,009
Less accumulated depreciation					
Starkville Electric Property & Equipment	(19,003,098)	(178,424)	1,024,761	(1,823,524)	(19,980,285)
Sanitation property & equipment	(3,600,274)			(400,853)	(4,001,127)
Landfill property & equipment	(836,213)	72		(21,071)	(857,212)
Water property & equipment	(28,895,486)			(1,330,521)	(30,226,007)
Total	(52,335,071)	(178,352)	1,024,761	(3,575,969)	(55,064,631)
Net book value	51,785,561	3,055,587	4,545,793	(4,383,563)	55,003,378
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 53,433,845</b>	<b>3,834,537</b>	<b>4,545,793</b>	<b>(4,383,563)</b>	<b>57,430,612</b>

**City of Starkville, Mississippi**  
**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	\$ 417,700
Public safety - Police	230,139
Public safety - Fire	299,444
Highways and streets	1,307,334
Culture and recreation	<u>69,734</u>

Total governmental activities depreciation expense	<u>\$2,324,351</u>
--	--------------------

**Business-type activities:**

Electric	\$ 1,823,524
Water and sewer	1,330,521
Sanitation	400,853
Landfill	<u>21,071</u>

Total business-type activities depreciation expense	<u>\$3,575,969</u>
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**Note 5: Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Amount Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 3,560,000		255,000	3,305,000	265,000
Public Improvement, Series 2009	2,345,000		640,000	1,705,000	665,000
TIF Revenue Bonds, Series 2011	365,000		34,000	331,000	35,000
Public Improvement, Series 2015	2,605,000		100,000	2,505,000	100,000
Public Improvement, Series 2016A		3,000,000	110,000	2,890,000	110,000
Public Improvement, Series 2016B		2,400,000	85,000	2,315,000	90,000
TIF Revenue Bonds, Series 2016	1,135,000		90,000	1,045,000	95,000
Total	<u>\$ 10,010,000</u>	<u>5,400,000</u>	<u>1,314,000</u>	<u>14,096,000</u>	<u>1,360,000</u>

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

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

	Balance			Balance	Amount Due
	October 1, 2016	Additions	Reductions	September 30, 2017	Within One
					Year
Notes payable					
Capital Improvements - Dump Truck	5,892		5,892	-	-
Capital Improvements - Ford F-350 Truck	15,779		7,818	7,961	7,961
Capital Improvements - Dump Truck	18,100		5,897	12,203	6,032
Capital Improvements - Prius and 2 Tacomas	57,468		9,106	48,362	9,345
Capital Improvements - F-250 and 2 Tacomas	60,139		9,386	50,753	9,632
Capital Improvements - City Hall	6,140,000		320,000	5,820,000	325,000
Police Vehicles & Equipment		320,511	25,994	294,517	105,260
Compensated absences	562,177		39,352	522,825	-
Total	<u>\$ 6,859,555</u>	<u>320,511</u>	<u>423,445</u>	<u>6,756,621</u>	<u>463,230</u>

	Balance			Balance	Amount Due
	October 1, 2016	Additions	Reductions	September 30, 2017	Within One
					Year
Business-type Activities					
Bonds and notes payable					
Electric System Bonds, Series 2001	\$ 1,455,000		270,000	1,185,000	280,000
Electric System GO Refunding Bond, Series 2013	1,555,000		395,000	1,160,000	400,000
Electric System Notes Payable	82,808		38,062	44,746	39,417
Drinking Water Improvements Revolving Loan	527,791		47,495	480,296	48,695
Water Pollution Control Revolving Loan	1,911,525		193,952	1,717,573	197,375
Water Pollution Control Revolving Loan	189,534		13,091	176,443	13,455
Drinking Water Improvements Revolving Loan	1,994,375		162,143	1,832,232	165,614
MDA Capital Improvements Loan	160,945	202,280		363,225	27,026
MDA Capital Improvements Loan	351,494		22,470	329,024	22,848
MDA Capital Improvements Loan	699,983		45,375	654,608	46,138
MDA Capital Improvements Loan	744,542	563,530	49,218	1,258,854	54,640
MDA Capital Improvements Loan	170,560	199,471	25,261	344,770	34,218
MDA Capital Improvements Loan	-	554,800	22,792	532,008	23,213
2 Ford Trucks	52,841		13,749	39,092	13,996
4 Ford Trucks	-	103,228	10,332	92,896	19,808
2 Front End Loaders	497,498		76,246	421,252	77,917
Street Sweeper	259,071		39,694	219,377	40,564
Garbage Trucks	588,771		112,040	476,731	114,827
Vaccon Vacuum Truck	175,051		62,299	112,752	63,814
Aquatech Sewer Jet Truck	28,941		28,941	-	28,941
2 Cat Mini Excavators	50,974		14,079	36,895	14,079
Total	<u>\$ 11,496,704</u>	<u>1,623,309</u>	<u>1,642,239</u>	<u>11,477,774</u>	<u>1,726,585</u>

**City of Starkville, Mississippi  
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 five outstanding issues of General Obligation Bonds are due in annual installments ranging from \$100,000 to \$400,000 each through various dates, the last of which is the year 2035. Interest rates range from 2.75% to 5.00%.

The City has entered into 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, 2017.

**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.

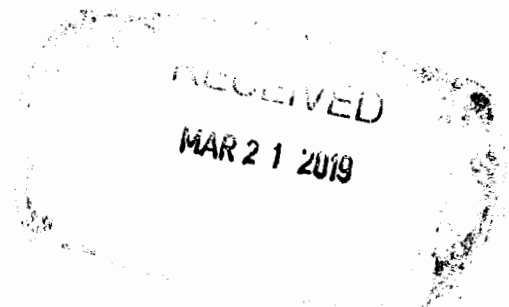
**City of Starkville, Mississippi  
Notes to Financial Statements**

**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, 2017, 2016 and 2015 were \$1,515,680, \$1,506,965 and \$1,425,350 respectively, which equaled the required contributions for each year.



**City of Starkville, Mississippi**  
**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, 2017, the City reported a liability of \$29,357,963 of which \$25,103,652 was for its proportionate share of the net pension liability and \$4,254,311 was for the Starkville Electric Department's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 0.151014 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$1,783,985. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 389,497	(183,174)
Net difference between projected and actual earnings on pension plan investments	336,682	(1,674,276)
Changes of assumptions	25,638	(10,818)
Change in proportion percentage	968,663	(118,028)
City contributions subsequent to the measurement date	426,477	-
	<u>\$ 2,146,957</u>	<u>(1,986,296)</u>

\$1,128,517 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, 2018. 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, Mississippi**  
**Notes to Financial Statements**

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

Year ended September 30,

2018	\$	142,664
2019		142,664
2020		358,278
2021		484,911
	\$	<u>1,128,517</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2017 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 2017, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 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, Mississippi**  
**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	<u>100 %</u>	

*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	\$ 32,925,116	\$ 25,103,652	\$ 18,610,138

*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, Mississippi**  
**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 \$462,815 in 2017. 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, 2017, 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 1 of the next succeeding year.

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

**Note 13: Prior Period Adjustment**

A prior period adjustment was made to restore \$730,682 of fund balance that was charged to the General Fund in the conversion to a pooled cash system. Adjustments to the General Fund were made in 2014 and 2015 for deficit cash balances in other funds created in the conversion to a pooled cash fund. Entries correcting these adjustments were made during this fiscal year. The result of the adjustment restated net assets for the General Fund at September 30, 2017, from \$2,184,135 to \$2,914,817. Current year's change in net position was not affected by the prior period adjustment.

**Note 14: Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Starkville evaluated the activity of the City through January 31, 2018, the date which the financial statements were available to be issued, and determined that the following subsequent event should be disclosed. On October 12, 2017, \$7,000,000 of General Obligation Taxable Development Bonds, Series 2017 were issued for the City's share of industrial park development.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Starkville, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (Non-GAAP Budgetary Basis) - General Fund**  
**For the Year Ended September 30, 2017**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUES</u></b>					
General property taxes	\$ 6,645,000		6,645,000	5,523,037	(1,121,963)
Licenses and permits	244,000	46,000	290,000	382,337	92,337
Intergovernmental	8,632,923		8,964,635	9,225,166	260,531
Fines and forfeits	1,238,000	(119,000)	1,119,000	1,044,233	(74,767)
Charges for services	32,100	-	32,100	29,509	(2,591)
Other revenues	2,250,756	58,476	2,309,232	2,250,756	(58,476)
Total Revenues before Prior Year Fund Balance	19,042,779	(14,524)	19,359,967	18,455,038	(904,929)
Prior year fund balance:					
Appropriated for current year budget	1,734,944	-	1,734,944		(1,734,944)
Total Revenues and Prior Year Fund Balance	20,777,723	(14,524)	21,094,911	18,455,038	(2,639,873)
<b><u>EXPENDITURES</u></b>					
General government	3,697,771	(53,720)	3,644,051	3,368,609	275,442
Public safety:					
Police	4,983,545	195,235	5,178,780	5,319,191	(140,411)
Fire	4,030,096	54,000	4,084,096	4,047,604	36,492
Public inspection	293,496	(47,265)	246,231	211,247	34,984
Civil defense	33,000	13,250	46,250	40,663	5,587
Highways and streets	1,396,151	(25,000)	1,371,151	1,333,736	37,415
Health and sanitation	404,950	(10,000)	394,950	185,289	209,661
Culture and recreation	1,078,370	200,000	1,278,370	1,484,421	(206,051)
Other	14,000	-	14,000		14,000
Capital outlays	2,184,863	140,000	2,324,863	1,528,649	796,214
Debt service	2,661,481		2,512,669	1,987,780	
Total Expenditures	20,777,723	466,500	21,095,411	19,507,189	1,063,333
Excess (deficiency) of revenues over (under) expenditures	-	(481,024)	(500)	(1,052,151)	(1,576,540)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Other financing sources (uses)		-		211,276	211,276
Net other financing sources (uses)	-	-	-	211,276	211,276
Excess of revenues and other sources over expenditures and other uses	\$ -	(481,024)	(500)	(840,875)	(1,365,264)
Fund balances, October 1, 2016 (Non-GAAP budgetary basis)				3,025,010	
Prior Period Adjustment				730,682	
Fund balances, September 30, 2017 (Non-GAAP budgetary basis)				<u>\$ 2,914,817</u>	

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

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

	2017	2016	2015
City's proportion of the net pension liability	\$ 25,103,652	\$ 25,575,881	\$ 22,392,036
City's proportionate share of the net pension liability	0.151014%	0.143182%	0.144857%
City's covered-employee payroll	\$ 10,810,327	\$ 9,568,019	\$ 9,049,841
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	232.22%	268.52%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	63.29%	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, Mississippi**  
**Schedule of the City's Contributions**  
**(Excluding Starkville Electric Department)**  
**Last 10 Fiscal Years**

	2017	2016	2015
Contractually required contribution	\$ 1,515,680	\$ 1,506,965	\$ 1,425,350
Contribution in relation to the contractually required contribution	1,515,680	1,506,965	1,425,350
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	10,810,327	9,568,019	9,049,841
Contributions as a percentage of covered-employee payroll	15.75%	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, Mississippi**  
**Notes to Required Supplementary Information**

**Budgetary Comparison Schedule**

**NOTE 1 – BASIS OF PRESENTATION**

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

**NOTE 2 – BUDGET AMENDMENTS AND REVISIONS**

The budget is adopted by the Board of Alderman. Amendments can be made on the approval of the Board. By statute, final budget revisions must be approved on or before October 15.

**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, Mississippi**  
**Combining Balance Sheet by Activity**  
**General Fund**  
**September 30, 2017**

	<u>General Activities</u>	<u>Restricted Police Activities</u>	<u>Restricted Fire Activities</u>	<u>Multi-Unit Task Force Operations</u>	<u>Airport Activities</u>	<u>Total General Fund</u>
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 2,329,720			25,937		2,355,657
Cash - restricted	455,929	(18,979)	94,978		115,518	647,446
Receivables (Net)						
Accounts	699,541				178,169	877,710
Other						-
Due from other departments	55,882					55,882
Due from other funds	385,842					385,842
<b>Total Assets</b>	<b>\$ 3,926,914</b>	<b>(18,979)</b>	<b>94,978</b>	<b>25,937</b>	<b>293,687</b>	<b>4,322,537</b>
<b><u>Liabilities</u></b>						
Accounts payable	\$ 938,416	3,757			26,121	968,294
Due to other funds	73,681					73,681
<b>Total Liabilities</b>	<b>1,012,097</b>	<b>3,757</b>	<b>-</b>	<b>-</b>	<b>26,121</b>	<b>1,041,975</b>
<b><u>Fund Equity</u></b>						
Fund balances - nonspendable						-
Fund balances - restricted						
Restricted for fire protection			94,978			94,978
Restricted for police protection				25,937		25,937
Restricted for airport projects					267,566	267,566
Restricted for capital projects	455,929					455,929
Fund balances - unassigned	2,458,888	(22,736)				2,436,152
<b>Total Fund Equity</b>	<b>2,914,817</b>	<b>(22,736)</b>	<b>94,978</b>	<b>25,937</b>	<b>267,566</b>	<b>3,280,562</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,926,914</b>	<b>(18,979)</b>	<b>94,978</b>	<b>25,937</b>	<b>293,687</b>	<b>4,322,537</b>

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**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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	\$ 5,523,037					5,523,037
Licenses and permits						
Privilege license	65,707					65,707
Permits and inspections	260,062					260,062
Franchise fees	56,568					56,568
Intergovernmental						
Federal						
DUI	88,880					88,880
JAG	35,650					35,650
FAA					489,283	489,283
COPS grant	92,653					92,653
Urban youth corps grant	31,900					31,900
Homeland security grants	44,669					44,669
MDOT grant					266,883	266,883
Other	14,346					14,346
State of Mississippi						
General sales tax	7,210,217					7,210,217
Liquor licenses	62,925					62,925
Municipal aid - gas tax	23,727					23,727
Law enforcement assistance grants	18,900	11,715				30,615
Fire protection grants			129,726			129,726
Municipal aid	26,403					26,403
Homestead	192,798					192,798

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
Tennessee Valley Authority	369,766					369,766
MDOT grant	59,818					59,818
Miscellaneous	41,737		4,025			45,762
Oktibbeha County and Mississippi State						
Road maintenance	620,713					620,713
Airport support					70,951	70,951
Fire control	262,786					262,786
Lieu of tax	21,278					21,278
Fines and forfeits	1,044,233					1,044,233
Interest income	15,736					15,736
Penalties and interest	21,150					21,150
Miscellaneous						
Administration/Electric	1,355,000					1,355,000
Administration/Sanitation	100,000					100,000
Mississippi Valley Gas	74,586					74,586
Rents	59,978				189,102	249,080
TV Cable Franchise	192,348					192,348
Administration/Water	100,000					100,000
Telephone Utility Tax	38,814					38,814
Parks and Recreation Fees	202,699					202,699
Other	125,954				94,457	220,411
<b>Total Revenues</b>	<b>18,455,038</b>	<b>11,715</b>	<b>133,751</b>	<b>-</b>	<b>1,110,676</b>	<b>19,711,180</b>

**Expenditures**

General government:

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
Legislative						
Personnel services	172,643					172,643
Contractual services	17,374					17,374
Total Legislative	190,017	-	-	-	-	190,017
Judicial						
Personnel services	422,053					422,053
Supplies	10,256					10,256
Contractual services	20,738					20,738
Capital outlay	3,383					3,383
Total Judicial	456,431	-	-	-	-	456,431
Executive						
Personnel services	370,144					370,144
Supplies	3,834					3,834
Contractual services	143,732					143,732
Capital outlay	76,739					76,739
Total Executive	594,449	-	-	-	-	594,449
Elections						
Supplies	3,343					3,343
Contractual services	17,937					17,937
Total Elections	21,279	-	-	-	-	21,279
City Clerk and Tax Collector						
Personnel services	358,982					358,982
Contractual services	124,273					124,273

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
Total City Clerk and Tax Collector	483,255	-	-	-	-	483,255
Legal						
Personnel services	67,094					67,094
Contractual services	157,213					157,213
Total Legal	224,306	-	-	-	-	224,306
City Planner						
Personnel services	226,621					226,621
Supplies	1,400					1,400
Contractual services	105,952					105,952
Capital outlay	10,000					10,000
Total City Planner	343,973	-	-	-	-	343,973
Other Administrative						
Personnel services	199,425					199,425
Supplies	16,883					16,883
Contractual services	462,810					462,810
Capital outlay	5,182					5,182
Total Other Administrative	684,300	-	-	-	-	684,300

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
City Hall						
Personnel services	-					-
Supplies	5,374					5,374
Contractual services	60,793					60,793
Total City Hall	66,167	-	-	-	-	66,167
Other Miscellaneous						
Personnel services	179,105				78,586	257,691
Supplies	1,565				9,666	11,231
Contractual services	118,519				71,094	189,613
Capital outlay	5,243				1,027,133	1,032,376
Total Other Miscellaneous	304,432	-	-	-	1,186,479	1,490,911
Total General Government	3,368,609	-	-	-	1,186,479	4,555,088
Public Safety						
Public Safety - Police and E911						
Personnel services	3,795,333					3,795,333
Supplies	432,194	6,518				438,712
Contractual services	610,931	3,725				614,656
Capital outlay	480,733	4,492				485,225
Total Public Safety - Police and E911	5,319,191	14,735	-	-	-	5,333,926

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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	3,481,650					3,481,650
Supplies	157,425		2,157			159,582
Contractual services	320,835		27,692			348,527
Capital outlay	87,694		100,984			188,678
Total Public Safety - Fire	<u>4,047,604</u>	<u>-</u>	<u>130,833</u>	<u>-</u>	<u>-</u>	<u>4,178,437</u>
Public Safety - Public Inspection						
Personnel services	189,694					189,694
Supplies	5,142					5,142
Contractual services	16,412					16,412
Total Public Safety - Public Inspection	<u>211,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,247</u>
Public Safety - Civil Defense						
Contractual services	18,530					18,530
Capital outlay	22,132					22,132
Total Public Safety - Civil Defense	<u>40,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,663</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>9,618,705</u>	<u>14,735</u>	<u>130,833</u>	<u>-</u>	<u>-</u>	<u>9,764,273</u>

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
Highways and Streets						
City Streets						
Personnel services	539,339					539,339
Supplies	196,337					196,337
Contractual services	88,057					88,057
Capital outlay	36,948					36,948
Total City Streets	<u>860,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,681</u>
Street Lights						
Contractual services	473,055					473,055
Total Street Lights	<u>473,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,055</u>
Total Highways and Streets	<u>1,333,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,333,736</u>
Health and Sanitation						
Health and welfare - animals						
Personnel services	61,428					61,428
Supplies	1,101					1,101
Contractual services	16,760					16,760
Transfer to Humane Society	106,000					106,000
Total Health and Welfare - Animals	<u>185,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,289</u>
Total Health and Sanitation	<u>185,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,289</u>

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>
Culture and Recreation						
Parks and Recreation						
Personnel services	590,633					
Supplies	74,716					74,716
Contractual services	639,072					639,072
Library	180,000					180,000
Total Parks and Recreation	1,484,421	-	-	-	-	1,484,421
Total Culture and Recreation	1,484,421	-	-	-	-	1,484,421
Conservation of Natural Resources						
Contractual services	-					-
Capital Outlay						-
Total Conservation of Natural Resources	-	-	-	-	-	-
Debt Service						
Principal	1,428,540					1,428,540
Interest	559,240					559,240
Total Debt Service	1,987,780	-	-	-	-	1,987,780

**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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	1,343,412					1,343,412
Other miscellaneous	185,237					185,237
Total Miscellaneous	1,528,649	-	-	-	-	1,528,649
Total Expenditures	19,507,189	14,735	130,833	-	1,186,479	20,839,236
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(1,052,151)	(3,020)	2,918	-	(75,803)	(1,128,056)
<b><u>Other Financing Sources (Uses)</u></b>						
Operating transfers in						-
Operating transfers out						-
Disposal of fixed assets	37,197				55,000	92,197
Transfers to other departments	(146,432)					(146,432)
Proceeds from bond sale						-
Inception of capital leases	320,511					320,511
Total Other Financing Sources (Uses)	211,276	-	-	-	55,000	266,276
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(840,875)	(3,020)	2,918	-	(20,803)	(861,780)

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**City of Starkville, Mississippi**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity**  
**General Fund**  
**For the Year Ended September 30, 2017**

	<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>Fund Balances</u></b>						
September 30, 2016	3,025,010	(19,716)	92,060	25,937	288,369	3,411,660
Prior Period Adjustment	<u>730,682</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>730,682</u>
September 30, 2017	<u><u>\$ 2,914,817</u></u>	<u><u>(22,736)</u></u>	<u><u>94,978</u></u>	<u><u>25,937</u></u>	<u><u>267,566</u></u>	<u><u>3,280,562</u></u>

**City of Starkville, Mississippi**  
**Balance Sheet - Non-Major Governmental Funds**  
**September 30, 2017**

	<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	\$ 10,151		2,658	12,809
Cash - restricted	3,264	17,296	1,274,604	1,295,164
Receivables (Net)				
Other	113			113
Notes receivable (Net)	41,699			41,699
Due from other departments				-
	<u>\$ 55,227</u>	<u>17,296</u>	<u>1,277,262</u>	<u>1,349,785</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -		28,488	28,488
Other liabilities				-
	<u>-</u>	<u>-</u>	<u>28,488</u>	<u>28,488</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - restricted				
Restricted for police protection	3,264			3,264
Restricted for debt service		17,296		17,296
Restricted for capital projects			1,248,774	1,248,774
Fund balances - unassigned	51,963			51,963
	<u>55,227</u>	<u>17,296</u>	<u>1,248,774</u>	<u>1,321,297</u>
Total Fund Balances	<u>55,227</u>	<u>17,296</u>	<u>1,248,774</u>	<u>1,321,297</u>
Total Liabilities and Fund Balances	<u>\$ 55,227</u>	<u>17,296</u>	<u>1,277,262</u>	<u>1,349,785</u>

**City of Starkville, Mississippi**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Non-Major Governmental Funds**  
**For the Year Ended September 30, 2017**

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b><u>Revenues</u></b>				
Intergovernmental:				
Special 2% Tax	\$ -		785,729	785,729
Interest income			45,587	45,587
Miscellaneous income	39,576	19,350		58,926
Total Revenues	<u>39,576</u>	<u>19,350</u>	<u>831,316</u>	<u>890,242</u>
<b><u>Expenditures</u></b>				
Debt Service:				
Principal			255,000	255,000
Interest			129,224	129,224
Capital outlay			6,357,812	6,357,812
Miscellaneous	73,729	2,150	1,940	77,819
Total Expenditures	<u>73,729</u>	<u>2,150</u>	<u>6,743,976</u>	<u>6,819,855</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,153)</u>	<u>17,200</u>	<u>(5,912,660)</u>	<u>(5,929,613)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	64,970			64,970
Proceeds of bonds			5,400,000	5,400,000
Operating transfers out				-
Total Other Financing Sources (Uses)	<u>64,970</u>	<u>-</u>	<u>5,400,000</u>	<u>5,464,970</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>30,817</u>	<u>17,200</u>	<u>(512,660)</u>	<u>(464,643)</u>
<b><u>Fund Balances</u></b>				
September 30, 2016	<u>24,410</u>	<u>96</u>	<u>1,761,434</u>	<u>1,785,940</u>
September 30, 2017	<u>\$ 55,227</u>	<u>17,296</u>	<u>1,248,774</u>	<u>1,321,297</u>



**City of Starkville, Mississippi**  
**Statement of Net Position - Non-Major Enterprise Funds**  
**September 30, 2017**

	<b>Sanitary Landfill Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivables, net	57,912
Other receivables, net	716
Total current assets	<u>58,628</u>
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	77,519
Total non-current assets	<u>77,519</u>
Total Assets	<u>136,147</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Difference between expected and actual experience - net pension liability	<u>24,325</u>
Total Deferred Outflows of Resources	<u>24,325</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 160,472</u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	\$ 2,358
Cash deficit	113,078
Due to other funds	22,360
Accrued liabilities	18,665
Total current liabilities	<u>156,461</u>
Non-current liabilities:	
Unfunded pension liability	139,862
Total non-current liabilities	<u>139,862</u>
Total Liabilities	<u>296,323</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>7,240</u>
Total Deferred Inflows of Resources	<u>7,240</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	77,519
Unrestricted	<u>(220,610)</u>
Total Net Position	<u>(143,091)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 160,472</u>

**City of Starkville, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Non-Major Enterprise Funds**  
**For the Year Ended September 30, 2017**

	<b>Sanitary Landfill Fund</b>
<b><u>OPERATING REVENUES</u></b>	
Charges for services	\$ 57,678
Total operating revenues	<u>57,678</u>
<b><u>OPERATING EXPENSES</u></b>	
Operating and maintenance	181,093
Depreciation	<u>21,071</u>
Total operating expenses	<u>202,164</u>
Operating loss	<u>(144,486)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>	
Other expenses	<u>-</u>
Total non-operating expenses	<u>-</u>
Income before transfers	(144,486)
Transfers in	<u>109,854</u>
Change in net position	(34,632)
Total net position, beginning	<u>(108,459)</u>
Total net position, ending	<u><u>\$ (143,091)</u></u>

**City of Starkville, Mississippi**  
**Statement of Cash Flows - Non-Major Enterprise Funds**  
**For the Year Ended September 30, 2017**

	<b>Sanitary Landfill Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 57,678
Cash paid to employees	(49,840)
Cash paid to suppliers	(227,396)
Net cash flows from operating activities	<u>(219,558)</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Cash deficit covered by pooled cash	113,672
Transfers in	109,854
Net cash flows from noncapital financing activities	<u>223,526</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Other receipts (payments)	(4,051)
Net cash flows from capital and related financing activities	<u>(4,051)</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	-
Cash and cash equivalents, October 1, 2016	-
Cash and cash equivalents, September 30, 2017	<u>\$ -</u>
<b><u>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:</u></b>	
Operating loss	\$ (144,486)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	21,071
Changes in operating assets and liabilities:	
Decrease in receivables	31,432
Decrease in deferred outflows of resources	23,553
(Decrease) in payables	(2,173)
(Decrease) in due to other funds	(1,699)
Increase in cash deficit	(31,432)
(Decrease) in unfunded pension liability	(115,896)
Increase in deferred inflows of resources	72
Total adjustments	<u>(75,073)</u>
Net cash used in operating activities	<u>\$ (219,558)</u>

**City of Starkville, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2017**

<b>Name</b>	<b>Position</b>	<b>Bonding Company</b>	<b>Bond Amount</b>
Lynn Spruill	Mayor	Travelers Casualty	\$ 100,000
Sandra Sistrunk	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
Patrick Miller	Alderman	Travelers Casualty	\$ 100,000
Roy A. Perkins	Alderman	Travelers Casualty	\$ 100,000
Henry Vaughn, Sr.	Alderman	Travelers Casualty	\$ 100,000
Lesa Hardin	City Clerk	Western Surety Co.	\$ 50,000
Joanna McLaurin	Grants Manager	Western Surety Co.	\$ 50,000
Lashonda Wilson	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
Leanne McGarr	Deputy City Clerk	Western Surety Co.	\$ 50,000
Jameika Smith	Deputy City Clerk	Western Surety Co.	\$ 50,000
Tony Rook	Court Administrator	Travelers Casualty	\$ 50,000
Pamela Simpson	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Shalonda Sykes	Court Clerk	Western Surety Co.	\$ 50,000
Jodi 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.	\$ 50,000
Jonathan Headley	Police Officer	Western Surety Co.	\$ 50,000
Scotty Carrithers	Police Officer	Western Surety Co.	\$ 50,000
Matthew Davis	Police Officer	Western Surety Co.	\$ 25,000
Kenneth Watkins	Police Officer	Western Surety Co.	\$ 50,000
Rodney Lincoln	Airport Manager	Western Surety Co.	\$ 50,000
Dianne Evans	Secretary/Clerk	Western Surety Co.	\$ 50,000
Chana Brooks	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Marissa Lott Milam	Deputy Court Clerk	Western Surety Co.	\$ 50,000

City of Starkville, Mississippi  
Schedule of Bonded Indebtedness  
September 30, 2017

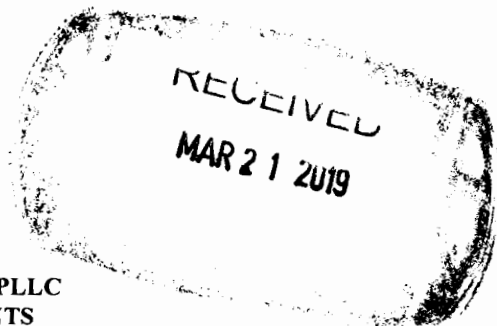
Name and Date	Maturity Date	Interest Percent	Balance 10/1/2016	Transactions		Balance 9/30/2017
				Issued	Redeemed	
General Obligation Bonds						
Governmental Activities:						
Parks and Recreation, Series 2007	3/1/2017	3.87	\$ 255,000		255,000	-
	3/1/2018	3.87	265,000			265,000
	3/1/2019	3.87	280,000			280,000
	3/1/2020	3.87	290,000			290,000
	3/1/2021	3.87	305,000			305,000
	Thereafter	3.87	2,165,000			2,165,000
Total			3,560,000	-	255,000	3,305,000
Public Improvement, Series 2009	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
	11/1/2019	3.00	350,000			350,000
Total			2,345,000	-	640,000	1,705,000
TIF Revenue Bonds, Series 2011	5/1/2017	4.25	34,000		34,000	-
	5/1/2018	4.25	35,000			35,000
	5/1/2019	4.50	37,000			37,000
	5/1/2020	4.50	39,000			39,000
	5/1/2021	4.50	40,000			40,000
	Thereafter	4.50 - 5.00	180,000			180,000
Total			365,000	-	34,000	331,000
Public Improvement, Series 2015	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
	6/1/2021	3.00	115,000			115,000
	Thereafter	2.50 - 3.00	2,075,000			2,075,000
Total			2,605,000	-	100,000	2,505,000
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			1,135,000	-	90,000	1,045,000
Public Improvement Bonds, Series 2016A	7/1/2017	5.00		110,000	110,000	-
	7/1/2018	5.00		110,000		110,000
	7/1/2019	5.00		115,000		115,000
	7/1/2020	5.00		120,000		120,000
	7/1/2021	5.00		125,000		125,000
	Thereafter	5.00	-	2,420,000		2,420,000
Total			-	3,000,000	110,000	2,890,000
Public Improvement Bonds, Series 2016b	7/1/2017	5.00		85,000	85,000	-
	7/1/2018	5.00		90,000		90,000
	7/1/2019	5.00		95,000		95,000
	7/1/2020	5.00		95,000		95,000
	7/1/2021	5.00		100,000		100,000
	Thereafter	5.00	-	1,935,000		1,935,000
Total			-	2,400,000	85,000	2,315,000
Total Bond Liability, Governmental Activities			10,010,000	5,400,000	1,314,000	14,096,000
Business-type Activities:						
GO Utility Refunding Bonds, Series 2011	4/1/2017	4.63	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
	4/1/2021	4.50	315,000			315,000
			1,455,000	-	270,000	1,185,000
Total						
GO Utility Refunding Bonds, Series 2013	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
	6/30/2021	2.00	175,000			175,000
Total			1,555,000	-	395,000	1,160,000
Total Bond Liability, Business-type Activities			3,010,000	-	665,000	2,345,000
Total Bond Liability			\$ 13,020,000	5,400,000	1,979,000	16,441,000

City of Starkville, Mississippi  
Schedule of Long-Term Notes  
September 30, 2017

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Notes Payable</b>						
<b>Governmental Activities:</b>						
Capital Improvements - Dump Truck						
	FY17	2.25%	5,892		5,892	-
Total			5,892	-	5,892	-
Capital Improvements - Ford F350						
	FY17	1.81%	7,818		7,818	-
	FY18	1.81%	7,961			7,961
Total			15,779	-	7,818	7,961
Capital Improvements - Dump Truck						
	FY17	2.27%	5,897		5,897	-
	FY18	2.27%	6,032			6,032
	FY19	2.27%	6,171			6,171
Total			18,100	-	5,897	12,203
Capital Improvements - Toyota Prius and 2 Toyota Tacomas						
	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			57,468	-	9,106	48,362
Capital Improvements - Ford F250 And 2 Toyota Tacomas						
	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			60,139	-	9,386	50,753

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2017**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
Capital Improvements - City Hall	FY17	3.00%	320,000		320,000	-
	FT18	2.50%	325,000			325,000
	FY19	2.50%	335,000			335,000
	FY20	2.50%	345,000			345,000
	FY21	2.50%	350,000			350,000
	Thereafter	2.50% - 4.50%	4,465,000			4,465,000
Total			6,140,000	-	320,000	5,820,000
10 Police Vehicles & Equipment	FY17	1.97%		25,994	25,994	-
	FT18	1.97%		105,260		105,260
	FY19	1.97%		107,349		107,349
	FY20	1.97%		81,908		81,908
			-	320,511	25,994	294,517
<b>Total Notes Payable, Governmental Activities</b>			<b>\$ 6,297,378</b>	<b>320,511</b>	<b>384,093</b>	<b>6,233,796</b>



City of Starkville  
Schedule of Long-Term Notes  
September 30, 2017

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
<b>Business-type activities:</b>						
Water Pollution Control Revolving Loan	FY17	1.75%	193,952		193,952	-
	FY18	1.75%	197,375			197,375
	FY19	1.75%	200,857			200,857
	FY20	1.75%	204,400			204,400
	FY21	1.75%	28,006			28,006
	Thereafter	1.75%	1,086,935			1,086,935
Total			1,911,525	-	193,952	1,717,573
Drinking Water Systems Improvements Revolving Loan	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
	FY21	2.50%	52,484			52,484
	Thereafter	2.50%	278,002			278,002
Total			527,791	-	47,494	480,297
Water Pollution Control Revolving Loan	FY17	2.75%	13,091		13,091	-
	FY18	2.75%	13,455			13,455
	FY19	2.75%	13,829			13,829
	FY20	2.75%	14,215			14,215
	FY21	2.75%	14,610			14,610
	Thereafter	2.75%	120,334			120,334
Total			189,534	-	13,091	176,443
MDA Capital Improvements Loan Prom Note #06-347-CP-01	FY17	2.00%	45,375		45,375	-
	FY18	2.00%	46,138			46,138
	FY19	2.00%	47,070			47,070
	FY20	2.00%	48,020			48,020
	FY21	2.00%	48,989			48,989
	Thereafter	2.00%	464,391			464,391
Total			699,983	-	45,375	654,608
Drinking Water Systems Improvements Revolving Loan	FY17	2.12%	162,142		162,142	-
	FY18	2.12%	165,614			165,614
	FY19	2.12%	169,159			169,159
	FY20	2.12%	172,781			172,781
	FY21	2.12%	176,479			176,479
	Thereafter	2.12%	1,148,200			1,148,200
Total			1,994,375	-	162,142	1,832,233
MDA Capital Improvements Loan Prom Note #07-347-CP-01	FY17	2.00%	22,470		22,470	-
	FY18	2.00%	22,848			22,848
	FY19	2.00%	23,309			23,309
	FY20	2.00%	23,779			23,779
	FY21	2.00%	24,259			24,259
	Thereafter	2.00%	234,829			234,829
Total			351,494	-	22,470	329,024

**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2017**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
MDA Capital Improvements Loan Prom Note #12-347-CP-01	FY17	2.00%	49,218		49,218	-
	FY18	2.00%	54,640			54,640
	FY19	2.00%	55,743			55,743
	FY20	2.00%	56,868			56,868
	FY21	2.00%	58,015			58,015
	Thereafter	2.00%	470,058	563,530		1,033,588
Total			744,542	563,530	49,218	1,258,854
MDA Capital Improvements Loan Prom Note #14-347-CP-01	FY17	2.00%	25,261		25,261	-
	FY18	2.00%	34,218			34,218
	FY19	2.00%	34,909			34,909
	FY20	2.00%	35,614			35,614
	FY21	2.00%	36,332			36,332
	Thereafter	2.00%	4,226	199,472		203,698
Total			170,560	199,472	25,261	344,771
Garbage Trucks Lease	FY17	2.46%	112,040		112,040	-
	FY18	2.46%	114,827			114,827
	FY19	2.46%	117,683			117,683
	FY20	2.46%	120,611			120,611
	FY21	2.46%	123,610			123,610
Total			588,771	-	112,040	476,731
Street Sweeper Lease	FY17	2.17%	39,694		39,694	-
	FY18	2.17%	40,564			40,564
	FY19	2.17%	41,454			41,454
	FY20	2.17%	42,362			42,362
	FY21	2.17%	43,291			43,291
	Thereafter	2.17%	51,706			51,706
Total			259,071	-	39,694	219,377
2 Front End Loaders	FY17	2.17%	76,246		76,246	-
	FY18	2.17%	77,917			77,917
	FY19	2.17%	79,625			79,625
	FY20	2.17%	81,370			81,370
	FY21	2.17%	83,154			83,154
	Thereafter	2.17%	99,186			99,186
Total			497,498	-	76,246	421,252
2 F250 Trucks	FY17	2.17%	13,752		13,752	-
	FY18	2.17%	13,996			13,996
	FY19	2.17%	14,244			14,244
	FY20	2.17%	10,849			10,849
Total			52,841	-	13,752	39,089
4 Ford Trucks	FY17	2.34%		10,332	10,332	-
	FY18	2.34%		19,808		19,808
	FY19	2.34%		20,276		20,276
	FY20	2.34%		20,758		20,758
	FY21	2.34%		21,245		21,245
	FY22	2.34%		10,809		10,809
Total			-	103,228	10,332	92,896
Vacuum Truck Lease	FY17	2.09%	62,299		62,299	-
	FY18	2.09%	63,814			63,814
	FY19	2.09%	48,938			48,938
Total			175,051	-	62,299	112,752

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**City of Starkville**  
**Schedule of Long-Term Notes**  
**September 30, 2017**

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2016</u>	<u>Transactions</u>		<u>Balance 9/30/2017</u>
				<u>Issued</u>	<u>Redeemed</u>	
Sewer Jet Truck Lease	FY17	2.09%	28,941		28,941	-
Total			28,941	-	28,941	-
2 Cat Mini Excavators Lease	FY17	2.29%	14,079		14,079	-
	FY18	2.29%	14,477			14,477
	FY19	2.29%	14,813			14,813
	FY20	2.29%	7,605			7,605
Total			50,974	-	14,079	36,895
MDA Capital Improvements Loan	FY18	2.00%	27,026			27,026
Prom Note #16-347-CP-01	FY19	2.00%	27,026			27,026
	FY20	2.00%	27,026			27,026
	FY21	2.00%	27,026			27,026
	FY22	2.00%	27,026			27,026
	Thereafter	2.00%	25,815	202,280		228,095
Total			160,945	202,280	-	363,225
MDA Capital Improvements Loan	FY17	2.00%		22,792	22,792	-
Prom Note #16-347-CP-02	FY18	2.00%		23,213		23,213
	FY19	2.00%		22,682		22,682
	FY20	2.00%		24,160		24,160
	FY21	2.00%		24,547		24,547
	Thereafter	2.00%	-	437,406		437,406
Total			-	554,800	22,792	532,008
Electric Department Note	FY17	3.50%	38,062		38,062	-
	FY18	3.50%	44,746			44,746
			82,808	-	38,062	44,746
<b>Total Notes Payable, Business-type Activities</b>			<u>8,486,704</u>	<u>1,623,310</u>	<u>977,240</u>	<u>9,132,774</u>
<b>Total Notes Payable</b>			<u>\$ 14,784,082</u>	<u>1,943,821</u>	<u>1,361,333</u>	<u>15,366,570</u>

**City of Starkville, Mississippi**  
**Schedule of Expenditures Federal Awards**  
**For the Year Ended September 30, 2017**

<b>Federal Agency/ Pass-through Entity/ Program Title</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed-through Mississippi Development Authority:		
Community Development Block Grants	14.228	54,501
Total U.S. Department of Housing and Urban Development		<u>54,501</u>
<b><u>U.S. Department of Justice</u></b>		
Passed-through Mississippi Department of Public Safety:		
Public Safety Partnership and Community Policing Grants	16.710	92,653
Edward Byrne Memorial Justice Assistance Grant Program	16.738	36,386
Total U.S. Department of Justice		<u>129,039</u>
<b><u>U. S. Department of Transportation</u></b>		
Direct Programs:		
Airport Improvement Program (ARRA)	20.106	489,283
Passed through Mississippi Department of Transportation:		
Airport Improvement Program (ARRA)	20.106	266,883
Highway Planning and Construction (ARRA)	20.205	38,562
Passed through Mississippi Department of Public Safety:		
State and Community Highway Safety	20.600	13,610
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	88,880
Total U. S. Department of Transportation		<u>897,218</u>
<b><u>Appalachian Regional Commission:</u></b>		
Passed through Tennessee Valley Authority:		
Appalachian Area Development	23.002	177,305
Total Appalachian Regional Commission		<u>177,305</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed through Mississippi Department of Public Safety:		
Assistance to Firefighters Grant	97.044	37,997
Total U.S. Department of Homeland Security		<u>37,997</u>
<b><u>Total Expenditures of Federal Awards</u></b>		<u><u>\$ 1,296,060</u></u>

**City of Starkville, Mississippi**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2017**

**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, 2017. 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 has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## **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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Susan M. Lummus, CPA	

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

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, 2017, 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 January 31, 2018.

**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.

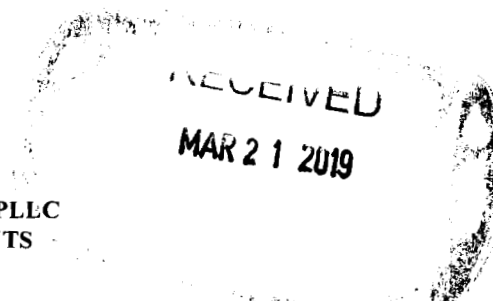
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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. 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.

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

**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*.

**Purpose of this Report**



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.

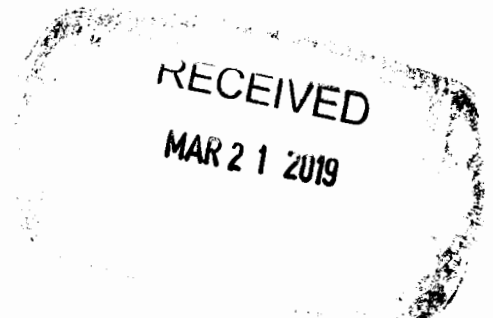
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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  
January 31, 2018

*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, 2017. 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, 2017.

**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

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  
January 31, 2018

Watkins Ward and Stafford, PLLC

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



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Stagers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

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

We have audited the financial statements of the City of Starkville, Mississippi, as of and for the year ended September 30, 2017, and have issued our report thereon dated January 31, 2018. 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.

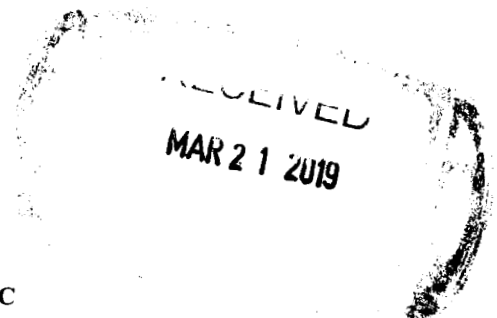
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our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

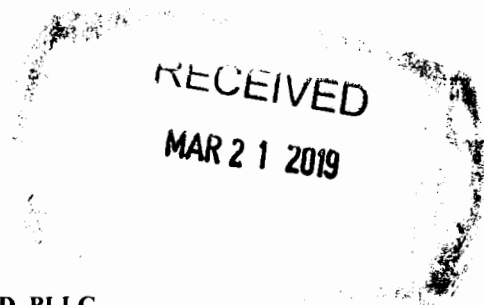
This report is intended for the information and use of the Board of Aldermen, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Starkville, Mississippi  
January 31, 2018

*Watkins Ward and Stafford, PLLC*



**SCHEDULE OF FINDINGS**



**City of Starkville, Mississippi  
Schedule of Findings  
For the Year Ended September 30, 2017**

**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? No

Significant deficiencies identified that are not  
considered to be material weaknesses? No

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:

Airport Improvement Program CFDA #20.106

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

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**City of Starkville, Mississippi  
Schedule of Findings  
For the Year Ended September 30, 2017**

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

None

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

None