

City of Starkville
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For the Year Ended September 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of 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.

Auditor's 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 auditor's 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 auditor considers 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, 2014, 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's discussion and analysis and budgetary comparison information on pages 5-15 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the City of Starkville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Starkville, Mississippi's internal control over financial reporting and compliance.

Starkville, Mississippi
June 30, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT DISCUSSION AND ANALYSIS

City of Starkville
Management Discussion and Analysis
September 30, 2014

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, 2014. The intent of this discussion and analysis is to view the City's performance as a whole. Readers should also review the notes to the basic financial statements as well as the financial statements to fully develop their understanding of the City's overall financial performance and condition.

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

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

Financial Highlights

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

As evidenced by continued improvement in the National Economy, Starkville enjoys unprecedented growth in both residential and commercial real estate development. Sales tax collection outpaced Golden Triangle peer cities with improvement that ranked among the highest in Mississippi at growth of 3.68%. As 2014 was the City of Starkville's 5th consecutive year of strong retail sales growth the cumulative effect represents an increase of approximately 10% over that time.

Capital improvement in fiscal year 2014 primarily focuses on improvements to aging water and sewer infrastructure that is either failing or undersized from municipal growth. With regard to electric service, the City continues its plan to add redundancy and improve reliability within the system. Street improvements come in the form of scheduled resurfacing, externally funded street scape renovation, and through private investment via the City's sidewalk ordinance. Boasting low municipal millage compared to other comparable municipalities in Mississippi, Starkville focuses on external funding as a means to achieve continued funding for Capital Improvement. This is largely accomplished through a favorable grant writing/administration relationship with Golden Triangle Planning and Development District.

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

Fiscal Year 2014 brings significant gains in multi-family housing. Starkville experiences construction starts with an anticipated value of \$40 million inside the city limits and completion of \$40 million of \$150 million immediately south and east of the city limits near Blackjack Road. These increases are primarily attributable to projected enrollment growth at Mississippi State University as well as industrial employment improvement near the Golden Triangle Regional Airport located eight miles east of Starkville. Two hotel projects are under construction and a new shopping center is completed near the entrance to the City's primary retail corridor on Highway 12. The Mississippi Department of Transportation completed a reworking of the Highway 182 streetscape to cost in excess of \$10 million. Highway 182 is a traditional retail corridor in need of redevelopment. This expansion offers Starkville the needed catalyst to spur this action.

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 the only airport in the State of Mississippi that has increased its capacity and had an increase in service to the area in sharp contrast to the reduction and loss of service noted in other surrounding commuter localities. During FY 2014 the Airport leased a hanger to BSP Filing Solutions to be used in the manufacture and distribution of office supplies. With the assistance of the Mississippi Development Authority, BSP made renovation to the structure and began production employing approximately 20 FTE's.

Total net position increased \$738,814 which represents a 116% increase from the prior fiscal year. The City's ending cash balance increased by \$3,442,375 which represents a 45.50% increase from the prior fiscal year.

The City had \$69,419,792 in total revenues. Tax revenues account for \$11,013,752 or 15.87% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$3,047,424 or 4.39% of total revenues.

The City had \$67,044,395 in total expenses, which represents an increase of \$346,193 or 0.52% over the prior fiscal year. Expenses in the amount of \$48,104,983 were offset by charges for services, grants or outside contributions. General revenues of \$16,490,491 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$16,551,364 in revenues and \$16,383,480 in expenditures. The General Fund's fund balance increased \$347,720 from the prior year.

Among major funds, the Parking Mill Project had \$1,248,890 in revenues and \$2,217,762 in expenditures. The Parking Mill Project fund balance decreased by \$968,872 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$2,057,905.

Long-term debt decreased by \$1,544,426.

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

Overview of the Financial Statements

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

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

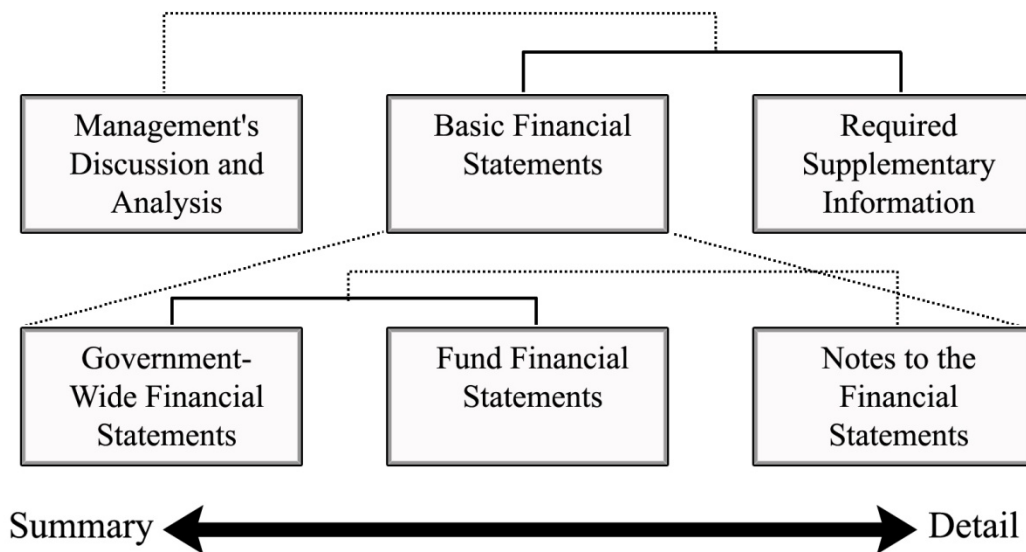


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

	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 (Continued)
September 30, 2014

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 and liabilities, with the difference between the two reported as net assets. 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

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

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

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

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30 through 45 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 additional major fund. This required supplementary information can be found on page 47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 67 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 \$52,928,079 as of September 30, 2014.

By far, the largest portion of the City's net position (74%) 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 (Continued)
September 30, 2014

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2014.

	<u>2014</u>
Current assets	\$ 25,802,513
Capital assets, net	<u>62,130,819</u>
Total assets	<u>\$ 87,933,332</u>
Current liabilities	\$ 13,326,200
Long-term debt outstanding	<u>21,679,053</u>
Total liabilities	<u>\$ 35,005,253</u>
Net position:	
Invested in capital assets, net of related debt	39,327,572
Contributed capital	8,967,665
Restricted	1,021,378
Unrestricted	<u>3,611,464</u>
Total net position	<u>\$ 52,928,079</u>

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

- \$2,840,497 of long-term debt principal was retired.
- \$2,217,762 of construction in progress related to the Parking Mill Project.

Changes in Net Position – The City's total revenues for the fiscal year ended September 30, 2014 was \$69,419,792. The total cost for all services provided was \$67,044,395. The increase in net position was \$2,375,397. The following table presents a summary of the change in net position for the fiscal year ended September 30, 2014.

	<u>Current Year</u> <u>Amount</u>
Revenues:	
Program revenues	
Charges for services	\$ 49,656,501
Operating grants & contributions	1,037,396
Capital grants & contributions	2,010,028
General revenues	
Property taxes	4,398,423

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

Sales and Use taxes	6,155,389
Other taxes	459,940
Interest income	43,409
Transfers	889,750
Miscellaneous	<u>4,769,316</u>
Total Revenues	<u>\$ 69,419,792</u>

Expenses:	
General government	3,297,783
Public safety	8,869,115
Highways and streets	2,536,347
Health and sanitation	211,217
Culture and recreation	2,268,858
Conservation of natural resources	71,013
Other	1,307,506
Utilities	45,109,448
Sanitation	2,784,318
Interest on long-term debt	<u>588,790</u>
Total Expenses	<u>\$ 67,044,395</u>

Increase in Net Position \$ 2,375,397

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	\$ 3,297,783	\$ 2,989,269
Public Safety	8,869,115	8,108,539
Public Services	2,747,564	2,017,475
Culture and Recreation	2,268,858	2,268,858
Utilities	45,109,448	(1,318,027)

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

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 \$2,469,224, a decrease of \$1,151,254. 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. The increase in the fund balance of the General Fund for the fiscal year was \$347,720 which is primarily due to a decrease in expenditures in the current fiscal year.

Budgetary Highlights of Major Funds

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

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

Capital Assets and Debt Administration

Capital Assets – As of September 30, 2014, the City of Starkville's total capital assets were \$166,165,866. 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 \$6,473,190.

Total accumulated depreciation as of September 30, 2014 was \$105,159,241 including \$5,023,710 of depreciation expense for the year. The balance in total net capital assets was \$61,006,625 at year-end.

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

Debt Administration – At September 30, 2014, the City of Starkville had \$21,679,053 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$2,593,887 is due within one year.

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

Additional information on City of Starkville's long-term debt can be found in note 5 on pages 41 and 42 of this report.

City of Starkville
Management Discussion and Analysis (Continued)
September 30, 2014

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. The City of Starkville Fire Station #5 is complete and provides additional support for future growth on the west side of the City. That same area of town is seeing a development of 72 homes that are providing needed housing at a price point that fits with the demands of the existing market.

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

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

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

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

Oktibbeha County has an unemployment rate of 10.0% with Rankin County being 1st with a rate of 6.2% and Clay County being the 82nd or highest with a rate of 19.0%. Oktibbeha County compares on a par or marginally better with the state average rate of 10.4%.

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 101 Lampkin 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 the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**City of Starkville
Statement of Net Position
September 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,308,251	8,700,156	11,008,407
Cash - restricted	1,199,833	-	1,199,833
Accounts receivable, net	756,849	8,129,917	8,886,766
Other receivables, net	99,046	56,754	155,800
Notes receivable, net	41,699	-	41,699
Due from other departments	257,387	95,051	352,438
Due from other funds	294,559	-	294,559
Prepaid expense	-	2,934,336	2,934,336
Inventory	19,034	909,641	928,675
Capital assets:			
Land and construction in progress	3,465,544	2,620,318	6,085,862
Property and equipment	63,019,192	97,060,812	160,080,004
Less: accumulated depreciation	(58,329,092)	(46,830,149)	(105,159,241)
Other assets	-	1,124,194	1,124,194
Total assets	<u>13,132,302</u>	<u>74,801,030</u>	<u>87,933,332</u>
<u>LIABILITIES</u>			
Accounts payable	2,251,245	6,532,500	8,783,745
Accrued liabilities	-	392,986	392,986
Due to other departments	179,201	1,297,091	1,476,292
Due to other funds	70,544	102,550	173,094
Customer deposits	-	2,208,293	2,208,293
Other liabilities	6,444	148,075	154,519
Long-term liabilities:			
Due within one year	1,168,751	1,425,136	2,593,887
Due in more than one year	8,082,492	11,139,945	19,222,437
Total liabilities	<u>11,758,677</u>	<u>23,246,576</u>	<u>35,005,253</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	(1,095,599)	40,423,171	39,327,572
Contributed capital	-	8,967,665	8,967,665
Restricted	1,021,378	-	1,021,378
Unrestricted	1,447,846	2,163,618	3,611,464
Total net position	<u>\$ 1,373,625</u>	<u>51,554,454</u>	<u>52,928,079</u>

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 3,297,783	-	308,514	-	(2,989,269)
Public safety					
Police	4,637,164	-	288,304	31,694	(4,317,166)
Fire	3,993,622	-	368,801	-	(3,624,821)
Public inspection	233,403	-	-	-	(233,403)
Civil defense	3,765	-	71,777	-	68,012
Other	1,161	-	-	-	(1,161)
Highways and streets	2,536,347	-	-	662,858	(1,873,489)
Health and sanitation	211,217	645	-	66,586	(143,986)
Culture and recreation	2,268,858	-	-	-	(2,268,858)
Conservation of natural resources	71,013	-	-	-	(71,013)
Economic development and assistance	-	-	-	1,248,890	1,248,890
Other	1,307,506	-	-	-	(1,307,506)
Interest on long-term debt	588,790	-	-	-	(588,790)
Total governmental activities	<u>19,150,629</u>	<u>645</u>	<u>1,037,396</u>	<u>2,010,028</u>	<u>(16,102,560)</u>
Business-type Activities					
Electric utilities	37,821,735	40,497,243	-	-	2,675,508
Water and sewer utilities	7,287,713	5,930,232	-	-	(1,357,481)
Sanitation and waste	2,562,890	3,123,309	-	-	560,419
Sanitary landfill	221,428	105,072	-	-	(116,356)
Total business-type activities	<u>47,893,766</u>	<u>49,655,856</u>	<u>-</u>	<u>-</u>	<u>1,762,090</u>
Total primary government	<u>\$ 67,044,395</u>	<u>49,656,501</u>	<u>1,037,396</u>	<u>2,010,028</u>	<u>(14,340,470)</u>
			Governmental Activities	Business-type Activities	Total
Changes in Net Position:					
Net (expense) / revenue			\$ (16,102,560)	1,762,090	(14,340,470)
General revenues					
Taxes					
Property taxes			4,398,423	-	4,398,423
Sales and use taxes			6,155,389	-	6,155,389
Other taxes			459,940	-	459,940
Investment income			20,606	22,443	43,049
Other			4,566,383	202,933	4,769,316
Transfers			889,750	-	889,750
Total general revenues and transfers			<u>16,490,491</u>	<u>225,376</u>	<u>16,715,867</u>
Change in net position			387,931	1,987,466	2,375,397
Net position, October 1, 2013			<u>634,812</u>	<u>49,678,462</u>	<u>50,313,274</u>
Prior period adjustment			289,328	-	289,328
Reclassification of assets			<u>61,554</u>	<u>(111,474)</u>	<u>(49,920)</u>
Net position, September 30, 2014			<u>\$ 1,373,625</u>	<u>51,554,454</u>	<u>52,928,079</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

City of Starkville
Balance Sheet - Governmental Funds
September 30, 2014

	<u>General</u>	<u>Parking Mill Project</u>	<u>Park Commission</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,110,529	166,366	38,778	(7,422)	2,308,251
Cash - restricted	134,373	-	42,978	1,022,482	1,199,833
Receivables (Net)					
Accounts	756,674	-	175	-	756,849
Other	12,587	-	-	86,459	99,046
Notes receivable (Net)	-	-	-	41,699	41,699
Due from other departments	257,387	-	-	-	257,387
Due from other funds	294,559	-	-	-	294,559
Inventory	19,034	-	-	-	19,034
	<u>3,585,143</u>	<u>166,366</u>	<u>81,931</u>	<u>1,143,218</u>	<u>4,976,658</u>
Total Assets	<u>\$ 3,585,143</u>	<u>166,366</u>	<u>81,931</u>	<u>1,143,218</u>	<u>4,976,658</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 598,149	1,135,238	15,503	502,355	2,251,245
Other liabilities	-	-	-	6,444	6,444
Due to other departments	-	-	179,201	-	179,201
Due to other funds	70,544	-	-	-	70,544
	<u>668,693</u>	<u>1,135,238</u>	<u>194,704</u>	<u>508,799</u>	<u>2,507,434</u>
Total Liabilities	<u>668,693</u>	<u>1,135,238</u>	<u>194,704</u>	<u>508,799</u>	<u>2,507,434</u>
<u>FUND BALANCES</u>					
Fund balances - nonspendable	19,034	-	-	-	19,034
Fund balances - restricted					
Restricted for fire protection	91,282	-	-	-	91,282
Restricted for police protection	64,244	-	-	3,264	67,508
Restricted for airport projects	239,227	-	-	-	239,227
Restricted for debt service	-	-	-	84,761	84,761
Restricted for capital projects	-	-	-	538,600	538,600
Fund balances - committed	-	-	42,978	-	42,978
Fund balances - unassigned	2,502,663	(968,872)	(155,751)	7,794	1,385,834
	<u>2,916,450</u>	<u>(968,872)</u>	<u>(112,773)</u>	<u>634,419</u>	<u>2,469,224</u>
Total Fund Balances	<u>2,916,450</u>	<u>(968,872)</u>	<u>(112,773)</u>	<u>634,419</u>	<u>2,469,224</u>
Total Liabilities and Fund Balances	<u>\$ 3,585,143</u>	<u>166,366</u>	<u>81,931</u>	<u>1,143,218</u>	<u>4,976,658</u>

See accompanying notes to basic financial statements.

City of Starkville
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2014

Fund Balances - total governmental funds		\$ 2,469,224
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	66,484,736	
Less accumulated depreciation	<u>(58,329,092)</u>	8,155,644
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		<u>(9,251,243)</u>
Net Position of Governmental Activities		<u><u>\$ 1,373,625</u></u>

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	General	Parking Mill Project	Park Commission	Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
General property taxes	\$ 4,398,423	-	-	-	4,398,423
Licenses and permits	386,914	-	-	-	386,914
Intergovernmental:					
Federal	380,895	1,248,890	-	2,633	1,632,418
State of Mississippi	7,164,596	-	-	659,094	7,823,690
Oktibbeha County and Mississippi State	866,383	-	-	-	866,383
Fines and forfeits	1,137,728	-	-	-	1,137,728
Interest income	19,321	-	138	1,147	20,606
Penalties and interest	9,989	-	-	-	9,989
Other revenues	2,187,115	-	131,426	54,118	2,372,659
Total Revenues	<u>16,551,364</u>	<u>1,248,890</u>	<u>131,564</u>	<u>716,992</u>	<u>18,648,810</u>
<u>EXPENDITURES</u>					
General government	3,331,373	-	-	-	3,331,373
Public safety:					
Police	4,429,416	-	-	-	4,429,416
Fire	3,708,597	-	-	-	3,708,597
Public inspection	233,403	-	-	-	233,403
Civil defense	3,765	-	-	-	3,765
Other	1,161	-	-	-	1,161
Highways and streets	1,312,922	-	-	-	1,312,922
Health and sanitation	211,217	-	-	-	211,217
Culture and recreation	1,150,800	-	1,067,956	-	2,218,756
Conservation of natural resources	71,013	-	-	-	71,013
Other	43,477	-	-	547,729	591,206
Capital outlay	542,783	2,217,762	36,099	264,182	3,060,826
Debt service:					
Principal	935,960	-	-	220,000	1,155,960
Interest	407,593	-	-	181,197	588,790
Total Expenditures	<u>16,383,480</u>	<u>2,217,762</u>	<u>1,104,055</u>	<u>1,213,108</u>	<u>20,918,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,884</u>	<u>(968,872)</u>	<u>(972,491)</u>	<u>(496,116)</u>	<u>(2,269,595)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	34,178	-	-	-	34,178
Transfers out	(34,178)	-	-	-	(34,178)
Transfers from other departments	-	-	940,400	-	940,400
Transfers to other departments	(50,650)	-	-	-	(50,650)
Inception of capital leases	29,500	-	-	-	29,500
Net other financing sources (uses)	<u>(21,150)</u>	<u>-</u>	<u>940,400</u>	<u>-</u>	<u>919,250</u>
Net change in fund balances	146,734	(968,872)	(32,091)	(496,116)	(1,350,345)
Fund balances, October 1, 2013	2,568,730	-	(80,682)	1,132,430	3,620,478
Prior period adjustment	291,223	-	-	(1,895)	289,328
Reclassification of assets	(90,237)	-	-	-	(90,237)
Fund balances, September 30, 2014	<u>\$ 2,916,450</u>	<u>\$ (968,872)</u>	<u>\$ (112,773)</u>	<u>\$ 634,419</u>	<u>\$ 2,469,224</u>

See accompanying notes to the basic financial statements.

City of Starkville
Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
September 30, 2014

Net change in Fund Balances - total governmental funds \$ (1,350,345)

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	2,344,526	
Less current year depreciation	<u>(1,785,258)</u>	559,268

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

Issuance of bonds, notes and capital leases	(29,500)	
Principal payments	<u>1,155,960</u>	1,126,460

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 long-term compensated absence		<u>52,548</u>
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Change in Net Position of Governmental Funds		<u><u>\$ 387,931</u></u>
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See accompanying notes to the basic financial statements.

City of Starkville
Statement of Fund Net Position - Proprietary Funds
September 30, 2014

	<u>June 30, 2014</u>	<u>September 30, 2014</u>			<u>Total Enterprise Funds</u>	<u>September 30, 2014</u>
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-major Enterprise Funds</u>		<u>Internal Service Fund</u>
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 7,304,855	908,972	470,200	16,129	8,700,156	-
Accounts receivables, net	5,952,855	1,582,570	537,959	56,533	8,129,917	-
Other receivables, net	55,894	-	-	860	56,754	-
Due from other departments	91,265	3,786	-	-	95,051	-
Prepaid expense	2,934,336	-	-	-	2,934,336	-
Inventory	802,497	107,144	-	-	909,641	-
Total current assets	<u>17,141,702</u>	<u>2,602,472</u>	<u>1,008,159</u>	<u>73,522</u>	<u>20,825,855</u>	<u>-</u>
Non-current assets:						
Other assets	1,124,194	-	-	-	1,124,194	-
Capital assets:						
Fixed assets, net of depreciation	30,502,713	20,688,110	1,519,104	141,054	52,850,981	-
Total non-current assets	<u>31,626,907</u>	<u>20,688,110</u>	<u>1,519,104</u>	<u>141,054</u>	<u>53,975,175</u>	<u>-</u>
Total Assets	<u>48,768,609</u>	<u>23,290,582</u>	<u>2,527,263</u>	<u>214,576</u>	<u>74,801,030</u>	<u>-</u>
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	5,997,206	475,874	57,401	2,019	6,532,500	-
Accrued liabilities	269,252	217,175	38,334	5,496	530,257	-
Due to other departments	1,294,303	2,788	-	-	1,297,091	-
Due to other funds	-	29,216	69,104	4,230	102,550	-
Accrued interest - long-term debt	30,915	-	-	-	30,915	-
Bonds payable, current	620,000	-	-	-	620,000	-
Notes payable, current	35,493	581,526	178,660	9,457	805,136	-
Other current liabilities	92,621	-	-	-	92,621	-
Total current liabilities	<u>8,339,790</u>	<u>1,306,579</u>	<u>343,499</u>	<u>21,202</u>	<u>10,011,070</u>	<u>-</u>
Non-current liabilities:						
Bonds payable, non-current	3,650,000	-	-	-	3,650,000	-
Notes payable, non-current	119,565	6,477,264	755,845	-	7,352,674	-
Customer deposits	2,053,327	154,966	-	-	2,208,293	-
Other liabilities	24,539	-	-	-	24,539	-
Total non-current liabilities	<u>5,847,431</u>	<u>6,632,230</u>	<u>755,845</u>	<u>-</u>	<u>13,235,506</u>	<u>-</u>
Total Liabilities	<u>14,187,221</u>	<u>7,938,809</u>	<u>1,099,344</u>	<u>21,202</u>	<u>23,246,576</u>	<u>-</u>
<u>NET POSITION</u>						
Invested in capital assets, net of related debt	26,077,655	13,629,320	584,599	131,597	40,423,171	-
Contributed capital	-	8,967,665	-	-	8,967,665	-
Unrestricted	8,503,733	(7,245,212)	843,320	61,777	2,163,618	-
Total Net Position	<u>\$ 34,581,388</u>	<u>15,351,773</u>	<u>1,427,919</u>	<u>193,374</u>	<u>51,554,454</u>	<u>-</u>

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2014

	<u>June 30, 2014</u>	<u>September 30, 2014</u>			<u>Total Enterprise Funds</u>	<u>September 30, 2014</u>
	<u>Electric Department</u>	<u>Water & Sewer Department</u>	<u>Sanitation and Waste Fund</u>	<u>Non-Major Enterprise Funds</u>		<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>						
Charges for services	\$ 40,497,243	5,930,232	3,123,309	105,072	49,655,856	-
Total operating revenues	40,497,243	5,930,232	3,123,309	105,072	49,655,856	-
<u>OPERATING EXPENSES</u>						
Purchased power	32,083,216	-	-	-	32,083,216	-
Operating and maintenance	3,941,446	5,891,563	2,173,838	182,307	12,189,154	-
Depreciation	1,623,684	1,203,546	366,047	21,537	3,214,814	-
Total operating expenses	37,648,346	7,095,109	2,539,885	203,844	47,487,184	-
Operating income (loss)	2,848,897	(1,164,877)	583,424	(98,772)	2,168,672	-
<u>NON-OPERATING REVENUES (EXPENSES)</u>						
Other revenue	25,903	27,433	149,597	-	202,933	-
Interest on investments	22,443	-	-	-	22,443	-
Amortization expense	(34,729)	-	-	-	(34,729)	-
Interest and fiscal charges	(117,141)	(141,362)	(9,597)	(17,554)	(285,654)	-
Other expenses	(21,519)	(51,242)	(13,408)	(30)	(86,199)	-
Total non-operating revenues (expenses)	(125,043)	(165,171)	126,592	(17,584)	(181,206)	-
Income (loss) before transfers	2,723,854	(1,330,048)	710,016	(116,356)	1,987,466	-
Transfers in	-	-	-	102,261	102,261	453,801
Transfers out	-	-	(102,261)	-	(102,261)	(453,801)
Change in net position	2,723,854	(1,330,048)	607,755	(14,095)	1,987,466	-
Total net position, beginning	31,857,534	16,737,558	875,901	207,469	49,678,462	(151,791)
Reclassification of assets	-	(55,737)	(55,737)	-	(111,474)	151,791
Total net position, ending	\$ 34,581,388	15,351,773	1,427,919	193,374	51,554,454	-

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2014

	June 30, 2014	September 30, 2014			Total Enterprise Funds	June 30, 2014
	Electric Department	Water & Sewer Department	Sanitation and Waste Fund	Non-Major Enterprise Funds		Internal Service Fund
<u>Cash Flows from Operating Activities</u>						
Cash received from customers	\$ 40,163,669	5,493,300	2,985,481	89,458	48,731,908	-
Cash paid to employees	(1,439,038)	(1,955,525)	(1,033,334)	(104,162)	(4,532,059)	-
Cash paid to suppliers	(34,503,166)	(3,622,974)	(1,142,119)	(82,198)	(39,350,457)	-
Other receipts	3,216,589	580,300	50,920	-	3,847,809	-
Net Cash Flows from Operating Activities	7,438,054	495,101	860,948	(96,902)	8,697,201	-
<u>Cash Flows from Noncapital Financing Activities</u>						
Transfers in	-	-	-	102,261	102,261	-
Transfers out	-	-	(102,261)	-	(102,261)	-
Net Cash Flows from Noncapital Financing Activities	-	-	(102,261)	102,261	-	-
<u>Cash Flows from Capital and Related Financing Activities</u>						
Proceeds from issuance of debt	-	498,402	804,760	-	1,303,162	-
Payment of debt	(639,274)	(515,720)	(476,525)	(37,061)	(1,668,580)	-
Payment of interest	(121,112)	(141,362)	(9,597)	(17,554)	(289,625)	-
Purchase of capital assets	(2,559,365)	(1,490,779)	(804,760)	-	(4,854,904)	-
Other receipts (payments)	(157,006)	(23,809)	359,189	(30)	178,344	-
Net Cash Flows from Capital and Related Financing Activities	(3,476,757)	(1,673,268)	(126,933)	(54,645)	(5,331,603)	-
<u>Cash Flows from Investing Activities</u>						
Receipt of interest	22,443	-	-	-	22,443	-
Net Cash Flows from Investing Activities	22,443	-	-	-	22,443	-
Net Change in Cash	3,983,740	(1,178,167)	631,754	(49,286)	3,388,041	-
Cash and Cash Equivalents, October 1, 2013	3,321,115	2,142,876	(105,817)	65,415	5,423,589	(160,212)
Reclassification of Assets	-	(55,737)	(55,737)	-	(111,474)	160,212
Cash and Cash Equivalents, September 30, 2014	\$ 7,304,855	908,972	470,200	16,129	8,700,156	-
<u>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</u>						
Operating Income (Loss)	\$ 2,848,897	(1,164,877)	583,424	(98,772)	2,168,672	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,623,684	1,203,546	366,047	21,537	3,214,814	-
Changes in operating assets and liabilities:						
(Increase) decrease in receivables	(333,574)	119,720	(137,828)	(15,614)	(367,296)	-
(Increase) decrease in inventory	(23,919)	21,902	-	-	(2,017)	-
Increase in other assets	2,904,569	556,652	-	-	3,461,221	-
Increase (decrease) in payables	106,377	291,162	(1,615)	(4,574)	391,350	-
Increase in due to other funds	-	23,648	50,920	521	75,089	-
Increase (decrease) in customer deposits	85,347	(556,652)	-	-	(471,305)	-
Increase in other liabilities	226,673	-	-	-	226,673	-
Total adjustments	4,589,157	1,659,978	277,524	1,870	6,528,529	-
Net cash provided by (used in) operating activities	\$ 7,438,054	495,101	860,948	(96,902)	8,697,201	-

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2014

	Employee Benefit Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	430,932
Cash - restricted	77,820	413,464
Due from other funds	-	71,050
Total Assets	77,820	915,446
<u>LIABILITIES</u>		
Due to other funds	-	192,514
Due to outside entities	-	594,641
Total Liabilities	-	787,155
<u>NET POSITION</u>		
Restricted - held in trust	\$ 77,820	128,291

See accompanying notes to the basic financial statements.

City of Starkville
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended September 30, 2014

	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, 2013	77,820
Net Position, September 30, 2014	\$ 77,820

See accompanying notes to the basic financial statements.

City of Starkville
Notes to the Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

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

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

A. Reporting Entity

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

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

Included within the reporting entity:

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

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

Excluded from the reporting entity:

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

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

B. Basic Financial Statements – Government-Wide Statements

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

C. Basic Financial Statements – Fund Financial Statements

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

1. Governmental Funds

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

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

2. Proprietary Funds

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

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

3. Fiduciary Funds

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

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

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

2. Inventory:

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

3. Capital Assets:

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

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

4. Revenues:

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

5. Expenditures:

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

6. Compensated Absences:

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

7. Interfund Activity:

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

8. Basis of Budgeting

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

9. Net Position

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

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

10. Fund Balance

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

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

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

- c. Committed fund balance** - amounts constrained for a specific purpose by an entity using its highest level of decision-making authority. It would require the same group to remove or change the constraints placed on the resources.

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

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

The City does not have any assigned assets.

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

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

11. Use of Estimates

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 2: Cash, Other Deposits, and Investments

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

The carrying amount of the City's deposits with financial institutions was \$5,825,601 on September 30, 2014, and the bank balance was \$7,701,423.

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, 2014, are:

	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 294,559	70,545
Proprietary Funds:		
Water & Sewer Department	-	29,216
Sanitation and Waste	-	69,104
Landfill	-	4,230
Fiduciary Funds:		
Payroll Clearing Fund	71,050	100,000
A/P Clearing Fund	-	829
Tax Collectors Fund	-	91,685
	\$ 365,609	365,609

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance				Balance
	October 1, 2013	Adjustments	Increases	Decreases	
Governmental Activities					
Non-depreciable					
Land	\$ 1,247,782	-	-	-	1,247,782
Construction in Progress	-	-	2,217,762	-	2,217,762
Total	1,247,782	-	2,217,762	-	3,465,544
Depreciable:					
Buildings	4,223,741	-	-	-	4,223,741
Building Improvements	-	-	-	-	-
Improvements other than buildings	49,757,548	-	-	-	49,757,548
Vehicles	4,506,778	(20,118)	29,500	-	4,516,160
Machinery and equipment	4,424,479	-	97,264	-	4,521,743
Total	62,912,546	(20,118)	126,764	-	63,019,192
Less accumulated depreciation					
Buildings	(1,737,371)	-	(103,654)	-	(1,841,025)
Building Improvements	-	-	-	-	-
Improvements other than buildings	(47,877,273)	-	(1,164,815)	-	(49,042,088)
Vehicles	(3,356,203)	20,118	(362,220)	-	(3,698,305)
Machinery and equipment	(3,593,105)	-	(154,569)	-	(3,747,674)
Total	(56,563,952)	20,118	(1,785,258)	-	(58,329,092)
Net book value	6,348,594	-	(1,658,494)	-	4,690,100
Internal Service Fund					
Total depreciable assets	141,729	-	-	(141,729)	-
Less accumulated depreciation	(91,340)	-	-	91,340	-
Internal Service Fund, net	50,389	-	-	(50,389)	-
Governmental Activities Capital Assets, net	\$ 7,646,765	-	559,268	(50,389)	8,155,644
Business-type Activities					
Non-depreciable					
Land - Starkville Electric	\$ 354,368	-	1,561	-	355,929
Land - Landfill	16,800	-	-	-	16,800
Land - Water	105,623	-	-	-	105,623
Construction in progress - Sk Elec	912,786	-	393,938	-	1,306,724
Construction in progress - Sk Sewer	261,990	(356,087)	929,339	-	835,242
Total	1,651,567	(356,087)	1,324,838	-	2,620,318
Depreciable					
Starkville Electric Property & equipment	43,467,847	(70,617)	2,163,866	(204,757)	45,356,339
Sanitation property & equipment	4,000,102	20,118	804,760	(297,730)	4,527,250
Landfill property & equipment	917,931	-	-	-	917,931
Water property & equipment	45,353,172	356,087	561,440	(11,407)	46,259,292
Total	93,739,052	305,588	3,530,066	(513,894)	97,060,812
Less accumulated depreciation					
Starkville Electric Property & Equipment	(15,299,905)	(109,516)	(1,647,322)	540,464	(16,516,279)
Sanitation property & equipment	(2,696,711)	(20,118)	(366,047)	74,730	(3,008,146)
Landfill property & equipment	(772,140)	-	(21,537)	-	(793,677)
Water property & equipment	(25,319,908)	-	(1,203,546)	11,407	(26,512,047)
Total	(44,088,664)	(129,634)	(3,238,452)	626,601	(46,830,149)
Net book value	49,650,388	175,954	291,614	112,707	50,230,663
Business-type Activities Capital Assets, net	\$ 51,301,955	(180,133)	1,616,452	112,707	52,850,981

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 4: Capital Assets (Continued)

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

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 18,958
Public safety - Police	207,748
Public safety - Fire	285,025
Highways and streets	1,223,425
Culture and recreation	<u>50,102</u>

Total governmental activities depreciation expense	<u>\$ 1,785,258</u>
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Business-type activities:

Electric	\$ 1,647,322
Water and sewer	1,203,546
Sanitation	366,047
Landfill	<u>21,537</u>

Total business-type activities depreciation expense	<u>\$ 3,238,452</u>
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Note 5: Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>October 1, 2013</u>			<u>September 30, 2014</u>	<u>Within One</u>
					<u>Year</u>
Governmental Activities					
General obligation bonds					
Parks and Recreation, Series 2007	\$ 4,250,000	-	220,000	4,030,000	230,000
Public Improvement, Series 2009	4,140,000	-	575,000	3,565,000	600,000
TIF Revenue Bonds, Series 2011	458,000	-	30,000	428,000	31,000
Notes payable					
Capital Improvements Revolving Loan	130,569	-	42,918	87,651	45,411
Capital Improvements Revolving Loan	114,682	-	43,940	70,742	46,492
Capital Improvements - Police Comm	41,132	-	30,651	10,481	10,481
Capital Improvements - Fire Comm	19,576	-	19,576	-	-
Capital Improvements - Fire Truck	286,431	-	91,253	195,178	95,414
Capital Improvements - Dump Truck	26,211	-	6,621	19,590	6,772
Capital Improvements - Police Cars	270,041	-	88,596	181,445	90,006
Capital Improvements - Ford F-350 Truck	38,402	-	7,405	30,997	7,540
Capital Improvements - Dump Truck	-	29,500	-	29,500	5,635
Compensated absences	655,207	-	52,548	602,659	-
Total	<u>\$ 10,430,251</u>	<u>29,500</u>	<u>1,208,508</u>	<u>9,251,243</u>	<u>1,168,751</u>

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 5: Long-Term Liabilities (Continued)

	Balance			Balance		Amount Due
	October 1, 2013	Additions	Reductions	September 30, 2014	Year	Within One
Business-type Activities						
Bonds and notes payable						
Electric System Bonds, Series 2001	2,210,000	-	245,000	1,965,000		250,000
Electric System Revenue Bonds, Series 2006	255,000	-	125,000	130,000		130,000
Electric System GO Refunding Bond, Series 2013	2,410,000	-	235,000	2,175,000		240,000
Drinking Water Improvements Revolving Loan	663,360	-	44,066	619,294		45,180
Water Pollution Control Revolving Loan	2,473,445	-	184,041	2,289,404		187,288
Water Pollution Control Revolving Loan	226,713	-	12,055	214,658		12,390
Drinking Water Improvements Revolving Loan	2,460,698	-	152,160	2,308,538		155,418
CAT D6R Lease	46,518	-	37,061	9,457		9,457
MDA Capital Improvements Loan	417,870	-	21,092	396,778		21,518
MDA Capital Improvements Loan	834,022	-	42,594	791,428		43,454
2011 International 7400 Trucks Lease	163,012	-	163,012	-		-
3 Garbage Trucks Lease	352,948	-	282,236	70,712		40,067
Grapple Truck Lease	90,310	-	31,277	59,033		31,925
4 Garbage Trucks Lease	-	804,760	-	804,760		106,668
2014 Vaccon Vacuum Truck Lease	-	327,402	31,208	296,194		59,939
Aquatech Sewer Jet Truck Lease	-	171,000	28,504	142,496		56,339
Electric Department - Digger Truck Lease	76,785	-	14,046	62,739		14,546
Electric Department - Bucket Truck Lease	112,547	-	20,228	92,319		20,947
Compensated absences	93,646	43,625	-	137,271		-
Total	<u>\$ 12,923,332</u>	<u>1,346,787</u>	<u>1,668,580</u>	<u>12,565,081</u>		<u>1,425,136</u>

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

The three outstanding issues of General Obligation Bonds are due in annual installments ranging from \$190,000 to \$400,000 each through various dates, the last of which is the year 2027. Interest rates range from 3.0% to 4.1%.

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

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 is fully funded at September 30, 2014.

Note 7: Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. 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 current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2014, 2013, and 2012 were \$1,374,488, \$1,267,463, and \$1,109,312, respectively, which equaled the required contributions for each year.

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 \$397,401 in 2014. The members, in addition to the City of Starkville, are Noxubee County, City of West Point, Clay County, City of Columbus, Lowndes County, City of Macon, Oktibbeha County, Webster County, City of Eupora, Choctaw County, and the Town of Ackerman. Because of the nature of the Authority's operations there is no determinable equity interest of the City of Starkville. The Authority is designed to generate revenues from its members in an amount adequate only to cover its operating costs. The Authority is audited separately and financial statements are available upon request.

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 9: Risk Management

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

Note 10: Property Tax

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

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

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

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

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

Delinquent taxes are not recorded as assets.

Note 11: Economic Development, Tourism, and Convention Tax

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

City of Starkville
Notes to the Basic Financial Statements (Continued)

Note 11: Economic Development, Tourism, and Convention Tax

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.

In the matter of Precision Construction, LLC v. City of Starkville, MS, there is a construction dispute over Precision Construction, LLC's alleged non-performance and the City's alleged non-payment relating to Precision Construction, LLC's work on the Carver Drive Drainage Improvement Project. Mediation is set for July 1, 2015, in an effort to resolve this dispute. Although a formal demand has not been made, it is anticipated that Precision Construction, LLC will demand damages in excess of \$100,000. The City will contest those damages and claim liquidated damages as a set off at mediation. As of the date of this report, it is difficult to predict whether a settlement will be reached and, if so, what the settlement amount would be. If the case does not settle at mediation, the City anticipates the matter to proceed to litigation. Whether through mediation or litigation, it is possible that the City could face damages in excess of \$100,000.

Note 13: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Starkville evaluated the activity of the City through June 30, 2015, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

City of Starkville
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>					
General property taxes	\$ 4,449,367	-	4,449,367	4,398,423	(50,944)
Licenses and permits	239,014	(21,880)	217,134	386,914	169,780
Intergovernmental					
Federal	258,101	775,042	1,033,143	380,895	(652,248)
State of Mississippi	6,995,925	322,250	7,318,175	7,164,596	(153,579)
Oktibbeha County and Mississippi State	859,028	-	859,028	866,383	7,355
Fines and forfeits	1,521,700	20,000	1,541,700	1,137,728	(403,972)
Interest income	30,000	-	30,000	19,321	(10,679)
Penalties and interest	95,000	-	95,000	9,989	(85,011)
Other revenues	2,148,818	265,796	2,414,614	2,187,115	(227,499)
Total Revenues before Prior Year Fund Balance	16,596,953	1,361,208	17,958,161	16,551,364	(1,406,797)
Prior year fund balance:					
Appropriated for current year budget	1,365,964	629,202	1,995,166	-	(1,995,166)
Total Revenues and Prior Year Fund Balance	17,962,917	1,990,410	19,953,327	16,551,364	(3,401,963)
<u>EXPENDITURES</u>					
General government	3,397,470	124,930	3,522,400	3,331,373	191,027
Public safety:					
Police	4,713,221	22,560	4,735,781	4,429,416	306,365
Fire	3,974,406	100	3,974,506	3,708,597	265,909
Public inspection	218,911	15,000	233,911	233,403	508
Civil defense	16,532	-	16,532	3,765	12,767
Other	-	-	-	1,161	(1,161)
Highways and streets	1,412,535	(10,500)	1,402,035	1,312,922	89,113
Health and sanitation	204,172	6,575	210,747	211,217	(470)
Culture and recreation	1,314,939	350,288	1,665,227	1,150,800	514,427
Conservation of natural resources	-	-	-	71,013	(71,013)
Other	-	-	-	43,477	(43,477)
Capital outlay - street improvements	1,845,700	(79,015)	1,766,685	542,783	1,223,902
Debt service:					
Principal	789,933	186,205	976,138	935,960	40,178
Interest	182,741	346,990	529,731	407,593	122,138
Total Expenditures	18,070,560	963,133	19,033,693	16,383,480	2,650,213
Excess (deficiency) of revenues over (under) expenditures	(107,643)	1,027,277	919,634	167,884	(751,750)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	46,000	-	46,000	34,178	(11,822)
Transfers out	-	-	-	(34,178)	(34,178)
Other financing sources (uses)	-	-	-	(21,150)	(21,150)
Net other financing sources (uses)	46,000	-	46,000	(21,150)	(67,150)
Excess of revenues and other sources over expenditures and other uses	(61,643)	1,027,277	965,634	146,734	(818,900)
Fund balances, October 1, 2013 (Non-GAAP budgetary basis)	4,021,355		5,160,051	2,769,716	(2,390,335)
Less budgeted fund balance	(1,365,964)	(629,202)	(1,995,166)	-	1,995,166
Fund balances, September 30, 2014 (Non-GAAP budgetary basis)	\$ 2,593,748		4,130,519	2,916,450	(1,214,069)

OTHER SUPPLEMENTAL INFORMATION

City of Starkville
Combining Balance Sheet by Activity
General Fund
September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Task Force Operations	Airport Activities	Subtotal	Eliminating Entries	Total General Fund
<u>Assets</u>									
Cash and cash equivalents	\$ 1,790,246	-	-	-	25,937	294,346	2,110,529		2,110,529
Cash - restricted	-	43,091	91,282	-	-	-	134,373		134,373
Receivables (Net)									
Accounts	756,449	-	-	-	-	225	756,674		756,674
Other	12,587	-	-	-	-	-	12,587		12,587
Due from other departments	257,387	-	-	-	-	-	257,387		257,387
Due from other funds	294,559	-	-	-	-	-	294,559		294,559
Inventory	19,034	-	-	-	-	-	19,034		19,034
Total Assets	<u>\$ 3,130,262</u>	<u>43,091</u>	<u>91,282</u>	<u>-</u>	<u>25,937</u>	<u>294,571</u>	<u>3,585,143</u>	<u>-</u>	<u>3,585,143</u>
<u>Liabilities</u>									
Accounts payable	\$ 538,021	4,784	-	-	-	55,344	598,149		598,149
Due to other funds	70,544	-	-	-	-	-	70,544		70,544
Total Liabilities	<u>608,565</u>	<u>4,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,344</u>	<u>668,693</u>	<u>-</u>	<u>668,693</u>
<u>Fund Equity</u>									
Fund balances - nonspendable	19,034	-	-	-	-	-	19,034		19,034
Fund balances - restricted									
Restricted for fire protection	-	-	91,282	-	-	-	91,282		91,282
Restricted for police protection	-	38,307	-	-	25,937	-	64,244		64,244
Restricted for airport projects	-	-	-	-	-	239,227	239,227		239,227
Fund balances - unassigned	2,502,663	-	-	-	-	-	2,502,663		2,502,663
Total Fund Equity	<u>2,521,697</u>	<u>38,307</u>	<u>91,282</u>	<u>-</u>	<u>25,937</u>	<u>239,227</u>	<u>2,916,450</u>	<u>-</u>	<u>2,916,450</u>
Total Liabilities and Fund Equity	<u>\$ 3,130,262</u>	<u>43,091</u>	<u>91,282</u>	<u>-</u>	<u>25,937</u>	<u>294,571</u>	<u>3,585,143</u>	<u>-</u>	<u>3,585,143</u>

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
<u>Revenues</u>							
Taxes							
General property taxes	\$ 4,398,423						4,398,423
Licenses and permits							
Privilege license	41,367						41,367
Permits and inspections	311,349						311,349
Franchise fees	34,198						34,198
Intergovernmental							
Federal							
DUI	177,400						177,400
FAA						49,103	49,103
Safe routes grant	12,915						12,915
Brownfield grant	66,586						66,586
Homeland security grant	74,891						74,891
State of Mississippi							
General sales tax	6,155,389						6,155,389
Liquor licenses	56,013						56,013
Municipal aid - gas tax	19,042						19,042
Law enforcement assistance grants	12,345						12,345
Fire protection grants	9,016		130,182				139,198
Municipal aid	26,107						26,107
Homestead	164,521						164,521
Tennessee Valley Authority	393,184						393,184
Housing Authority	39,443						39,443
MDOT grant	16,568					83,507	100,075
Miscellaneous	59,279						59,279
Oktibbeha County and Mississippi State							
Road maintenance	562,783						562,783
Airport support	8,073					42,670	50,743

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Fire control	233,617						233,617
Lieu of tax	19,240						19,240
Fines and forfeits	1,137,728						1,137,728
Interest income	19,321						19,321
Penalties and interest	9,989						9,989
Miscellaneous							
Administration/Electric	1,355,000						1,355,000
Mississippi Valley Gas	109,921						109,921
Rents	16,680					102,117	118,797
TV Cable Franchise	216,401						216,401
Administration/Water	200,000						200,000
Telephone Utility Tax	45,830						45,830
Other	113,120	15,252				12,794	141,166
Total Revenues	<u>16,115,739</u>	<u>15,252</u>	<u>130,182</u>	<u>-</u>	<u>-</u>	<u>290,191</u>	<u>16,551,364</u>
<u>Expenditures</u>							
General government:							
Legislative							
Personnel services	164,085						164,085
Contractual services	28,616						28,616
Total Legislative	<u>192,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,701</u>

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Judicial							
Personnel services	370,857						370,857
Supplies	11,412						11,412
Contractual services	18,457						18,457
Capital outlay	3,020						3,020
Total Judicial	<u>403,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,746</u>
Executive							
Personnel services	351,059						351,059
Supplies	4,328						4,328
Contractual services	86,252						86,252
Capital outlay	33,849						33,849
Total Executive	<u>475,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,488</u>
City Clerk and Tax Collector							
Personnel services	324,083						324,083
Contractual services	87,291						87,291
Total City Clerk and Tax Collector	<u>411,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,374</u>
Legal							
Personnel services	63,243						63,243
Contractual services	192,627						192,627
Total Legal	<u>255,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,870</u>
City Planner							
Personnel services	106,865						106,865
Supplies	2,528						2,528
Contractual services	37,328						37,328

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Capital outlay	4,453						4,453
Total City Planner	151,174	-	-	-	-	-	151,174
Other Administrative							
Personnel services	106,803						106,803
Supplies	10,342						10,342
Contractual services	562,239						562,239
Capital outlay	980						980
Total Other Administrative	680,364	-	-	-	-	-	680,364
City Hall							
Personnel services	31,305						31,305
Supplies	7,370						7,370
Contractual services	42,987						42,987
Total City Hall	81,662	-	-	-	-	-	81,662
Other Miscellaneous							
Personnel services	157,421					39,961	197,382
Supplies	2,123					6,744	8,867
Contractual services	74,804					163,048	237,852
Capital outlay	-					234,893	234,893
Total Other Miscellaneous	234,348	-	-	-	-	444,646	678,994
 Total General Government	 2,886,727	 -	 -	 -	 -	 444,646	 3,331,373
Public Safety							
Public Safety - Police and E911							
Personnel services	3,493,603						3,493,603
Supplies	520,115	8,050					528,165
Contractual services	401,046	1,501					402,547
Capital outlay	2,333	2,768					5,101
Total Public Safety - Police and E911	4,417,097	12,319	-	-	-	-	4,429,416

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Public Safety - Fire							
Personnel services	3,203,303						3,203,303
Supplies	116,969		229				117,198
Contractual services	312,586						312,586
Capital outlay	75,510						75,510
Total Public Safety - Fire	<u>3,708,368</u>	<u>-</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,708,597</u>
Public Safety - Public Inspection							
Personnel services	212,132						212,132
Supplies	7,698						7,698
Contractual services	13,573						13,573
Total Public Safety - Public Inspection	<u>233,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,403</u>
Public Safety - Civil Defense							
Contractual services	3,765						3,765
Total Public Safety - Civil Defense	<u>3,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,765</u>
Public Safety - Other							
Capital outlay	1,161						1,161
Total Public Safety - Other	<u>1,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,161</u>
Total Public Safety	<u>8,363,794</u>	<u>12,319</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,376,342</u>
Highways and Streets							
City Streets							
Personnel services	532,990						532,990
Supplies	135,795						135,795
Contractual services	94,474						94,474
Capital outlay	64,328						64,328
Total City Streets	<u>827,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827,587</u>

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Street Lights							
Contractual services	485,335						485,335
Total Street Lights	485,335	-	-	-	-	-	485,335
Total Highways and Streets	1,312,922	-	-	-	-	-	1,312,922
Health and Sanitation							
Health and welfare - animals							
Personnel services	78,828						78,828
Supplies	5,103						5,103
Contractual services	21,286						21,286
Transfer to Humane Society	106,000						106,000
Total Health and Welfare - Animals	211,217	-	-	-	-	-	211,217
Total Health and Sanitation	211,217	-	-	-	-	-	211,217
Culture and Recreation							
Parks and Recreation							
Personnel services	-						
Contractual services	40,000						40,000
Library	170,400						170,400
Transfer to Parks and Rec	940,400						940,400
Total Parks and Recreation	1,150,800	-	-	-	-	-	1,150,800
Total Culture and Recreation	1,150,800	-	-	-	-	-	1,150,800
Conservation of Natural Resources							
Contractual services	68,577						68,577
Capital Outlay	2,436						2,436
Total Conservation of Natural Resources	71,013	-	-	-	-	-	71,013
Debt Service							
Principal	844,707		91,253				935,960
Interest	394,532		13,061				407,593
Total Debt Service	1,239,239	-	104,314	-	-	-	1,343,553

City of Starkville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance by Activity
General Fund
For the Year Ended September 30, 2014

	General Activities	Restricted Police Activities	Restricted Fire Activities	Parks and Recreation Activities	Multi-Unit Drug Task Force Operations	Airport Activities	Total
Miscellaneous							
Capital outlay - street improvements	542,783						542,783
Other miscellaneous	43,477						43,477
Total Miscellaneous	586,260	-	-	-	-	-	586,260
Total Expenditures	15,821,972	12,319	104,543	-	-	444,646	16,383,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	293,767	2,933	25,639	-	-	(154,455)	167,884
<u>Other Financing Sources (Uses)</u>							
Operating transfers in	-					34,178	34,178
Operating transfers out	(31,928)					(2,250)	(34,178)
Transfers to other departments	(50,650)						(50,650)
Inception of capital leases	29,500						29,500
Total Other Financing Sources (Uses)	(53,078)	-	-	-	-	31,928	(21,150)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	240,689	2,933	25,639	-	-	(122,527)	146,734
<u>Fund Balances</u>							
September 30, 2013	2,371,245	35,374	65,643	(291,223)	25,937	361,754	2,568,730
Prior period adjustment	-	-	-	291,223	-	-	291,223
Reclassification of assets	(90,237)	-	-	-	-	-	(90,237)
September 30, 2014	\$ 2,521,697	38,307	91,282	-	25,937	239,227	2,916,450

City of Starkville
Balance Sheet - Non-Major Governmental Funds
September 30, 2014

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ (10,080)	-	2,658	(7,422)
Cash - restricted	3,264	472,587	546,631	1,022,482
Receivables (Net)				
Other	95	86,364	-	86,459
Notes receivable (Net)	41,699	-	-	41,699
	<u>34,978</u>	<u>558,951</u>	<u>549,289</u>	<u>1,143,218</u>
Total Assets	<u>\$ 34,978</u>	<u>558,951</u>	<u>549,289</u>	<u>1,143,218</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 20,134	474,190	8,031	502,355
Other liabilities	6,444	-	-	6,444
	<u>26,578</u>	<u>474,190</u>	<u>8,031</u>	<u>508,799</u>
Total Liabilities	<u>26,578</u>	<u>474,190</u>	<u>8,031</u>	<u>508,799</u>
<u>FUND BALANCES</u>				
Fund balances - restricted				
Restricted for police protection	3,264	-	-	3,264
Restricted for debt service	-	84,761	-	84,761
Restricted for capital projects	-	-	538,600	538,600
Fund balances - unassigned	5,136	-	2,658	7,794
	<u>8,400</u>	<u>84,761</u>	<u>541,258</u>	<u>634,419</u>
Total Fund Balances	<u>8,400</u>	<u>84,761</u>	<u>541,258</u>	<u>634,419</u>
Total Liabilities and Fund Balances	<u>\$ 34,978</u>	<u>558,951</u>	<u>549,289</u>	<u>1,143,218</u>

City of Starkville
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Funds
For the Year Ended September 30, 2014

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>Revenues</u>				
Intergovernmental:				
Federal	\$ 2,633	-	-	2,633
Special 2% Tax	-	-	659,094	659,094
Property tax revenue		695,816	-	695,816
Interest income	7	1,134	6	1,147
Miscellaneous income	54,118	-	-	54,118
Total Revenues	<u>56,758</u>	<u>696,950</u>	<u>659,100</u>	<u>1,412,808</u>
<u>Expenditures</u>				
Debt Service:				
Principal	-	605,000	220,000	825,000
Interest	-	112,583	159,430	272,013
Capital outlay	4,033	-	260,149	264,182
Miscellaneous	63,934	481,855	1,940	547,729
Total Expenditures	<u>67,967</u>	<u>1,199,438</u>	<u>641,519</u>	<u>1,908,924</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,209)</u>	<u>(502,488)</u>	<u>17,581</u>	<u>(496,116)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(11,209)</u>	<u>(502,488)</u>	<u>17,581</u>	<u>(496,116)</u>
<u>Fund Balances</u>				
September 30, 2013	19,609	587,249	525,572	1,132,430
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,895)</u>	<u>(1,895)</u>
September 30, 2014	<u>\$ 8,400</u>	<u>\$ 84,761</u>	<u>\$ 541,258</u>	<u>\$ 634,419</u>

City of Starkville
Statement of Net Position - Non-Major Enterprise Funds
9/30/2014

	Sanitary Landfill Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 16,129
Accounts receivables, net	56,533
Other receivables, net	860
Total current assets	73,522
Non-current assets:	
Capital assets:	
Fixed assets, net of depreciation	141,054
Total non-current assets	141,054
Total Assets	214,576
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	2,019
Accrued liabilities	5,496
Due to other funds	4,230
Notes payable, current	9,457
Total current liabilities	21,202
Non-current liabilities:	
Notes payable, non-current	-
Total non-current liabilities	-
Total Liabilities	21,202
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	131,597
Unrestricted	61,777
Total net position	\$ 193,374

City of Starkville
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Non-Major Enterprise Funds
For the Year Ended September 30, 2014

	Sanitary Landfill Fund
<u>OPERATING REVENUES</u>	
Charges for services	\$ 105,072
Total operating revenues	<u>105,072</u>
<u>OPERATING EXPENSES</u>	
Operating and maintenance	182,307
Depreciation	<u>21,537</u>
Total operating expenses	<u>203,844</u>
Operating loss	<u>(98,772)</u>
<u>NON-OPERATING EXPENSES</u>	
Interest and fiscal charges	(17,554)
Other expenses	<u>(30)</u>
Total non-operating expenses	<u>(17,584)</u>
Income before transfers	(116,356)
Transfers in	<u>102,261</u>
Change in net position	(14,095)
Total net position, beginning	<u>207,469</u>
Total net position, ending	<u><u>\$ 193,374</u></u>

City of Starkville
Statement of Cash Flows - Non-Major Enterprise Funds
For the Year Ended September 30, 2014

	Sanitary Landfill Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 89,458
Cash paid to employees	(104,162)
Cash paid to suppliers	(82,198)
Net cash flows from operating activities	(96,902)
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in	102,261
Net cash flows from noncapital financing activities	102,261
<u>Cash Flows from Capital and Related Financing Activities</u>	
Payment of debt	(37,061)
Payment of interest	(17,554)
Other payments	(30)
Net cash flows from capital and related financing activities	(54,645)
<u>Cash Flows from Investing Activities</u>	
Receipt of interest	-
Net cash flows from investing activities	-
Net change in cash	(49,286)
Cash and cash equivalents, October 1, 2013	65,415
Cash and cash equivalents, September 30, 2014	\$ 16,129
<u>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:</u>	
Operating loss	\$ (98,772)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	21,537
Changes in operating assets and liabilities:	
Increase in receivables	(15,614)
Decrease in payables	(4,574)
Increase in due to other funds	521
Total adjustments	1,870
Net cash used in operating activities	\$ (96,902)

City of Starkville
Schedule of Surety Bonds for Municipal Officials
September 30, 2014

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

City of Starkville
Schedule of Bonded Indebtedness
September 30, 2014

<u>Name and Date</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2013</u>	<u>Transactions</u>		<u>Balance 9/30/2014</u>
				<u>Issued</u>	<u>Redeemed</u>	
General Obligation Bonds						
Governmental Activities:						
Parks and Recreation, Series 2007	3/1/2014	3.87	220,000	-	220,000	-
	3/1/2015	3.87	230,000	-	-	230,000
	3/1/2016	3.87	240,000	-	-	240,000
	3/1/2017	3.87	255,000	-	-	255,000
	3/1/2018	3.87	265,000	-	-	265,000
	Thereafter	3.87	<u>3,040,000</u>	<u>-</u>	<u>-</u>	<u>3,040,000</u>
Total			<u>4,250,000</u>	<u>-</u>	<u>220,000</u>	<u>4,030,000</u>
Public Improvement, Series 2009	4/1/2014	3.00	575,000	-	575,000	-
	4/1/2015	3.00	600,000	-	-	600,000
	4/1/2016	3.00	620,000	-	-	620,000
	4/1/2017	3.00	640,000	-	-	640,000
	4/1/2018	3.00	665,000	-	-	665,000
	Thereafter	3.00	<u>1,040,000</u>	<u>-</u>	<u>-</u>	<u>1,040,000</u>
Total			<u>4,140,000</u>	<u>-</u>	<u>575,000</u>	<u>3,565,000</u>
TIF Revenue Bonds, Series 2011	5/1/2014	4.25	30,000	-	30,000	-
	5/1/2015	4.25	31,000	-	-	31,000
	5/1/2016	4.25	32,000	-	-	32,000
	5/1/2017	4.50	34,000	-	-	34,000
	5/1/2018	4.50	35,000	-	-	35,000
	Thereafter	4.50 - 5.00	<u>296,000</u>	<u>-</u>	<u>-</u>	<u>296,000</u>
Total			<u>458,000</u>	<u>-</u>	<u>30,000</u>	<u>428,000</u>
Total Bond Liability, Governmental Activities			<u>8,848,000</u>	<u>-</u>	<u>825,000</u>	<u>8,023,000</u>
Business-type Activities:						
GO Utility Refunding Bonds, Series 2011	4/1/2014	4.50	245,000	-	245,000	-
	4/1/2015	4.60	250,000	-	-	250,000
	4/1/2016	4.60	260,000	-	-	260,000
	4/1/2017	4.625	270,000	-	-	270,000
	4/1/2018	4.50	280,000	-	-	280,000
	Thereafter	4.50	<u>905,000</u>	<u>-</u>	<u>-</u>	<u>905,000</u>
Total			<u>2,210,000</u>	<u>-</u>	<u>245,000</u>	<u>1,965,000</u>
Electric System Revenue Bonds, Series 2006	11/1/2013	4.00	125,000	-	125,000	-
	11/1/2014	4.00	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Total			<u>255,000</u>	<u>-</u>	<u>125,000</u>	<u>130,000</u>
GO Utility Refunding Bonds, Series 2013	6/30/2014	2.00	235,000	-	235,000	-
	6/30/2015	2.00	240,000	-	-	240,000
	6/30/2016	2.00	380,000	-	-	380,000
	6/30/2017	2.00	395,000	-	-	395,000
	6/30/2018	2.00	400,000	-	-	400,000
	Thereafter	2.00	<u>760,000</u>	<u>-</u>	<u>-</u>	<u>760,000</u>
Total			<u>2,410,000</u>	<u>-</u>	<u>235,000</u>	<u>2,175,000</u>
Total Bond Liability, Business-type Activities			<u>4,875,000</u>	<u>-</u>	<u>605,000</u>	<u>4,270,000</u>
Total Bond Liability			<u>13,723,000</u>	<u>-</u>	<u>1,430,000</u>	<u>12,293,000</u>

City of Starkville
Schedule of Long-Term Notes
September 30, 2014

Payee	Maturity Date	Interest Percent	Balance 10/1/2013	Transactions		Balance 9/30/2014
				Issued	Redeemed	
Notes Payable						
Governmental Activities:						
Capital Improvements - Fire Truck	FY14	4.47%	91,253	-	91,253	-
	FY15	4.47%	95,414	-	-	95,414
	FY16	4.47%	99,764	-	-	99,764
Total			286,431	-	91,253	195,178
Capital Improvements Revolving Loan	FY14	5.66%	42,918	-	42,918	-
	FY15	5.66%	45,411	-	-	45,411
	FY16	5.66%	42,240	-	-	42,240
Total			130,569	-	42,918	87,651
Capital Improvements Revolving Loan	FY14	5.66%	43,940	-	43,940	-
	FY15	5.66%	46,492	-	-	46,492
	FY16	5.66%	24,250	-	-	24,250
Total			114,682	-	43,940	70,742
Capital Improvements - Police Comm	FY14	3.84%	30,651	-	30,651	-
	FY15	3.84%	10,481	-	-	10,481
Total			41,132	-	30,651	10,481
Capital Improvements - Fire Comm	FY14	3.84%	19,576	-	19,576	-
Total			19,576	-	19,576	-
Capital Improvements - Dump Truck	FY14	2.25%	6,621	-	6,621	-
	FY15	2.25%	6,772	-	-	6,772
	FY16	2.25%	6,926	-	-	6,926
	FY17	2.25%	5,892	-	-	5,892
Total			26,211	-	6,621	19,590
Capital Improvements - Police Cars	FY14	1.58%	88,596	-	88,596	-
	FY15	1.58%	90,006	-	-	90,006
	FY16	1.58%	91,439	-	-	91,439
Total			270,041	-	88,596	181,445
Capital Improvements - Ford F350	FY14	1.81%	7,405	-	7,405	-
	FY15	1.81%	7,540	-	-	7,540
	FY16	1.81%	7,678	-	-	7,678
	FY17	1.81%	7,818	-	-	7,818
	FY18	1.81%	7,961	-	-	7,961
Total			38,402	-	7,405	30,997
Capital Improvements - Dump Truck	FY15	2.27%	-	5,635	-	5,635
	FY16	2.27%	-	5,765	-	5,765
	FY17	2.27%	-	5,897	-	5,897
	FY18	2.27%	-	6,032	-	6,032
	FY19	2.27%	-	6,171	-	6,171
Total			-	29,500	-	29,500
Total Notes Payable, Governmental Activities			\$ 927,044	\$ 29,500	\$ 330,960	\$ 625,584

City of Starkville
Schedule of Long-Term Notes
September 30, 2014

<u>Pavee</u>	<u>Maturity Date</u>	<u>Interest Percent</u>	<u>Balance 10/1/2013</u>	<u>Transactions</u>		<u>Balance 9/30/2014</u>
				<u>Issued</u>	<u>Redeemed</u>	
Business-type activities:						
Water Pollution Control	FY14	1.75%	184,041	-	184,041	-
Revolving Loan	FY15	1.75%	187,288	-	-	187,288
	FY16	1.75%	190,591	-	-	190,591
	FY17	1.75%	193,954	-	-	193,954
	FY18	1.75%	197,375	-	-	197,375
	Thereafter	1.75%	1,520,196	-	-	1,520,196
Total			2,473,445	-	184,041	2,289,404
Drinking Water Systems	FY14	2.50%	44,066	-	44,066	-
Improvements Revolving Loan	FY15	2.50%	45,180	-	-	45,180
	FY16	2.50%	46,323	-	-	46,323
	FY17	2.50%	47,494	-	-	47,494
	FY18	2.50%	48,695	-	-	48,695
	Thereafter	2.50%	431,602	-	-	431,602
Total			663,360	-	44,066	619,294
Water Pollution Control	FY14	2.75%	12,055	-	12,055	-
Revolving Loan	FY15	2.75%	12,390	-	-	12,390
	FY16	2.75%	12,735	-	-	12,735
	FY17	2.75%	13,090	-	-	13,090
	FY18	2.75%	13,455	-	-	13,455
	Thereafter	2.75%	162,989	-	-	162,989
Total			226,714	-	12,055	214,659
MDA Capital Improvements Loan	FY14	2.00%	42,594	-	42,594	-
	FY15	2.00%	43,454	-	-	43,454
	FY16	2.00%	44,331	-	-	44,331
	FY17	2.00%	45,226	-	-	45,226
	FY18	2.00%	46,138	-	-	46,138
	Thereafter	2.00%	612,279	-	-	612,279
Total			834,022	-	42,594	791,428
Drinking Water Systems	FY14	2.12%	152,160	-	152,160	-
Improvements Revolving Loan	FY15	2.12%	155,418	-	-	155,418
	FY16	2.12%	158,745	-	-	158,745
	FY17	2.12%	162,143	-	-	162,143
	FY18	2.12%	165,614	-	-	165,614
	Thereafter	2.12%	1,666,618	-	-	1,666,618
Total			2,460,698	-	152,160	2,308,538
CAT D6R Lease	FY14	3.27%	37,061	-	37,061	-
	FY15	3.27%	9,456	-	-	9,456
Total			46,517	-	37,061	9,456
MDA Capital Improvements Loan	FY14	2.00%	21,092	-	21,092	-
Prom Note #07-347-CP-01	FY15	2.00%	21,518	-	-	21,518
	FY16	2.00%	21,953	-	-	21,953
	FY17	2.00%	22,396	-	-	22,396
	FY18	2.00%	22,848	-	-	22,848
	Thereafter	2.00%	308,063	-	-	308,063
Total			417,870	-	21,092	396,778

City of Starkville
Schedule of Long-Term Notes
September 30, 2014

Payee	Maturity Date	Interest Percent	Balance 10/1/2013	Transactions		Balance 9/30/2014
				Issued	Redeemed	
2011 International 7400 Trucks Lease	FY14	3.19%	163,012	-	163,012	-
Total			163,012	-	163,012	-
3 Garbage Trucks Lease	FY14	2.24%	282,236	-	282,236	-
	FY15	2.24%	40,067	-	-	40,067
	FY16	2.24%	30,645	-	-	30,645
Total			352,948	-	282,236	70,712
Grapple Truck Lease	FY14	2.05%	31,277	-	31,277	-
	FY15	2.05%	31,925	-	-	31,925
	FY16	2.05%	27,108	-	-	27,108
Total			90,310	-	31,277	59,033
Excavator Lease	FY14	3.50%	15,956	-	15,956	-
	FY15	3.50%	16,351	-	-	16,351
	FY16	3.50%	4,151	-	-	4,151
Total			36,458	-	15,956	20,502
4 Garbage Trucks Lease	FY15	2.46%	-	106,668	-	106,668
	FY16	2.46%	-	109,321	-	109,321
	FY17	2.46%	-	112,040	-	112,040
	FY18	2.46%	-	114,827	-	114,827
	FY19	2.46%	-	117,683	-	117,683
	Thereafter	2.46%	-	244,221	-	244,221
Total			-	804,760	-	804,760
Vacuum Truck Lease	FY14	2.09%	-	31,208	31,208	-
	FY15	2.09%	-	59,939	-	59,939
	FY16	2.09%	-	61,204	-	61,204
	FY17	2.09%	-	62,495	-	62,495
	FY18	2.09%	-	63,814	-	63,814
	Thereafter	2.09%	-	48,742	-	48,742
Total			-	327,402	31,208	296,194
Sewer Jet Truck Lease	FY14	2.09%	-	28,504	28,504	-
	FY15	2.09%	-	56,339	-	56,339
	FY16	2.09%	-	57,216	-	57,216
	FY17	2.09%	-	28,941	-	28,941
Total			-	171,000	28,504	142,496
Digger Truck Lease	FY14	3.50%	14,047	-	14,047	-
	FY15	3.50%	14,546	-	-	14,546
	FY16	3.50%	15,064	-	-	15,064
	FY17	3.50%	15,738	-	-	15,738
	FY18	3.50%	16,513	-	-	16,513
	Thereafter	3.50%	877	-	-	877
Total			76,785	-	14,047	62,738
Bucket Truck Lease	FY14	3.50%	20,228	-	20,228	-
	FY15	3.50%	20,947	-	-	20,947
	FY16	3.50%	21,691	-	-	21,691
	FY17	3.50%	22,652	-	-	22,652
	FY18	3.50%	23,627	-	-	23,627
	Thereafter	3.50%	3,402	-	-	3,402
Total			112,547	-	20,228	92,319
Total Notes Payable, Business-type Activities			\$ 7,954,686	\$ 1,303,162	\$ 1,079,537	\$ 8,178,311
Total Notes Payable			\$ 8,881,730	\$ 1,332,662	\$ 1,410,497	\$ 8,803,895

City of Starkville
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

<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 Federal-State Programs:		
Community Development Block Grants	14.228	1,248,890
Home Investment Partnerships Program	14.239	2,633
Total U.S. Department of Housing and Urban Development		<u>1,251,523</u>
<u>U.S. Department of Justice</u>		
Passed-through Federal-State Programs:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,114
Total U.S. Department of Justice		<u>3,114</u>
<u>U. S. Department of Transportation</u>		
Direct Programs:		
Airport Improvement Program (ARRA)	20.106	39,408
Passed through Federal-State Programs:		
Highway Planning and Construction (ARRA)	20.205	56,645
State and Community Highway Safety	20.600	23,299
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	146,601
Occupant Protection Incentive Grants	20.602	7,500
Total U. S. Department of Transportation		<u>273,453</u>
<u>U.S. Environmental Protection Agency:</u>		
Direct Programs:		
Brownfields Assessment and Cleanup Cooperative Agreements (ARRA)	66.818	66,586
Total U.S. Environmental Protection Agency		<u>66,586</u>
<u>U.S. Department of Homeland Security</u>		
Passed through Federal-State Programs:		
Hazard Mitigation Grant	97.039	71,777
Total U.S. Department of Homeland Security		<u>71,777</u>
<u>Total Expenditures of Federal Awards</u>		<u>\$ 1,666,453</u>

Notes to Schedule

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

COMPLIANCE SECTION

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



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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starkville, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Starkville, Mississippi’s basic financial statements and have issued our report thereon dated June 30, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies (Findings 2014-01 and 2014-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Starkville, Mississippi’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Starkville, Mississippi’s Response to Findings

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

Purpose of this Report

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

Starkville, Mississippi
June 30, 2015

Watkins Ward and Stafford, P.C.

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



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
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Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Starkville, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Starkville, Mississippi's major federal programs for the year ended September 30, 2014. The City of Starkville, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Starkville, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Starkville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Starkville, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Starkville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Starkville, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Starkville, Mississippi's internal control over compliance.

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

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

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

Starkville, Mississippi
June 30, 2015

Watkins Ward and Stafford, PLLC

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



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

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

We have audited the financial statements of the City of Starkville, Mississippi, as of and for the year ended September 30, 2014, and have issued our report thereon dated June 30, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our tests and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Findings:

In violation of Mississippi Code Section 21-15-33, the City’s minutes of board meetings were not signed by the mayor or majority of the board within 30 days of the meeting. In violation of Mississippi Code Section 17-17-348, the City did not publish an itemized report of all revenues, costs and expenses incurred by the municipality during fiscal year 2014 in operating the garbage or rubbish collection or disposal system. In violation of Mississippi Code Sections 21-3-5, 21-15-23, and 45-5-9, there were instances where required personnel were not fully covered by appropriate surety bonds during fiscal year 2014.

Recommendations:

To comply with applicable state statutes, the City should have the minutes of board meetings signed by the mayor or majority of the board within 30 days of the meeting, the City should publish an itemized report of all revenues, costs and expenses incurred by the municipality for each fiscal year in operating the garbage or rubbish collection or disposal system, and the City should have all required personnel covered by appropriate surety bonds.

Response:

The board has been made aware of these violations of state statutes.

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

Starkville, Mississippi
June 30, 2015

Watkins Ward and Stafford, P.C.

SCHEDULE OF FINDINGS

**City of Starkville
Schedule of Findings
For the Year Ended September 30, 2014**

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Starkville, Mississippi.
2. The audit of the financial statements did not disclose any material weaknesses in internal control.
3. No instances of noncompliance material to the financial statements of the City of Starkville, Mississippi were disclosed during the audit.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. The auditors' report on compliance for the major federal award programs for the City of Starkville, Mississippi expresses an unqualified opinion on all major federal programs.
6. The audit did disclose significant deficiencies in internal control which are required to be reported in accordance with Government Auditing Standards.
7. The program tested as major program was the Community Development Block Program CFDA # 14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Starkville, Mississippi was determined to be a low-risk auditee.

Section 2: Findings Relating to the Financial Statements

- 2014-01 Finding: The accounts payable and payroll liabilities as reported in the general ledger do not reconcile to the subsidiary ledgers.
- Recommendation: The accounts payable and payroll liabilities as reported in the general ledger should be reconciled monthly to the subsidiary ledgers.
- Response: The accounts payable and payroll clerks will reconcile the accounts payable and payroll liabilities as reported in the general ledger to the subsidiary ledgers on a monthly basis.

City of Starkville
Schedule of Findings (Continued)
For the Year Ended September 30, 2014

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

2014-02 Finding: The City does not have adequate internal controls over the bank account reconciliations process. There were instances where outstanding items were duplicated in the accounting system causing the bank account reconciliations to be incorrect.

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

Response: The City Clerk, Lesa Hardin, will review, date and initial all bank reconciliations on a monthly basis.