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City of Starkville, Mississippi

Audit Report

September 30, 2019

City of Starkville, Mississippi

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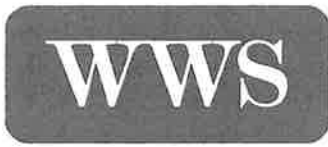
City of Starkville, Mississippi

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



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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, 2019, 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, 2019, 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 5-16 and 52-55 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 October 26, 2020, 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
October 26, 2020

Watkins Ward and Stafford, P.C.

MANAGEMENT DISCUSSION AND ANALYSIS

City of Starkville
Management Discussion and Analysis
September 30, 2019

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, 2019. The intent of this document is to view the City's performance during the subject year as a whole. The notes to financial statements as well as the financial statements must be considered 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 2019 shows a population estimate of 25,653. This reflects continued growth in the population of the City which is a consistent pattern of an incremental increase. Starkville's position within the Golden Triangle Region has made us the larger municipality in the designated area. 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 and technology research.

Financial Highlights

The City of Starkville is financially sound and has an economic base shifting slightly to the east and toward the increased quantity of retail, commercial and residential areas. Through adoption of a new unified development code the core zoning changes for density and greater urbanization the city continues to see the results of mixed-use development in its urban core. Starkville has several areas redeveloped with projects that include campus style student housing owned by the University and private commercial entities. Due to the expanded emphasis on athletics and historical attractions the alumni are using their retirement plans to purchase into areas that are closely adjacent to the campus. The City and the University are finding ways to share a focus on the quality of life available in a university town with growing proximity to new university properties and city amenities.

The City is committed to financial responsibility. Starkville focuses on operational efficiency through ever diligent strategic planning, responsible budgeting and monitoring and improving internal controls. The City maintains a quality fiscal management structure. The City's planned annexation expansion demonstrates a progressive, responsible approach that views its future with an eye toward the growth in all sectors of the economy. The intent is to have a diverse revenue view from sports tourism to industry and retail. We are intent on being the strongest member of the triad of the Golden Triangle through aggressively maintaining a balance.

Starkville enjoys strong growth in both residential and commercial real estate development. Sales tax collections continue to grow. 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. The City recently passed an additional one percent (1%) food and beverage and hotel tax that is specifically and solely directed to parks improvements and a new sports tourism facility for baseball and softball located on

City of Starkville
Management Discussion and Analysis
September 30, 2019

Financial Highlights (Continued)

the west side of the city. This project is designed to provide a strong tourism base as well as provide an enhanced recreation venue for residents thereby improving the quality of life aspects so necessary to attract businesses and retain residents.

Starkville's unemployment rate for September 2019 is roughly 6-7%. This is one of the lower rates for the State of Mississippi during this timeframe.

Capital improvement in fiscal year 2019 focused on improvements to electric, water, wastewater, road, bicycle and pedestrian infrastructure. The City has dedicated an emphasis to a long-term response for handling future projected growth to add redundancy and improve reliability within our basic infrastructure systems.

The City's retail base has been stable. The new concept Wal-Mart neighborhood market has opened and added 105 jobs to the economy. The mixed use developments have begun to find tenants for the new spaces they have created. 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 multiple shopping venues.

The City has approved an annexation of 2.3 square miles to the east where the path of growth is strongest. This will bring into the city limits a Ford dealership, banking operations center, a Microtel and numerous other businesses as well as additional residential projects. This will increase both the sale tax base and the ad valorem tax base. This process should conclude in calendar year 2020.

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 2019 brought significant gains in multi-family and single-family housing. Starkville continued to experience construction starts. Steady enrollment growth and successful athletic programs at Mississippi State University create an expectation that the recent construction surge will continue.

The Mill conference center has proven a huge boom 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.

The city has invested in an industrial park that will become the home to Garan manufacturing. Garan is currently an industrial resident of the City of Starkville and they have chosen to upgrade their facilities and remain in our community, taking advantage of the newly available industrial park development. That construction and move will occur over the next two years and the property that is their current site will become a retail development.

City of Starkville
Management Discussion and Analysis
September 30, 2019

Total net position increased by \$2,246,318 which represents a 6.28% increase from the prior fiscal year. The City's ending cash balance increased by \$338,383 which represents a 10.35% increase from the prior fiscal year.

The City had \$75,655,894 in total revenues. Tax revenues account for \$16,606,462 or 21.95% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$10,295,730 or 13.61% of total revenues.

The City had \$73,428,118 in total expenses, which represents an increase of \$2,303,669 or 3.2% over the prior fiscal year. Expenses in the amount of \$53,218,037 were offset by charges for services, grants or outside contributions. General revenues of \$22,481,204 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$22,043,061 in revenues and \$21,886,340 in expenditures. The General Fund's fund balance increased \$112,535 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$6,664,068.

Long-term debt increased by \$8,515,884.

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.

City of Starkville
Management Discussion and Analysis
September 30, 2019

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

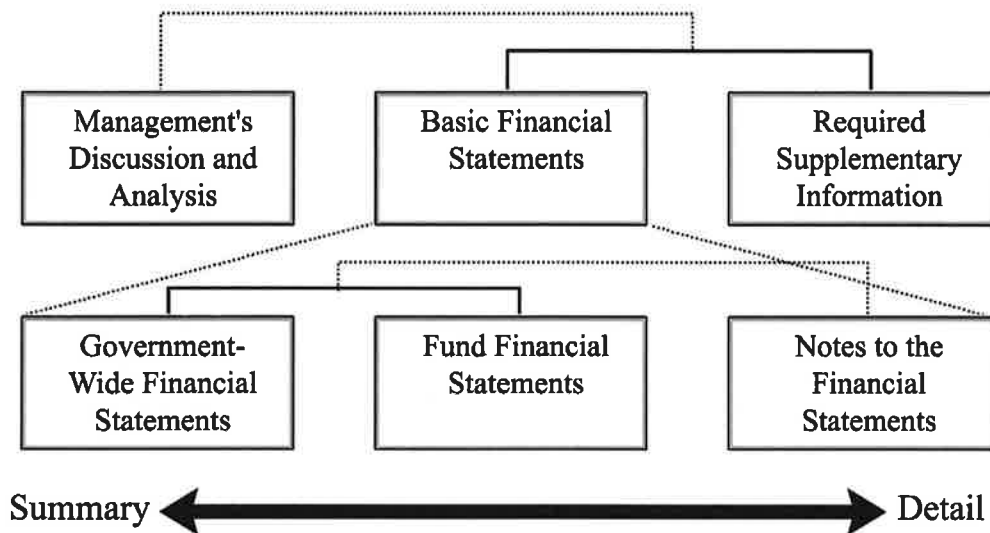


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

City of Starkville
Management Discussion and Analysis
September 30, 2019

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

City of Starkville
Management Discussion and Analysis
September 30, 2019

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 19 and 20 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 23 and 25, 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
Management Discussion and Analysis
September 30, 2019

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 it 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 Net Position, which can be found on page 29 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31 through 51 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 53 of this report.

Additionally, a schedule of expenditures of federal awards is required by the Uniform Guidance and can be found on page 81 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 \$38,039,009 as of September 30, 2019.

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

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

City of Starkville
Management Discussion and Analysis
September 30, 2019

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2019.

	<u>2019</u>
Cash and Other Assets	\$ 42,333,135
Capital assets, net	<u>94,790,838</u>
Total assets	<u>137,123,973</u>
Deferred Outflows of Resources	<u>1,562,650</u>
Other Liabilities	12,938,565
Long-term debt outstanding	<u>86,558,673</u>
Total liabilities	<u>99,497,238</u>
Deferred Inflows of Resources	<u>1,150,376</u>
Net position:	
Invested in capital assets, net of related debt	39,551,890
Contributed capital	8,967,665
Restricted	5,263,214
Unrestricted	<u>(15,743,760)</u>
Total net position	<u>\$ 38,039,009</u>

Changes in Net Position – The City's total revenues for the fiscal year ended September 30, 2019 was \$75,655,894. The total cost for all services provided was \$73,452,923. The increase in net position was \$2,246,318. The following table presents a summary of the change in net position for the fiscal year ended September 30, 2019.

	<u>Current Year</u> <u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 52,903,842
Operating grants & contributions	314,195
General revenues	
Property taxes	7,623,195

City of Starkville
Management Discussion and Analysis
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Sales and Use taxes	7,647,386
Other taxes	1,335,881
Interest income	220,166
Transfers	(28,300)
Miscellaneous	<u>5,682,876</u>
Total Revenues	<u>\$ 75,699,241</u>
Expenses:	
General government	4,384,417
Public safety	11,492,424
Highways and streets	3,181,400
Health and sanitation	214,449
Culture and recreation	1,897,536
Other	96,914
Utilities	47,261,873
Sanitation	3,848,265
Interest on long-term debt	<u>1,075,645</u>
Total Expenses	<u>\$ 73,452,923</u>
 Increase in Net Position	 <u>\$ 2,246,318</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	\$ 4,384,417	\$ 4,075,494
Public Safety	11,492,424	11,178,229
Public Services	3,181,400	3,181,400
Utilities	47,261,873	(2,191,266)

City of Starkville
Management Discussion and Analysis
September 30, 2019

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 \$8,608,877, a decrease of \$3,383,411. 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 and other major funds is provided in this report as required supplementary information.

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2019, the City of Starkville's total capital assets were \$222,488,627. 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 \$10,055,090.

Total accumulated depreciation as of September 30, 2019 was \$127,697,789 including \$3,391,022 of depreciation expense for the year. The balance in total net capital assets was \$94,790,838 at year-end.

Additional information on the City of Starkville's capital assets can be found in note 4 on pages 41 and 42 of this report.

Debt Administration – At September 30, 2019, the City of Starkville had \$86,558,673 in long-term debt outstanding. This includes general obligation bonds, other loans, obligations under capital lease, and the unfunded pension liability. Of this debt \$3,688,610 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 42 - 44 of this report.

City of Starkville
Management Discussion and Analysis
September 30, 2019

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.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,606,558	19,860,655	23,467,213
Cash - restricted	5,205,109		5,205,109
Accounts receivable, net	948,857	7,406,915	8,355,772
Other receivables, net	20,595	113,164	133,759
Notes receivable, net	170,240		170,240
Due from other departments		738,745	738,745
Due from other funds	166,915		166,915
Prepaid expense		2,820,187	2,820,187
Inventory		1,037,264	1,037,264
Capital assets:			
Land and construction in progress	1,247,782	4,348,725	5,596,507
Property and equipment	104,679,862	112,212,258	216,892,120
Less: accumulated depreciation	(69,743,815)	(57,953,974)	(127,697,789)
Other assets		237,931	237,931
Total assets	<u>46,302,103</u>	<u>90,821,870</u>	<u>137,123,973</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Unamortized work order closeout			-
Unamortized debt expense		21,467	21,467
Difference between expected and actual experience - net pension liability	657,400	883,783	1,541,183
Total deferred outflows of resources	<u>657,400</u>	<u>905,250</u>	<u>1,562,650</u>
<u>LIABILITIES</u>			
Accounts payable	1,429,093	6,895,309	8,324,402
Accrued liabilities	6,476	388,738	395,214
Due to other departments	73,828	879,037	952,865
Due to other funds		189,275	189,275
Customer deposits		3,011,751	3,011,751
Other liabilities		65,058	65,058
Long-term liabilities:			
Due within one year	2,210,893	1,477,717	3,688,610
Due in more than one year	32,377,477	18,146,526	50,524,003
Unfunded pension liability	23,020,708	9,325,352	32,346,060
Total liabilities	<u>59,118,475</u>	<u>40,378,763</u>	<u>99,497,238</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between projected and actual earnings on pension plan investments - net pension liability	719,006	431,370	1,150,376
Total deferred inflows of resources	<u>719,006</u>	<u>431,370</u>	<u>1,150,376</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt		39,551,890	39,551,890
Contributed capital		8,967,665	8,967,665
Restricted	5,263,214		5,263,214
Unrestricted	(18,141,192)	2,397,432	(15,743,760)
Total net position	<u>\$ (12,877,978)</u>	<u>50,916,987</u>	<u>38,039,009</u>

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 4,384,417	308,923			(4,075,494)
Public safety					
Police	6,053,077		177,200		(5,875,877)
Fire	5,128,119		136,995		(4,991,124)
Public inspection	289,486				(289,486)
Civil defense	21,742				(21,742)
Highways and streets	3,181,400				(3,181,400)
Health and sanitation	214,449				(214,449)
Culture and recreation	1,897,536				(1,897,536)
Economic development and assistance	96,914				(96,914)
Interest on long-term debt	1,075,645				(1,075,645)
Total governmental activities	22,342,785	308,923	314,195	-	(21,719,667)
Business-type Activities					
Electric utilities	40,280,904	41,832,803			1,551,899
Water and sewer utilities	6,980,969	7,620,336			639,367
Sanitation and waste	3,823,460	2,982,391			(841,069)
Sanitary landfill	24,805	159,389			134,584
Total business-type activities	51,110,138	52,594,919	-	-	1,484,781
Total primary government	\$ 73,452,923	52,903,842	314,195	-	(20,234,886)
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (21,719,667)	1,484,781	(20,234,886)
General revenues					
Taxes					
Property taxes			7,623,195		7,623,195
Sales and use taxes			7,647,386		7,647,386
Other taxes			1,335,881		1,335,881
Investment income			90,517	129,649	220,166
Other			5,772,806	(89,930)	5,682,876
Transfers			(31,928)	3,628	(28,300)
Total general revenues and transfers			22,437,857	43,347	22,481,204
Change in net position			718,190	1,528,128	2,246,318
Net position, October 1, 2018			(13,596,168)	49,388,859	35,792,691
Net position, September 30, 2019			\$ (12,877,978)	50,916,987	38,039,009

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

FUND FINANCIAL STATEMENTS

City of Starkville, Mississippi
Balance Sheet - Governmental Funds
September 30, 2019

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,572,634	33,924	3,606,558
Cash - restricted	665,298	4,539,811	5,205,109
Receivables (Net)			
Accounts	948,857		948,857
Other	20,581	14	20,595
Notes receivable (Net)	128,541	41,699	170,240
Due from other funds	166,915		166,915
	<u>5,502,826</u>	<u>4,615,448</u>	<u>10,118,274</u>
Total Assets	<u>\$ 5,502,826</u>	<u>4,615,448</u>	<u>10,118,274</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 1,291,485	137,608	1,429,093
Other Liabilities		6,476	6,476
Due to other departments	73,828		73,828
	<u>1,365,313</u>	<u>144,084</u>	<u>1,509,397</u>
Total Liabilities	<u>1,365,313</u>	<u>144,084</u>	<u>1,509,397</u>
<u>FUND BALANCES</u>			
Fund balances - restricted			
Restricted for fire protection	28,431		28,431
Restricted for police protection	25,937	3,264	29,201
Restricted for airport projects	546,678		546,678
Restricted for debt service		17,200	17,200
Restricted for capital projects	232,609	4,409,095	4,641,704
Fund balances - unassigned	3,303,858	41,805	3,345,663
	<u>4,137,513</u>	<u>4,471,364</u>	<u>8,608,877</u>
Total Fund Balances	<u>4,137,513</u>	<u>4,471,364</u>	<u>8,608,877</u>
Total Liabilities and Fund Balances	<u>\$ 5,502,826</u>	<u>4,615,448</u>	<u>10,118,274</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, 2019

Fund Balances - total governmental funds		\$ 8,608,877
Amounts reported for governmental activities in Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	105,927,644	
Less accumulated depreciation	<u>(69,743,815)</u>	36,183,829
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Long-Term Liabilities	(57,609,078)	
Deferred Outflows of Resources	657,400	
Deferred Inflows of Resources	<u>(719,006)</u>	<u>(57,670,684)</u>
Net Position of Governmental Activities		<u><u>\$ (12,877,978)</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, 2019

	General	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
General property taxes	\$ 6,696,801	926,394	7,623,195
Licenses and permits	308,923		308,923
Intergovernmental:			
Federal	602,887		602,887
State of Mississippi	8,565,974		8,565,974
Oktibbeha County and Mississippi State	1,126,869		1,126,869
Fines and forfeits	645,329		645,329
Interest income	90,517	83,587	174,104
Penalties and interest	40,689		40,689
Other revenues	3,965,072	39,861	4,004,933
Total Revenues	<u>22,043,061</u>	<u>1,049,842</u>	<u>23,092,903</u>
<u>EXPENDITURES</u>			
General government	3,877,493		3,877,493
Public safety:			
Police	5,251,850		5,251,850
Fire	4,496,645		4,496,645
Public inspection	268,527		268,527
Civil defense	21,742		21,742
Highways and streets	1,375,771		1,375,771
Health and sanitation	214,449		214,449
Culture and recreation	1,798,474		1,798,474
Other		96,914	96,914
Capital outlay	1,635,670	3,822,993	5,458,663
Debt service:			
Principal	2,079,068	462,482	2,541,550
Interest	866,651	208,994	1,075,645
Total Expenditures	<u>21,886,340</u>	<u>4,591,383</u>	<u>26,477,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,721</u>	<u>(3,541,541)</u>	<u>(3,384,820)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in (out)	(77,523)	45,595	(31,928)
Disposal of fixed assets	33,337		33,337
Proceeds from bond sale			-
Inception of capital leases	-		-
Net other financing sources	<u>(44,186)</u>	<u>45,595</u>	<u>1,409</u>
Net change in fund balances	112,535	(3,495,946)	(3,383,411)
Fund balances, October 1, 2018	<u>4,024,978</u>	<u>7,967,310</u>	<u>11,992,288</u>
Fund balances, September 30, 2019	<u><u>\$ 4,137,513</u></u>	<u><u>4,471,364</u></u>	<u><u>8,608,877</u></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
For the Year Ended September 30, 2019

Net change in Fund Balances - total governmental funds \$ (3,383,411)

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	7,211,503	
Less current year depreciation	<u>(2,572,869)</u>	4,638,634

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:

Principal payments	<u>2,541,550</u>	2,541,550
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:

Change in unfunded pension liability	(2,978,916)	
Change in deferred outflows of resources	657,400	
Change in deferred inflows of resources	(719,006)	
Change in long-term compensated absences	<u>(38,061)</u>	<u>(3,078,583)</u>

Change in Net Position of Governmental Funds		<u><u>\$ 718,190</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, 2019

	<u>June 30, 2019</u>	<u>September 30, 2019</u>			
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 7,622,482	11,921,479	316,694		19,860,655
Accounts receivables, net	5,469,864	1,377,649	508,207	51,195	7,406,915
Other receivables, net	112,448			716	113,164
Due from other departments	150,921	587,824			738,745
Prepaid expense	2,820,187				2,820,187
Inventory	944,708	92,556			1,037,264
Total current assets	<u>17,120,610</u>	<u>13,979,508</u>	<u>824,901</u>	<u>51,911</u>	<u>31,976,930</u>
Non-current assets:					
Other assets	237,931				237,931
Capital assets:					
Fixed assets, net of depreciation	<u>37,399,797</u>	<u>20,502,168</u>	<u>589,499</u>	<u>115,545</u>	<u>58,607,009</u>
Total non-current assets	<u>37,637,728</u>	<u>20,502,168</u>	<u>589,499</u>	<u>115,545</u>	<u>58,844,940</u>
Total Assets	<u>54,758,338</u>	<u>34,481,676</u>	<u>1,414,400</u>	<u>167,456</u>	<u>90,821,870</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Unamortized debt expense	21,467				21,467
Difference between expected and actual experience - net pension liability	289,768	283,775	310,240		883,783
Total Deferred Outflows of Resources	<u>311,235</u>	<u>283,775</u>	<u>310,240</u>	<u>-</u>	<u>905,250</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 55,069,573</u>	<u>34,765,451</u>	<u>1,724,640</u>	<u>167,456</u>	<u>91,727,120</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable	\$ 6,293,085	398,112	103,645	5,924	6,800,766
Cash deficit				94,543	94,543
Accrued liabilities	223,837	91,757	73,144		388,738
Due to other departments	879,037				879,037
Due to other funds			166,915	22,360	189,275
Accrued interest - long-term debt	5,194				5,194
Bonds payable, current	465,000				465,000
Notes payable, current	-	665,598	347,119		1,012,717
Other current liabilities	30,796				30,796
Total current liabilities	<u>7,896,949</u>	<u>1,155,467</u>	<u>690,823</u>	<u>122,827</u>	<u>9,866,066</u>
Non-current liabilities:					
Bonds payable, non-current	490,000				490,000
Notes payable, non-current	21,906	16,823,116	811,504		17,656,526
Customer deposits	2,645,822	365,929			3,011,751
Other liabilities	29,068				29,068
Unfunded pension liability	4,139,614	2,805,037	2,380,701		9,325,352
Total non-current liabilities	<u>7,326,410</u>	<u>19,994,082</u>	<u>3,192,205</u>	<u>-</u>	<u>30,512,697</u>
Total Liabilities	<u>15,223,359</u>	<u>21,149,549</u>	<u>3,883,028</u>	<u>122,827</u>	<u>40,378,763</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Difference between projected and actual earnings on pension plan investments - net pension liability	145,748	139,765	145,857		431,370
Total Deferred Inflows of Resources	<u>145,748</u>	<u>139,765</u>	<u>145,857</u>	<u>-</u>	<u>431,370</u>
<u>NET POSITION</u>					
Invested in capital assets, net of related debt	36,422,891	3,013,454		115,545	39,551,890
Contributed capital		8,967,665			8,967,665
Unrestricted	3,277,575	1,495,018	(2,304,245)	(70,916)	2,397,432
Total Net Position	<u>39,700,466</u>	<u>13,476,137</u>	<u>(2,304,245)</u>	<u>44,629</u>	<u>50,916,987</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 55,069,573</u>	<u>34,765,451</u>	<u>1,724,640</u>	<u>167,456</u>	<u>91,727,120</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, 2019

	June 30, 2019	September 30, 2019			
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 41,832,803	7,620,336	2,982,391	159,389	52,594,919
Total operating revenues	41,832,803	7,620,336	2,982,391	159,389	52,594,919
<u>OPERATING EXPENSES</u>					
Purchased power	33,254,857				33,254,857
Operating and maintenance	5,173,797	5,661,115	3,624,614	3,830	14,463,356
Depreciation	1,852,250	1,319,854	198,846	20,975	3,391,925
Total operating expenses	40,280,904	6,980,969	3,823,460	24,805	51,110,138
Operating income (loss)	1,551,899	639,367	(841,069)	134,584	1,484,781
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Other revenue (expenses)	-	128,430	23,865		152,295
Interest on investments	129,649				129,649
Amortization expense	(25,645)				(25,645)
Interest and fiscal charges	(40,590)	(153,254)	(22,736)		(216,580)
Total non-operating revenues (expenses)	63,414	(24,824)	1,129	-	39,719
Income (loss) before transfers	1,615,313	614,543	(839,940)	134,584	1,524,500
Transfers in	-	-		3,628	3,628
Change in net position	1,615,313	614,543	(839,940)	138,212	1,528,128
Total net position, beginning of year as previously reported	38,085,153	12,861,594	(1,464,305)	(93,583)	49,388,859
Total net position, ending	\$ 39,700,466	13,476,137	(2,304,245)	44,629	50,916,987

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, 2019

	June 30, 2019	September 30, 2019			
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	41,832,803	7,620,336	2,982,391	159,389	52,594,919
Cash paid to employees	(1,823,336)	(1,988,056)	(1,669,412)		(5,480,804)
Cash paid to suppliers	(36,391,229)	(4,055,751)	(1,830,065)	(122,001)	(42,399,046)
Net Cash Flows from Operating Activities	3,618,238	1,576,529	(517,086)	37,388	4,715,069
<u>Cash Flows from Noncapital Financing Activities</u>					
Transfers in				3,628	3,628
Cash deficit covered by pooled cash				38,984	38,984
Net Cash Flows from Noncapital Financing Activities	-	-	-	42,612	42,612
<u>Cash Flows from Capital and Related Financing Activities</u>					
Proceeds from issuance of debt		10,608,189	700,498		11,308,687
Payment of debt	(715,329)	(707,536)	(575,469)		(1,998,334)
Payment of interest	(42,765)	(153,254)	(22,736)		(218,755)
Purchase of capital assets	(3,719,809)	(1,972,594)		(80,000)	(5,772,403)
Other receipts (payments)	(8,018)	456,788	23,865		472,635
Net Cash Flows from Capital and Related Financing Activities	(4,485,921)	8,231,593	126,158	(80,000)	3,791,830
<u>Cash Flows from Investing Activities</u>					
Receipt of interest	130,145				130,145
Net Cash Flows from Investing Activities	130,145	-	-	-	130,145
Net Change in Cash	(737,538)	9,808,122	(390,928)		8,679,656
Cash and Cash Equivalents, October 1, 2018	8,360,020	2,113,357	707,622	-	11,180,999
Cash and Cash Equivalents, September 30, 2019	\$ 7,622,482	11,921,479	316,694	-	19,860,655
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>					
Operating Income (Loss)	\$ 1,551,899	639,367	(841,069)	134,584	1,484,781
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,044,013	1,319,854	198,846	20,975	3,583,688
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	625,454	(236,437)	(56,963)	971	333,025
(Increase) decrease in inventory	(39,106)	(17,701)			(56,807)
(Increase) decrease in other assets	215,286	-			215,286
(Increase) decrease in deferred outflows of resources	324,641	75,502	8,996	4,634	413,773
Increase (decrease) in payables	(989,564)	21,465	103,645	3,423	(861,031)
Increase (decrease) in due to other funds		(25,878)	10,792	(19,492)	(34,578)
Increase in deficit cash				(44,090)	(44,090)
Increase (decrease) in customer deposits	(42,511)	(16,649)			(59,160)
Increase (decrease) in unfunded pension liability	(32,858)	167,635	37,230	(34,017)	137,990
Increase (decrease) in other liabilities	(72,173)	(46,227)	73,144	(22,360)	(67,616)
Increase (decrease) in deferred inflows of resources	33,157	(82,577)	(51,707)	(7,240)	(108,367)
Increase (decrease) Prior Period Adjustment		(221,825)			(221,825)
Total adjustments	2,066,339	937,162	323,983	(97,196)	3,230,288
Net cash provided by (used in) operating activities	\$ 3,618,238	1,576,529	(517,086)	37,388	4,715,069

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, 2019

	Employee Benefit Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	-
Cash - restricted	77,820	133,975
Total Assets	77,820	133,975
<u>LIABILITIES</u>		
Due to outside entities	\$ -	33,975
Due to other funds		100,000
Total Liabilities	-	133,975
<u>NET POSITION</u>		
Restricted - held in trust	\$ 77,820	-

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, 2019

	Employee Benefit Trust Fund
ADDITIONS	
Investment earnings	
Interest	\$ -
Total investment earnings	-
Transfers in	-
Total Additions	-
DEDUCTIONS	
Transfers out	-
Total Deductions	-
Change in Net Position	-
Net Position, October 1, 2018	77,820
Net Position, September 30, 2019	\$ 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, 2019.

The carrying amount of the City's deposits with financial institutions was \$28,672,322 on September 30, 2019 and the bank balance was \$29,558,824.

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, 2019, are:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General Fund	\$ 290,104	73,681
Proprietary Funds:		
Sanitation and Waste		166,914
Landfill		22,360
Fiduciary Funds:		
Payroll Clearing Fund	73,680	100,000
A/P Clearing Fund		829
	<u>\$ 363,784</u>	<u>363,784</u>

City of Starkville, Mississippi
Notes to Financial Statements

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 09/30/2018	Adjustments	Increases	Decreases	Balance 09/30/2019
Governmental Activities					
Non-depreciable					
Land	\$ 1,247,782				1,247,782
Construction in Progress	-				-
Total	1,247,782	-	-	-	1,247,782
Depreciable:					
Buildings	17,331,553		-		17,331,553
Improvements other than buildings	69,400,109		6,939,957		76,340,066
Vehicles	5,205,466		135,602	(17,969)	5,359,037
Machinery and equipment	5,494,331		135,944	(18,931)	5,649,206
Total	97,431,459	-	7,211,503	(36,900)	104,679,862
Less accumulated depreciation					
Buildings	(3,101,490)		(237,423)		(3,338,913)
Building Improvements	-				-
Improvements other than buildings	(53,862,461)		(1,734,653)	93,648	(55,690,762)
Vehicles	(4,819,553)		(368,073)		(5,187,626)
Machinery and equipment	(5,293,794)		(232,720)		(5,526,514)
Total	(67,077,298)	-	(2,572,869)	93,648	(69,743,815)
Net book value	30,354,161	-	4,638,634	56,748	34,936,047
Governmental Activities Capital Assets, net	\$ 31,601,943	-	4,638,634	56,748	36,183,829
Business-type Activities					
Non-depreciable					
Land - Starkville Electric	\$ 695,074				695,074
Land - Landfill	16,800	80,000			96,800
Land - Water	105,623		1,461		107,084
Construction in progress - Stk Elec	1,697,423		146,569		1,843,992
Construction in progress - Stk Sewer	938,219	(91,568)	1,535,279	(776,155)	1,605,775
Total	3,453,139	(11,568)	1,683,309	(776,155)	4,348,725
Depreciable					
Starkville Electric Property & equipment	53,906,846	521,155	3,341,803	(2,713,533)	55,056,271
Sanitation property & equipment	5,253,115			(174,686)	5,078,429
Landfill property & equipment	917,931				917,931
Water property & equipment	50,321,454		1,201,017	(362,844)	51,159,627
Total	110,399,346	521,155	4,542,820	(3,251,063)	112,212,258
Less accumulated depreciation					
Starkville Electric Property & Equipment	(20,575,342)	(805,146)	(2,067,513)	3,252,461	(20,195,540)
Sanitation property & equipment	(4,290,084)		(198,846)		(4,488,930)
Landfill property & equipment	(878,211)		(20,975)		(899,186)
Water property & equipment	(31,409,334)		(1,319,854)	358,870	(32,370,318)
Total	(57,152,971)	(805,146)	(3,607,188)	3,611,331	(57,953,974)
Net book value	53,246,375	(283,991)	935,632	360,268	54,258,284
Business-type Activities Capital Assets, net	\$ 56,699,514	(295,559)	2,618,941	(415,887)	58,607,009

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	\$ 237,423
Public safety - Police	368,073
Public safety - Fire	232,720
Highways and streets	1,734,652
Culture and recreation	<u>93,649</u>

Total governmental activities depreciation expense	<u>\$2,666,517</u>
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Business-type activities:

Electric	\$ 1,852,250
Water and sewer	1,319,854
Sanitation	198,846
Landfill	<u>20,975</u>

Total business-type activities depreciation expense	<u>\$3,391,925</u>
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Note 5: Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Balance 09/30/2018	Additions	Reductions	Balance 09/30/2019	Amount Due Within One Year
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 3,040,000		280,000	2,760,000	290,000
Public Improvement, Series 2009	1,040,000		690,000	350,000	350,000
TIF Revenue Bonds, Series 2011	296,000		37,000	259,000	39,000
Public Improvement, Series 2015	2,405,000		105,000	2,300,000	110,000
Public Improvement, Series 2016A	2,780,000		115,000	2,665,000	120,000
Public Improvement, Series 2016B	2,225,000		95,000	2,130,000	95,000
TIF Revenue Bonds, Series 2016	950,000		100,000	850,000	105,000
Public Improvement, Series 2017	6,650,000		350,000	6,300,000	350,000
Public Improvement, Series 2018	6,745,000		155,000	6,590,000	305,000
Special Obligation, Series 2018	4,500,000		-	4,500,000	-
Total	<u>\$ 30,631,000</u>	<u>-</u>	<u>1,927,000</u>	<u>28,704,000</u>	<u>1,764,000</u>

City of Starkville, Mississippi
Notes to Financial Statements

Note 5: Long-Term Liabilities (Continued)

	Balance 09/30/2018	Additions	Reductions	Balance 09/30/2019	Amount Due Within One Year
Notes payable					
Capital Improvements - Dump Truck	\$ 6,171		6,171	-	-
Capital Improvements - Prius and 2 Tacomas	39,017		9,590	29,427	9,841
Capital Improvements - F-250 and 2 Tacomas	41,121		9,885	31,236	10,144
Capital Improvements - City Hall	5,495,000		335,000	5,160,000	345,000
Police Vehicles & Equipment	189,257		107,349	81,908	81,908
Compensated absences	543,738	38,061	-	581,799	-
Total	<u>\$ 6,314,304</u>	<u>38,061</u>	<u>467,995</u>	<u>5,884,370</u>	<u>446,893</u>

	Balance 09/30/2018	Additions	Reductions	Balance 09/30/2019	Amount Due Within One Year
Business-type Activities					
Bonds and notes payable					
Electric System Bonds, Series 2001	\$ 905,000		290,000	615,000	300,000
Electric System GO Refunding Bond, Series 2013	760,000		420,000	340,000	165,000
Utility Revenue Bonds, Series 2019	-	10,000,000	-	10,000,000	-
Electric System Notes Payable	5,329		5,329	-	-
Drinking Water Improvements Revolving Loan	431,602		49,927	381,675	51,189
Water Pollution Control Revolving Loan	1,520,198		314,383	1,205,815	132,731
Water Pollution Control Revolving Loan	162,988		13,829	149,159	14,215
Drinking Water Improvements Revolving Loan	1,666,618		169,159	1,497,459	172,781
MDA Capital Improvements Loan	353,311		15,122	338,189	27,026
MDA Capital Improvements Loan	306,139		23,348	282,791	23,779
MDA Capital Improvements Loan	608,393		47,148	561,245	48,020
MDA Capital Improvements Loan	1,204,123		55,835	1,148,288	56,868
MDA Capital Improvements Loan	310,496		34,967	275,529	35,614
MDA Capital Improvements Loan	508,758		23,723	485,035	24,160
MDA Capital Improvements Loan	398,924	332,841	9,954	721,811	-
MDA Capital Improvements Loan	-	121,228	-	121,228	-
2 Ford Trucks	25,093		14,244	10,849	10,849
4 Ford Trucks	73,088		20,276	52,812	20,758
2 Front End Loaders	343,335		79,625	263,710	81,370
Street Sweeper	93,731		93,731	-	-
Garbage Trucks	361,904		238,294	123,610	123,610
Vaccon Vacuum Truck	48,827		48,827	-	-
3 Refuse Trucks & Knuckle Boom	-	836,500	128,859	707,641	110,531
2 Cat Mini Excavators	22,386		14,840	7,546	7,549
2 Harley Davidson Motorcycles	4,200		4,200	-	-
2 Dodge Ram 2500 Trucks	49,018		15,873	33,145	16,335
John Deere Park Mower	-	66,765	7,847	58,918	16,109
Nissan Kicks	-	16,310	3,137	13,173	3,096
Street Excavator	-	193,500	18,590	174,910	25,539
Multisensored Cameras and Sensors	-	59,237	4,532	54,705	10,588
Total	<u>\$ 10,163,461</u>	<u>11,626,381</u>	<u>2,165,599</u>	<u>19,624,243</u>	<u>1,477,717</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, 2019.

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, 2019 was 17.40% of annual covered payroll. The employer's rate was 15.75% through June 30, 2019 and 17.40% thereafter. 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, 2019, 2018 and 2017 were \$1,706,834, \$1,556,152, and \$1,515,680 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, 2019, the City reported a liability of \$32,346,060 of which \$28,206,446 was for its proportionate share of the net pension liability and \$4,139,614 was for the Starkville Electric Department's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.161264 percent.

For the year ended September 30, 2019, the City recognized pension expense of \$3,477,762. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,628	(28,596)
Net difference between projected and actual earnings on pension plan investments	1,023,337	(1,328,366)
Changes of assumptions	277,866	-
Change in proportion percentage	1,067,352	-
City contributions subsequent to the measurement date	427,302	-
	<u>\$ 2,812,485</u>	<u>(1,356,962)</u>

\$427,302 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, 2020. 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,		
2020	\$	264,539
2021		264,539
2022		264,539
2023		225,866
2024		8,738
	\$	<u>1,028,221</u>

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.0 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112 percent of male rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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 as of June 30, 2019 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>	
Domestic Equity	27	%	4.90	%
International Equity	22		4.75	
Global Equity	12		5.00	
Debt Securities	20		1.50	
Real Estate	10		4.00	
Private Equity	8		6.25	
Cash	1		0.25	
Total	100	%		

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 37,292,716	\$ 28,206,446	\$ 21,004,222

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 \$424,103 in 2019. 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, 2019, 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. 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: 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.

Since the advent of the COVID-19 pandemic in March 2020, the City has maintained relative operating normalcy. To date, national COVID-19 related regulation has not adversely impacted operations. Per discussion with management, comparative to last year, cash receipts have decreased slightly since the beginning of the outbreak. Additionally, the City has had no ongoing projects that have been impacted by the pandemic. As of the date of the audit report, management declines to speculate on when a return to pre-COVID-19 operations will occur, but does not anticipate a material impact on normal operations for the City.

Management of the City of Starkville, Mississippi evaluated the activity of the City through October 26, 2020, the date the financial statements were available to be issued, and determined that other than the COVID-19 pandemic, there were no subsequent events that should be noted in the financial statements.

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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance
<u>REVENUES</u>					
General property taxes	\$ 7,647,250	-	7,647,250	6,696,801	(950,449)
Licenses and permits	251,500	5,000	256,500	308,923	52,423
Intergovernmental	9,569,100	1,502,425	11,071,525	10,295,730	(775,795)
Fines and forfeits	592,500	(500)	592,000	645,329	53,329
Charges for services	3,550	25,000	28,550	131,206	102,656
Other revenues	3,704,700	273,485	3,978,185	3,965,072	(13,113)
Total Revenues before Prior Year Fund Balance	21,768,600	1,805,410	23,574,010	22,043,061	(1,530,949)
Prior year fund balance:					
Appropriated for current year budget	-	-	-	-	-
Total Revenues and Prior Year Fund Balance	21,768,600	1,805,410	23,574,010	22,043,061	(1,530,949)
<u>EXPENDITURES</u>					
General government	3,166,518	169,070	3,335,588	3,877,493	(541,905)
Public safety:					
Police	5,329,793	55,680	5,385,473	5,251,850	133,623
Fire	4,112,555	358,400	4,470,955	4,496,645	(25,690)
Public inspection	258,190	29,485	287,675	268,527	19,148
Civil defense	14,000	10,050	24,050	21,742	2,308
Highways and streets	1,596,405	(125,625)	1,470,780	1,375,771	95,009
Health and sanitation	224,180	100	224,280	214,449	9,831
Culture and recreation	1,745,045	110,000	1,855,045	1,798,474	56,571
Capital outlays	948,000	1,125,000	2,073,000	1,635,670	437,330
Debt service	2,792,445	8,750	2,801,195	2,945,719	(144,524)
Total Expenditures	20,187,131	1,740,910	21,928,041	21,886,340	41,701
Excess (deficiency) of revenues over (under) expenditures	1,581,469	64,500	1,645,969	156,721	(1,489,248)
<u>OTHER FINANCING SOURCES (USES)</u>					
Other financing sources (uses)		-		(44,186)	(44,186)
Net other financing sources (uses)	-	-	-	(44,186)	(44,186)
Excess of revenues and other sources over expenditures and other uses	\$ 1,581,469.00	64,500	1,645,969	112,535	(1,533,434)
Fund balances, October 1, 2018				9,090,429	
Fund balances, September 30, 2019 (Non-GAAP budgetary basis)				\$ 9,202,964	

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*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	\$ 28,206,446	\$ 26,575,995	\$ 25,103,652	\$ 25,575,881	\$ 22,392,036
City's proportionate share of the net pension liability	0.161264%	0.159779%	0.151014%	0.143182%	0.144857%
City's covered-employee payroll	\$ 9,586,602	\$ 9,880,331	\$ 9,623,365	\$ 9,568,019	\$ 9,049,841
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	294.23%	268.98%	260.86%	267.31%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.53%	61.49%	57.47%	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

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,706,834	\$ 1,556,152	\$ 1,515,680	\$ 1,506,965	\$ 1,425,350
Contribution in relation to the contractually required contribution	1,706,834	1,556,152	1,515,680	1,506,965	1,425,350
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	9,586,602	9,880,331	9,623,365	9,568,019	9,049,841
Contributions as a percentage of covered-employee payroll	**17.40%	15.75%	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.

**Effective 7/1/19, the employer contribution rate increased from 15.75% of covered payroll to 17.40%. The City paid all required contributions at the legal rate.

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

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection Scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%. The wage inflation assumption was reduced from 3.25% to 3.00%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

City of Starkville, Mississippi
Notes to Required Supplementary Information

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 (June 30, 2017 valuation for the June 30, 2019 fiscal year end). 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	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.25% to 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment

OTHER INFORMATION

City of Starkville, Mississippi
Combining Balance Sheet by Activity
General Fund
September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Task Force Operations	Airport Activities	Total General Fund
Assets						
Cash and cash equivalents	\$ 3,546,697			25,937		3,572,634
Cash - restricted		(8,568)	69,955		603,911	665,298
Receivables (Net)						
Accounts	948,632				225	948,857
Other	20,581					20,581
Due from other departments	128,541					128,541
Due from other funds	166,915					166,915
Total Assets	\$ 4,811,366	(8,568)	69,955	25,937	604,136	5,502,826
Liabilities						
Accounts payable	\$ 1,188,894	3,757	41,524		57,310	1,291,485
Due to other funds	73,680				148	73,828
Total Liabilities	1,262,574	3,757	41,524	-	57,458	1,365,313
Fund Equity						
Fund balances - nonspendable						
Fund balances - restricted			28,431	25,937		28,431
Restricted for fire protection						25,937
Restricted for police protection					546,678	546,678
Restricted for airport projects	232,609					232,609
Restricted for capital projects	3,316,183	(12,325)				3,303,858
Fund balances - unassigned						
Total Fund Equity	3,548,792	(12,325)	28,431	25,937	546,678	4,137,513
Total Liabilities and Fund Equity	\$ 4,811,366	(8,568)	69,955	25,937	604,136	5,502,826

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Revenues						
Taxes						
General property taxes	6,696,801					6,696,801
Licenses and permits						
Privilege license	61,148					61,148
Permits and inspections	186,582					186,582
Franchise fees	61,193					61,193
Intergovernmental						
Federal						
DUI	34,723					34,723
JAG	37,583					37,583
FAA					104,240	104,240
FEMA Fire grant	-					-
COPS grant	104,894					104,894
Homeland security grants	40,998					40,998
Other	280,449					280,449
State of Mississippi						
General sales tax	7,647,386					7,647,386
Liquor licenses	74,491					74,491
Municipal aid - gas tax	22,234					22,234
Law enforcement assistance grants	12,300	13,438				25,738
Fire protection grants			136,995			136,995
Municipal aid	11,913					11,913
Homestead	214,604					214,604
Tennessee Valley Authority	349,587					349,587

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
MDOT grant	52,892					52,892
Miscellaneous	26,139		3,995			30,134
OkTibbeha County and Mississippi State						
Road maintenance	744,278					744,278
Airport support					70,951	70,951
Fire control	284,228					284,228
Lieu of tax	27,412					27,412
Fines and forfeits	645,329					645,329
Interest income	90,517					90,517
Penalties and interest	40,689					40,689
Miscellaneous						
Administration/Electric	1,563,841					1,563,841
Administration/Sanitation	50,000					50,000
Atmos Energy	90,137					90,137
Rents	80,976				117,642	198,618
TV Cable Franchise	176,318					176,318
Administration/Water	75,000					75,000
Telephone Utility Tax	33,957					33,957
Parks and Recreation Fees, Donations and Grants	260,574					260,574
Housing Project Tax	47,744					47,744
Other	844,507				624,376	1,468,883
Total Revenues	20,971,424	13,438	140,990	-	917,209	22,043,061

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, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Legislative						
Personnel services	199,124					199,124
Contractual services	14,320					14,320
Total Legislative	213,444	-	-	-	-	213,444
Judicial						
Personnel services	339,210					339,210
Supplies	12,697					12,697
Contractual services	20,763					20,763
Capital outlay	5,627					5,627
Total Judicial	378,297	-	-	-	-	378,297
Executive						
Personnel services	445,057					445,057
Supplies	1,370					1,370
Contractual services	226,645					226,645
Capital outlay	49,681					49,681
Total Executive	722,753	-	-	-	-	722,753
Elections						
Supplies	1,642					1,642
Contractual services	7,375					7,375
Total Elections	9,017	-	-	-	-	9,017
City Clerk and Tax Collector						
Personnel services	380,548					380,548
Contractual services	87,262					87,262
Total City Clerk and Tax Collector	467,810	-	-	-	-	467,810
Legal						

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Personnel services	67,849					67,849
Contractual services	163,075					163,075
Total Legal	230,924	-	-	-	-	230,924
City Planner						
Personnel services	255,398					255,398
Supplies	2,122					2,122
Contractual services	44,273					44,273
Capital outlay	11,471					11,471
Total City Planner	313,264	-	-	-	-	313,264
Other Administrative						
Personnel services	221,608					221,608
Supplies	10,300					10,300
Contractual services	71,578					71,578
Capital outlay	2,628					2,628
Total Other Administrative	306,114	-	-	-	-	306,114

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
City Hall						
Personnel services	-					-
Supplies	5,196					5,196
Contractual services	90,249					90,249
Total City Hall	95,445	-	-	-	-	95,445
Other Miscellaneous						
Personnel services	223,092				102,846	325,938
Supplies	7,634				519,525	527,159
Contractual services	97,349				86,922	184,271
Capital outlay	-				103,057	103,057
Total Other Miscellaneous	328,075	-	-	-	812,350	1,140,425
Total General Government	3,065,143	-	-	-	812,350	3,877,493
Public Safety						
Public Safety - Police and E911						
Personnel services	4,259,265					4,259,265
Supplies	299,803	8,786				308,589
Contractual services	654,454	475				654,929
Capital outlay	29,067					29,067
Total Public Safety - Police and E911	5,242,589	9,261	-	-	-	5,251,850
Public Safety - Fire						
Personnel services	3,902,738					3,902,738
Supplies	90,626		41,524			132,150
Contractual services	378,633		9,955			388,588

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Capital outlay	44,802		28,367			73,169
Total Public Safety - Fire	4,416,799	-	79,846	-	-	4,496,645
Public Safety - Public Inspection						
Personnel services	242,064					242,064
Supplies	4,985					4,985
Contractual services	21,478					21,478
Total Public Safety - Public Inspection	268,527	-	-	-	-	268,527
Public Safety - Civil Defense						
Contractual services	21,742					21,742
Capital outlay	-					-
Total Public Safety - Civil Defense	21,742	-	-	-	-	21,742
Public Safety - Other						
Capital outlay	-					-
Total Public Safety - Other	-	-	-	-	-	-
Total Public Safety	9,949,657	9,261	79,846	-	-	10,038,764

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Highways and Streets						
City Streets						
Personnel services	612,612					612,612
Supplies	176,928					176,928
Contractual services	85,525					85,525
Capital outlay	27,596					27,596
Total City Streets	902,661	-	-	-	-	902,661
Street Lights						
Contractual services	473,110					473,110
Total Street Lights	473,110	-	-	-	-	473,110
Total Highways and Streets	1,375,771	-	-	-	-	1,375,771
Health and Sanitation						
Health and welfare - animals						
Personnel services	82,025					82,025
Supplies	740					740
Contractual services	6,684					6,684
Transfer to Humane Society	125,000					125,000
Total Health and Welfare - Animals	214,449	-	-	-	-	214,449
Total Health and Sanitation	214,449	-	-	-	-	214,449

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Culture and Recreation						
Parks and Recreation						
Personnel services	823,555					95,642
Supplies	95,642					860,009
Contractual services	860,009					19,268
Library	19,268					
Total Parks and Recreation	1,798,474	-	-	-	-	1,798,474
Total Culture and Recreation	1,798,474	-	-	-	-	1,798,474
Conservation of Natural Resources						
Contractual services	-					-
Capital Outlay						-
Total Conservation of Natural Resources	-	-	-	-	-	-
Debt Service						
Principal	2,008,863		70,205			2,079,068
Interest	791,028		75,623			866,651
Total Debt Service	2,799,891	-	145,828	-	-	2,945,719

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Miscellaneous	1,570,277					1,570,277
Capital outlays	65,393					65,393
Other miscellaneous	1,635,670	-	-	-	-	1,635,670
Total Miscellaneous	20,839,055	9,261	225,674	-	812,350	21,886,340
Total Expenditures						
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	132,369	4,177	(84,684)	-	104,859	156,721
Other Financing Sources (Uses)						
Operating transfers in	-					-
Operating transfers out	(77,523)					(77,523)
Disposal of fixed assets	33,337					33,337
Inception of capital leases	-					-
Total Other Financing Sources (Uses)	(44,186)	-	-	-	-	(44,186)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	88,183	4,177	(84,684)	-	104,859	112,535

City of Starkville, Mississippi
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2019

	General Activities	Restricted Police Activities	Restricted Fire Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Fund Balances						
09/30/2018	3,460,609	(16,502)	113,115	25,937	441,819	4,024,978
09/30/2019	\$ 3,548,792	(12,325)	28,431	25,937	546,678	4,137,513

City of Starkville, Mississippi
Balance Sheet - Non-Major Governmental Funds
September 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,568		27,356	33,924
Cash - restricted	3,264	17,200	4,519,347	4,539,811
Receivables (Net)				
Other	14			14
Notes receivable (Net)	41,699			41,699
	<u>51,545</u>	<u>17,200</u>	<u>4,546,703</u>	<u>4,615,448</u>
Total Assets	<u>\$ 51,545</u>	<u>17,200</u>	<u>4,546,703</u>	<u>4,615,448</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -		137,608	137,608
Other liabilities	6,476			6,476
	<u>6,476</u>	<u>-</u>	<u>137,608</u>	<u>144,084</u>
Total Liabilities	<u>6,476</u>	<u>-</u>	<u>137,608</u>	<u>144,084</u>
<u>FUND BALANCES</u>				
Fund balances - restricted				
Restricted for police protection	3,264			3,264
Restricted for debt service		17,200		17,200
Restricted for capital projects			4,409,095	4,409,095
Fund balances - unassigned	41,805			41,805
	<u>45,069</u>	<u>17,200</u>	<u>4,409,095</u>	<u>4,471,364</u>
Total Fund Balances	<u>45,069</u>	<u>17,200</u>	<u>4,409,095</u>	<u>4,471,364</u>
Total Liabilities and Fund Balances	<u>\$ 51,545</u>	<u>17,200</u>	<u>4,546,703</u>	<u>4,615,448</u>

City of Starkville, Mississippi
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Funds
For the Year Ended September 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>Revenues</u>				
Intergovernmental:				
Special 1% Tax	\$ -		145	145
Special 2% Tax			926,249	926,249
Interest income			83,587	83,587
Miscellaneous income	39,861			39,861
Total Revenues	<u>39,861</u>	<u>-</u>	<u>1,009,981</u>	<u>1,049,842</u>
<u>Expenditures</u>				
Debt Service:				
Principal			462,482	462,482
Interest			208,994	208,994
Capital outlay			3,822,993	3,822,993
Miscellaneous	96,818	96		96,914
Total Expenditures	<u>96,818</u>	<u>96</u>	<u>4,494,469</u>	<u>4,591,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,957)</u>	<u>(96)</u>	<u>(3,484,488)</u>	<u>(3,541,541)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	45,595			45,595
Total Other Financing Sources (Uses)	<u>45,595</u>	<u>-</u>	<u>-</u>	<u>45,595</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(11,362)</u>	<u>(96)</u>	<u>(3,484,488)</u>	<u>(3,495,946)</u>
<u>Fund Balances</u>				
09/30/2018	56,431	17,296	7,893,583	7,967,310
09/30/2019	<u>\$ 45,069</u>	<u>17,200</u>	<u>4,409,095</u>	<u>4,471,364</u>

City of Starkville, Mississippi
Statement of Net Position - Non-Major Enterprise Funds
September 30, 2019

	Landfill Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivables, net	51,195
Other receivables, net	716
Total current assets	<u>51,911</u>
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	115,545
Total non-current assets	<u>115,545</u>
Total Assets	<u>167,456</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Difference between expected and actual experience - net pension liability	<u>-</u>
Total Deferred Outflows of Resources	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 167,456</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	5,924
Cash deficit	94,543
Due to other funds	22,360
Accrued liabilities	-
Total current liabilities	<u>122,827</u>
Non-current liabilities:	
Unfunded pension liability	-
Total non-current liabilities	<u>-</u>
Total Liabilities	<u>122,827</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Difference between projected and actual earnings on pension plan investments - net pension liability	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	115,545
Unrestricted	<u>(70,916)</u>
Total Net Position	<u>44,629</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 167,456</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, 2019

	Landfill Fund
<u>OPERATING REVENUES</u>	
Charges for services	\$ 159,389
	-
Total operating revenues	<u>159,389</u>
<u>OPERATING EXPENSES</u>	
Operating and maintenance	3,830
Depreciation	<u>20,975</u>
	-
Total operating expenses	<u>24,805</u>
Operating profit	<u>134,584</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Other expenses	<u>-</u>
Total non-operating expenses	<u>-</u>
Income before transfers	134,584
Transfers in	<u>3,628</u>
Change in net position	138,212
Total net position, beginning	<u>(93,583)</u>
Total net position, ending	<u><u>\$ 44,629</u></u>

City of Starkville, Mississippi
Statement of Cash Flows - Non-Major Enterprise Funds
For the Year Ended September 30, 2019

	Landfill Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 159,389
Cash paid to suppliers	(122,001)
Net cash flows from operating activities	<u>37,388</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Cash deficit covered by pooled cash	38,984
Transfers in	3,628
Net cash flows from noncapital financing activities	<u>42,612</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Other receipts (payments)	(80,000)
Net cash flows from capital and related financing activities	<u>(80,000)</u>
<u>Cash Flows from Investing Activities</u>	
Receipt of interest	<u>-</u>
Net cash flows from investing activities	<u>-</u>
Net change in cash	-
Cash and cash equivalents, October 1, 2018	-
Cash and cash equivalents, September 30, 2019	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>	
Operating Income	\$ 134,584
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	20,975
Changes in operating assets and liabilities:	
Decrease in receivables	971
Decrease in deferred outflows of resources	4,634
Increase in payables	3,423
Decrease in due to other funds	(19,492)
(Decrease) in cash deficit	(44,090)
(Decrease) in accrued liabilities	(22,360)
Decrease in unfunded pension liability	(34,017)
Increase in deferred inflows of resources	(7,240)
Total adjustments	<u>(97,196)</u>
Net cash used in operating activities	<u>\$ 37,388</u>

City of Starkville, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

Name	Position	Bonding Company	Bond Amount
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
Preston Beatty	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 Coordinator	Western Surety Co.	\$ 50,000
Lashonda Wilson	Accounts Receivable Clerk	Western Surety Co.	\$ 50,000
Kaneshia Hendrix	Payroll Clerk	Western Surety Co.	\$ 50,000
Leanne McGarr	Deputy City Clerk	Western Surety Co.	\$ 50,000
Mary Ivy	Payroll Clerk	Western Surety Co.	\$ 50,000
Jameika Smith	Accounting Assistant	Western Surety Co.	\$ 50,000
Pamela Simpson	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Alexia Robinson	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Jodi Leigh Hogue	Deputy Court Clerk	Western Surety Co.	\$ 50,000
Vanyette Shay Holmes	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	Narcotics Agent	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 Director	Western Surety Co.	\$ 50,000
Chana Brooks	Deputy Court Clerk	Western Surety Co.	\$ 50,000

City of Starkville, Mississippi
Schedule of Bonded Indebtedness
September 30, 2019

Name and Date	Maturity Date	Interest Percent	Balance 09/30/2018	Transactions		Balance 09/30/2019
				Issued	Redeemed	
General Obligation Bonds						
Governmental Activities:						
Parks and Recreation, Series 2007	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
	3/1/2022	3.87	320,000			320,000
	Thereafter	3.87	1,845,000			1,845,000
Total			3,040,000	-	280,000	2,760,000
Public Improvement, Series 2009	4/1/2019	3.00	690,000		690,000	-
	11/1/2019	3.00	350,000			350,000
Total			1,040,000	-	690,000	350,000
TIF Revenue Bonds, Series 2011	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
	5/1/2022	4.50	42,000			42,000
	Thereafter	4.50 - 5.00	138,000			138,000
Total			296,000	-	37,000	259,000
Public Improvement, Series 2015	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
	6/1/2022	3.00	120,000			120,000
	Thereafter	2.50 - 3.00	1,955,000			1,955,000
Total			2,405,000	-	105,000	2,300,000
TIF Revenue Bonds, Series 2016	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
	7/1/2022	5.00	115,000			115,000
	Thereafter	5.00	520,000			520,000
Total			950,000	-	100,000	850,000
Public Improvement Bonds, Series 2016A	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
	7/1/2022	5.00	130,000			130,000
	Thereafter	5.00	2,290,000			2,290,000
Total			2,780,000	-	115,000	2,665,000
Public Improvement Bonds, Series 2016b	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
	7/1/2022	5.00	100,000			100,000
	Thereafter	5.00	1,835,000			1,835,000
Total			2,225,000	-	95,000	2,130,000
GO Development Bonds, Series 2017	7/1/2019	5.00	350,000		350,000	-
	7/1/2020	5.00	350,000			350,000
	7/1/2021	5.00	350,000			350,000
	7/1/2022	5.00	350,000			350,000
	Thereafter	5.00	5,250,000			5,250,000
Total			6,650,000	-	350,000	6,300,000
GO Refunding Bonds, Series 2018	6/1/2019	5.00	155,000		155,000	-
	6/1/2020	5.00	305,000			305,000
	6/1/2021	5.00	320,000			320,000
	6/1/2022	5.00	335,000			335,000
	Thereafter	5.00	5,630,000			5,630,000
Total			6,745,000	-	155,000	6,590,000
MSDB Special Obligation Bond, Series 2018	5/1/2019	5.00	-			-
	5/1/2020	5.00	-			-
	5/1/2021	5.00	395,000			395,000
	5/1/2022	5.00	405,000			405,000
	Thereafter	5.00	3,700,000			3,700,000
Total			4,500,000		-	4,500,000
Total Bond Liability, Governmental Activities			30,631,000	-	1,927,000	28,704,000
Business-type Activities:						
GO Utility Refunding Bonds, Series 2011	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
			905,000	-	290,000	615,000
Total						
GO Utility Refunding Bonds, Series 2013	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			760,000	-	420,000	340,000
Utility Revenue Bonds, Series 2019	9/30/2019	4.00	-	10,000,000		10,000,000
Total			-	10,000,000	-	10,000,000
Total Bond Liability, Business-type Activities			1,665,000	10,000,000	710,000	10,955,000
Total Bond Liability			\$ 32,296,000	10,000,000	2,637,000	39,659,000

City of Starkville, Mississippi
Schedule of Long-Term Notes
September 30, 2019

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 09/30/2018</u>	<u>Transactions</u>		<u>Balance 09/30/2019</u>
				<u>Issued</u>	<u>Redeemed</u>	
Notes Payable						
Governmental Activities:						
Capital Improvements - Dump Truck	FY19	2.27%	\$ 6,171		6,171	-
Total			6,171	-	6,171	-
Capital Improvements - Toyota Prius and 2 Toyota Tacomas	FY19	2.59%	9,590		9,590	-
	FY20	2.59%	9,841			9,841
	Thereafter	2.59%	19,586			19,586
Total			39,017	-	9,590	29,427
Capital Improvements - Ford F250 And 2 Toyota Tacomas	FY19	2.59%	9,885		9,885	-
	FY20	2.59%	10,144			10,144
	Thereafter	2.59%	21,092			21,092
Total			41,121	-	9,885	31,236
Capital Improvements - City Hall	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			5,495,000	-	335,000	5,160,000
10 Police Vehicles & Equipment	FY19	1.97%	107,349		107,349	-
	FY20	1.97%	81,908			81,908
Total			189,257	-	107,349	81,908
2018 2 Harley Davidson Motorcycles	FY19	0.00%	4,200		4,200	-
Total			4,200	-	4,200	-
2018 2 Dodge Ram 2500 Trucks	FY19	2.88%	15,873		15,873	-
	FY20	2.88%	16,335			16,335
	FY21	2.88%	16,810			16,810
Total			49,018	-	15,873	33,145
2019 John Deere Park Mower	FY19	3.49%		7,847	7,847	-
	FY20	3.49%		16,109		16,109
	FY21	3.49%		16,679		16,679
	Thereafter	3.49%		26,130		26,130
Total			-	66,765	7,847	58,918
2019 Nissan Kicks	FY19	4.08%		3,137	3,137	-
	FY20	4.08%		3,096		3,096
	FY21	4.08%		3,224		3,224
	Thereafter	4.08%		6,853		6,853
Total			-	16,310	3,137	13,173

City of Starkville, Mississippi
Schedule of Long-Term Notes
September 30, 2019

2019 Street Excavator					
	FY19	3.43%		18,590	18,590
	FY20	3.43%		25,539	25,539
	FY21	3.43%		26,426	26,426
	Thereafter	3.43%		122,945	122,945
Total			<u>-</u>	<u>193,500</u>	<u>174,910</u>
2019 Multisensored Cameras and Sensors					
	FY19	3.43%		4,532	4,532
	FY20	3.43%		10,588	10,588
	FY21	3.43%		11,298	11,298
	Thereafter	3.43%		32,819	32,819
Total			<u>-</u>	<u>59,237</u>	<u>54,705</u>
Total Notes Payable, Governmental Activities			<u>\$ 5,823,784</u>	<u>\$ 335,812</u>	<u>\$ 522,174</u>
				<u>\$ 5,637,422</u>	

City of Starkville, Mississippi
Schedule of Long-Term Notes
September 30, 2019

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 09/30/2018</u>	<u>Transactions</u>		<u>Balance 09/30/2019</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type activities:						
Water Pollution Control Revolving Loan	FY19	1.75%	\$ 200,857		200,857	-
	FY20	1.75%	204,400			204,400
	FY21	1.75%	208,006			208,006
	FY22	1.75%	211,676			211,676
	Thereafter	1.75%	695,259			695,259
Total			1,520,198	-	200,857	1,319,341
Drinking Water Systems Improvements Revolving Loan	FY19	2.50%	49,927		49,927	-
	FY20	2.50%	51,189			51,189
	FY21	2.50%	52,484			52,484
	FY22	2.50%	53,811			53,811
	Thereafter	2.50%	224,191			224,191
Total			431,602	-	49,927	381,675
Water Pollution Control Revolving Loan	FY19	2.75%	13,829		13,829	-
	FY20	2.75%	14,215			14,215
	FY21	2.75%	14,610			14,610
	FY22	2.75%	15,017			15,017
	Thereafter	2.75%	105,317			105,317
Total			162,988	-	13,829	149,159
MDA Capital Improvements Loan Prom Note #06-347-CP-01	FY19	2.00%	47,148		47,148	-
	FY20	2.00%	48,020			48,020
	FY21	2.00%	48,989			48,989
	FY22	2.00%	49,978			49,978
	Thereafter	2.00%	414,258			414,258
Total			608,393	-	47,148	561,245
Drinking Water Systems Improvements Revolving Loan	FY19	2.12%	169,159		169,159	-
	FY20	2.12%	172,781			172,781
	FY21	2.12%	176,479			176,479
	FY22	2.12%	180,257			180,257
	Thereafter	2.12%	967,942			967,942
Total			1,666,618	-	169,159	1,497,459
MDA Capital Improvements Loan Prom Note #07-347-CP-01	FY19	2.00%	23,348		23,348	-
	FY20	2.00%	23,779			23,779
	FY21	2.00%	24,259			24,259
	FY22	2.00%	24,749			24,749
	Thereafter	2.00%	210,004			210,004
Total			306,139	-	23,348	282,791

City of Starkville, Mississippi
Schedule of Long-Term Notes
September 30, 2019

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 09/30/2018</u>	<u>Transactions</u>		<u>Balance 09/30/2019</u>
				<u>Issued</u>	<u>Redeemed</u>	
MDA Capital Improvements Loan Prom Note #12-347-CP-01	FY19	2.00%	55,835		55,835	-
	FY20	2.00%	56,868			56,868
	FY21	2.00%	58,015			58,015
	FY22	2.00%	59,186			59,186
	Thereafter	2.00%	974,219			974,219
Total			1,204,123	-	55,835	1,148,288
MDA Capital Improvements Loan Prom Note #17-347-CP-01	FY19	2.00%	34,967		34,967	-
	FY20	2.00%	35,614			35,614
	FY21	2.00%	36,332			36,332
	FY22	2.00%	34,230			34,230
	Thereafter	2.00%	169,353			169,353
Total			310,496	-	34,967	275,529
MDA Capital Improvements Loan Prom Note #14-347-CP-01	FY19		398,924	332,841	9,954	721,811
	Thereafter		-	-	-	-
Total			-	332,841	9,954	721,811
Garbage Trucks Lease	FY19	2.46%	117,683		117,683	-
	FY19	2.46%	120,611		120,611	-
	FY20	2.46%	123,610			123,610
Total			361,904	-	238,294	123,610
Street Sweeper Lease	FY19	2.17%	93,731		93,731	-
	Total		93,731	-	93,731	-
2 Front End Loaders	FY19	2.17%	79,625		79,625	-
	FY20	2.17%	81,370			81,370
	FY21	2.17%	83,154			83,154
	FY22	2.17%	84,976			84,976
	Thereafter	2.17%	14,210			14,210
Total			343,335	-	79,625	263,710
2 F250 Trucks	FY19	2.17%	14,244		14,244	-
	FY20	2.17%	10,849			10,849
Total			25,093	-	14,244	10,849
4 Ford Trucks	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			73,088	-	20,276	52,812
3 Refuse Trucks & Knuckle Boom	FY19	2.59%		128,859	128,859	-
	FY20	2.59%		110,531		110,531
	FY21	2.59%		113,394		113,394
	FY22	2.59%		116,331		116,331
	Thereafter			367,385		367,385
Total			-	836,500	128,859	707,641
Vacuum Truck Lease	FY19	2.09%	48,827		48,827	-
Total			48,827	-	48,827	-

City of Starkville, Mississippi
Schedule of Long-Term Notes
September 30, 2019

<u>Payee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 09/30/2018</u>	<u>Transactions</u>		<u>Balance 09/30/2019</u>
				<u>Issued</u>	<u>Redeemed</u>	
2 Cat Mini Excavators Lease	FY19	2.29%	14,840		14,840	-
	FY20	2.29%	7,546			7,546
Total			<u>22,386</u>	<u>-</u>	<u>14,840</u>	<u>7,546</u>
MDA Capital Improvements Loan	FY19	2.00%	15,122		15,122	-
Prom Note #16-347-CP-01	FY20	2.00%	27,026			27,026
	FY21	2.00%	27,026			27,026
	FY22	2.00%	27,026			27,026
	Thereafter	2.00%	257,111			257,111
Total			<u>353,311</u>	<u>-</u>	<u>15,122</u>	<u>338,189</u>
MDA Capital Improvements Loan	FY19	2.00%	23,723		23,723	-
Prom Note #16-347-CP-02	FY20	2.00%	24,160			24,160
	FY21	2.00%	24,547			24,547
	FY22	2.00%	25,145			25,145
	Thereafter	2.00%	411,183			411,183
Total			<u>508,758</u>	<u>-</u>	<u>23,723</u>	<u>485,035</u>
MDA Capital Improvements Loan						
Prom Note #17-347-CP-02	FY19	2.00%	-	121,228	-	121,228
Total			<u>-</u>	<u>121,228</u>	<u>-</u>	<u>121,228</u>
Electric Department Note	FY19	3.50%	5,329		5,329	-
Total			<u>5,329</u>	<u>-</u>	<u>5,329</u>	<u>-</u>
Total Notes Payable, Business-type Activities			<u>8,046,319</u>	<u>1,290,569</u>	<u>1,287,894</u>	<u>8,447,918</u>
Total Notes Payable			<u>- \$ 13,870,103</u>	<u>1,626,381</u>	<u>1,810,068</u>	<u>14,085,340</u>

City of Starkville, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

<u>Federal Agency/ Pass-through Entity/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed through Mississippi Development Authority		
Community Development Block Grant	14.228	\$ 213,548
Total U.S. Department of Housing and Urban Development		<u>213,548</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	1,560
Passed-through Mississippi Department of Public Safety:		
Public Safety Partnership and Community Policing Grants	16.710	104,894
Edward Byrne Memorial Justice Assistance Grant Program	16.738	37,583
Total U.S. Department of Justice		<u>144,037</u>
<u>U. S. Department of Transportation</u>		
Passed through Mississippi Department of Transportation:		
Airport Improvement Program (ARRA)	20.106	91,629
Passed through Mississippi Department of Public Safety:		
State and Community Highway Safety	20.600	15,961
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	34,723
Total U. S. Department of Transportation		<u>142,313</u>
<u>Appalachian Regional Commission:</u>		
Passed through Tennessee Valley Authority:		
Appalachian Area Development	23.002	264,488
Total Appalachian Regional Commission		<u>264,488</u>
<u>U.S. Department of Homeland Security</u>		
Passed through Mississippi Department of Public Safety:		
Assistance to Firefighters Grant	97.044	29,054
Total U.S. Department of Homeland Security		<u>29,054</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 793,440</u>

The accompanying notes to Schedule of Expenditures of Federal Awards is an integral part of this schedule.

City of Starkville, Mississippi
Notes to Schedule of Expenditures of Federal Awards
September 30, 2019

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, 2019. 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

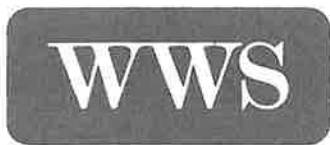
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative 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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**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, 2019, 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 October 26, 2020.

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*.

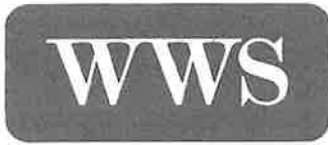
Purpose of this Report

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
October 26, 2020

Watkins Ward and Staffed, PUC

**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 program for the year ended September 30, 2019. The City of Starkville, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Starkville, Mississippi's major federal program 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 its major federal program. However, our audit does not provide a legal determination of the City of Starkville, Mississippi's compliance.

Opinion on 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 its major federal program for the year ended September 30, 2019.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over

compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Starkville, Mississippi's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Starkville, Mississippi
October 26, 2020

Watkins Ward and Staffed, PUC

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



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

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

We have audited the financial statements of the City of Starkville, Mississippi, as of and for the year ended September 30, 2019, and have issued our report thereon dated October 26, 2020. 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
October 26, 2020

Watkins Ward and Stafford, P.C.

SCHEDULE OF FINDINGS

City of Starkville, Mississippi
Schedule of Findings
For the Year Ended September 30, 2019

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:

Appalachian Area Development CFDA #23.002
 Airport Improvement Program CFDA #20.106
 Community Development Block Grant CDFA # 14.228

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? Yes

**City of Starkville, Mississippi
Schedule of Findings
For the Year Ended September 30, 2019**

Section 2: Findings Relating to the Financial Statements

None

Section 3: Federal Award Findings and Questioned Cost

None