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# CITY OF KOSCIUSKO

*Mayor*  
Jimmy W. Cockroft

*City Clerk*  
Hart Pettit

*Aldermen*  
Henry Daniel  
Robert Ellis  
Tim Kyle  
Jeffery Woods

March 17, 2016

MS Department of Audit  
Attn: Tom Chain  
P.O. Box 956  
Jackson, MS 39205

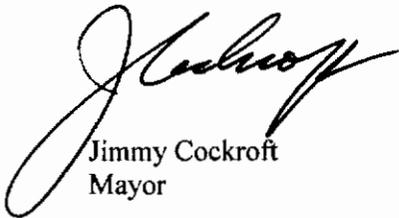
RE: CITY OF KOSCIUSKO AUDIT

Eddie:

Enclosed please find two copies of the City of Kosciusko Audit for the fiscal year ending September 30, 2015. The Audit was conducted by Windham & Lacey LLP and accepted by the Board of Aldermen on March 16, 2016. The Audit includes the Kosciusko Water & Light Financial Statements.

Please contact me if further information is needed.

Sincerely,



Jimmy Cockroft  
Mayor

Enclosure

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**CITY OF KOSCIUSKO**

**Audited Financial Statements  
And  
Special Reports**

**For the Year Ended September 30, 2015**

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# CITY OF KOSCIUSKO

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1-2
BASIC FINANCIAL STATEMENTS .....	3
Government-wide Financial Statements	
Statement of Net Position .....	4-5
Statement of Activities .....	6-7
Fund Financial Statements	
Governmental Funds:	
Balance Sheet .....	8
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position .....	9
Statement of Revenues, Expenditures and Changes in	
Fund Balances .....	10
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities .....	11
Proprietary Funds and Discretely Presented Component Unit:	
Statement of Net Position .....	12
Statement of Revenues, Expenses and Changes in Fund Net Position .....	13
Statement of Cash Flows .....	14-15
Notes to Financial Statements .....	16-38
REQUIRED SUPPLEMENTARY INFORMATION .....	39
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)	
General Fund .....	40
Schedule of Pension Contributions - PERS .....	41
Schedule of Proportionate Share of the Net Pension Liability - PERS .....	42
Notes to the Required Supplementary Information .....	43-44
SUPPLEMENTAL INFORMATION .....	45
Schedule of Surety Bonds for Municipal Officials .....	46
SPECIAL REPORTS .....	47
Independent Auditor's Report on Internal Control Over Financial	
Reporting and on Compliance and Other Matters Based on an	
Audit of the Basic Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i> .....	48-49
Independent Auditor's Report on Compliance with State Laws	
and Regulations .....	50
SCHEDULE OF FINDINGS AND RESPONSES .....	51-52

# Windham and Lacey, PLLC

*Certified Public Accountants*

2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and  
Members of the Board of Aldermen  
City of Kosciusko, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kosciusko, as of and for the year ended September 30, 2015, 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 an opinion 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 *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 opinion.

## 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kosciusko as of September 30, 2015, and the respective changes in financial position and 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, the Budgetary Comparison Schedule, the Schedule of the City's Contributions - PERS, the Schedule of the City's Proportionate Share of the Net Pension Liability - PERS, and corresponding notes 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 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.

### *Omission of Required Supplementary Information*

The City of Kosciusko has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

The Schedule of Surety Bonds for Municipal Officials for the City of Kosciusko has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of the City of Kosciusko'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 the 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 the City of Kosciusko's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
December 23, 2015

**CITY OF KOSCIUSKO**

**BASIC FINANCIAL STATEMENTS**

**The basic financial statements included 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) Fund**

**In addition, the Notes to the Financial Statements are included to provide information that is essential to the user's understanding of the basic financial statements.**

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City of Kosciusko  
Statement of Net Position  
September 30, 2015

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 2,482,920	1,550,320	4,033,240	544,884
Property tax receivable	1,162,000	117,000	1,279,000	
Fines receivable, net	238,723		238,723	
Accounts receivable, net				1,298,867
Interest receivable				4,536
Intergovernmental receivables	343,917	21,824	365,741	
Other receivables	12,648		12,648	
Inventory, at cost				382,618
Prepaid expenses				31,991
Total current assets	<u>4,240,208</u>	<u>1,689,144</u>	<u>5,929,352</u>	<u>2,262,896</u>
<b>Noncurrent Assets:</b>				
Note receivable	329,190		329,190	
<b>Designated Cash:</b>				
Customer deposits				305,710
Property, plant, equipment replacement				242,197
<b>Designated investments:</b>				
Customer deposits				231,138
Property, plant, equipment replacement				5,298,155
Capital assets, net	<u>6,238,688</u>	<u>5,760,850</u>	<u>11,999,538</u>	<u>6,742,376</u>
Total noncurrent assets	<u>6,567,878</u>	<u>5,760,850</u>	<u>12,328,728</u>	<u>12,819,576</u>
Total Assets	<u>\$ 10,808,086</u>	<u>7,449,994</u>	<u>18,258,080</u>	<u>15,082,472</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	\$ 914,280	81,261	995,541	535,821
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Claims payable	61,943	4,574	66,517	465,845
Accrued payroll				38,732
Intergovernmental payable				42,135
Compensated absences payable	56,448	6,652	63,100	40,442
Current portion of long-term debt	320,556	49,011	369,567	
Total current liabilities	<u>438,947</u>	<u>60,237</u>	<u>499,184</u>	<u>587,154</u>
<b>Noncurrent Liabilities:</b>				
Customer deposits				536,848
Net pension liability	5,550,876	493,369	6,044,245	3,110,156
Long-term liabilities	2,803,242	633,675	3,436,917	
Total noncurrent liabilities	<u>8,354,118</u>	<u>1,127,044</u>	<u>9,481,162</u>	<u>3,647,004</u>
Total Liabilities	<u>8,793,065</u>	<u>1,187,281</u>	<u>9,980,346</u>	<u>4,234,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax for future periods	<u>1,162,000</u>	<u>117,000</u>	<u>1,279,000</u>	<u>0</u>

(Continued)

City of Kosciusko  
Statement of Net Position  
September 30, 2015

Exhibit 1 (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,114,890	5,078,164	8,193,054	6,742,376
Restricted for:				
Property, plant and equipment replacement				5,540,352
Customer deposits				536,848
Public safety	337,831		337,831	
Public works	922,279		922,279	
Capital projects	(28,613)		(28,613)	
Unrestricted	<u>(2,579,086)</u>	<u>1,148,810</u>	<u>(1,430,276)</u>	<u>(1,435,441)</u>
 Total Net Position	 <u>\$ 1,767,301</u>	 <u>6,226,974</u>	 <u>7,994,275</u>	 <u>11,384,135</u>

The notes to the financial statements are an integral part of this statement.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
<b>Functions/Programs</b>								
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 683,806				(683,806)			
Public safety	2,739,365	318,562	169,509	40,275	(2,211,019)		(683,806)	
Public works	977,369	300	30,686	242,967	(703,416)		(2,211,019)	
Health and welfare	410,062	42,706	55,997	91,173	(220,186)		(703,416)	
Culture and recreation	504,263	18,715			(485,548)		(220,186)	
Economic development and assistance	282,363				(282,363)		(485,548)	
Interest on long-term debt	89,719				(89,719)		(282,363)	
Total Governmental Activities	5,686,947	380,283	256,192	374,415	(4,676,057)	0	(89,719)	
<b>Business-type Activities:</b>								
Waste water	635,945	541,108				(94,837)		
Solid waste	644,286	574,108				(70,178)		
Total Business-type Activities	1,280,231	1,115,216	0	0	0	(165,015)		
Total Primary Government	\$ 6,967,178	1,495,499	256,192	374,415	(4,676,057)	(165,015)	(94,837)	
<b>Component Unit:</b>								
Kosciusko Light and Water Plant	\$ 7,931,751	8,007,519					70,446	
Total Component Unit	\$ 7,931,715	8,007,519	0	0	0	0	70,446	

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(Continued)

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

Exhibit 2 (Continued)

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	
General Revenues and Transfers				
Taxes:				
Property taxes	1,370,785	133,286	1,504,071	
Sales tax	2,076,821		2,076,821	
Franchise taxes	91,318		91,318	
Grants and contributions not otherwise restricted	10,605		10,605	
Unrestricted investment income	11,946	5,774	17,720	45,608
Miscellaneous	31,175		31,175	3,610
Transfers	418,400	49,000	467,400	(467,400)
Total General Revenues and Transfers	4,011,050	188,060	4,199,110	(418,182)
Change in Net Position	(665,007)	23,045	(641,962)	(342,414)
Net Position - Beginning	6,526,916	6,567,863	13,094,779	13,978,157
Prior period adjustment	(4,094,608)	(363,934)	(4,458,542)	(2,251,608)
Net Position - Restated	2,432,308	6,203,929	8,636,237	11,726,549
Net Position - Ending	1,767,301	6,226,974	7,994,275	11,384,135

The notes to the financial statements are an integral part of this statement.

City of Kosciusko  
 Balance Sheet  
 Governmental Funds  
 September 30, 2015

Exhibit 3

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,411,934	95,860	975,126	2,482,920
Property tax receivable	957,000	205,000		1,162,000
Fines receivable, net	238,723			238,723
Intergovernmental receivables	333,652	2,416	7,849	343,917
Note receivable			329,190	329,190
Due from other funds	72,729			72,729
Other receivables	12,648			12,648
<b>Total Assets</b>	<b>\$ 3,026,686</b>	<b>303,276</b>	<b>1,312,165</b>	<b>4,642,127</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 21,933	32,071	7,939	61,943
Due to other funds			72,729	72,729
<b>Total Liabilities</b>	<b>21,933</b>	<b>32,071</b>	<b>80,668</b>	<b>134,672</b>
Deferred Inflows of Resources:				
Property tax for future periods	957,000	205,000	0	1,162,000
<b>Total Deferred Inflows of Resources</b>	<b>957,000</b>	<b>205,000</b>	<b>0</b>	<b>1,162,000</b>
Fund Balances:				
Unassigned	2,047,753			2,047,753
Committed:				
Public works			143,782	143,782
Economic development			144,574	144,574
Restricted:				
Public safety			337,831	337,831
Public works			590,183	590,183
Culture & recreation			15,127	15,127
Debt service		66,205		66,205
<b>Total Fund Balances</b>	<b>2,047,753</b>	<b>66,205</b>	<b>1,231,497</b>	<b>3,345,455</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,026,686</b>	<b>303,276</b>	<b>1,312,165</b>	<b>4,642,127</b>

The notes to the financial statements are an integral part of this statement.

**City of Kosciusko**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**September 30, 2015**

**Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 3,345,455
Amounts reported for governmental services in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets are used in governmental activities, are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	6,238,688
Deferred outflows of resources - deferred outflows - pension	914,280
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(5,550,876)
Long-term liabilities	(3,123,798)
Compensated absences	<u>(56,448)</u>
Total net position - Governmental Activities (Exhibit 1)	\$ <u>1,767,301</u>

The notes to the financial statements are an integral part of this statement.

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

**Exhibit 4**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>				
Property taxes	\$ 1,152,619	227,476		1,380,095
Franchise fees	91,318			91,318
Licenses and permits	28,481			28,481
Fines and forfeitures	164,147			164,147
Intergovernmental revenues	2,102,877		573,472	2,676,349
Charges for services	72,893		165,770	238,663
Interest income	4,627	454	6,865	11,946
Miscellaneous	18,473		2,076	20,549
<b>Total Revenues</b>	<u>3,635,435</u>	<u>227,930</u>	<u>748,183</u>	<u>4,611,548</u>
<b>EXPENDITURES</b>				
Current:				
General government	668,201			668,201
Public safety	1,878,512		344,924	2,223,436
Public works	534,603		245,140	779,743
Health and welfare	298,774		73,169	371,943
Culture and recreation	418,006		42,386	460,392
Urban and economic development	81,890		200,473	282,363
Debt service:				
Principal retirement		297,539		297,539
Interest and fiscal charges		107,833		107,833
<b>Total Expenditures</b>	<u>3,879,986</u>	<u>405,372</u>	<u>906,092</u>	<u>5,191,450</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(244,551)</u>	<u>(177,442)</u>	<u>(157,909)</u>	<u>(579,902)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued			338,519	338,519
Transfers in	392,400	117,712	153,068	663,180
Transfers out	(186,068)		(58,712)	(244,780)
<b>Total Other Financing Sources and Uses</b>	<u>206,332</u>	<u>117,712</u>	<u>432,875</u>	<u>756,919</u>
<b>Net Change in Fund Balances</b>	<u>(38,219)</u>	<u>(59,730)</u>	<u>274,966</u>	<u>177,017</u>
<b>Fund Balances - Beginning</b>	<u>2,085,972</u>	<u>125,935</u>	<u>956,531</u>	<u>3,168,438</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,047,753</u>	<u>66,205</u>	<u>1,231,497</u>	<u>3,345,455</u>

The notes to the financial statements are an integral part of this statement.

**City of Kosciusko**

**Exhibit 4-1**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2015**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$ 177,017
Amounts reported for governmental activities in the 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 allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$369,901 exceeded capital outlays of \$104,797 in the current period.	(265,104)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the basis of assets disposed.	(8,018)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$294,389 and amortization of bond premium of \$18,236 exceeded debt proceeds of \$338,519.	(25,894)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Pension expense	(541,976)
Change in compensated absences	(1,032)
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u>(665,007)</u>

The notes to the financial statements are an integral part of this statement.

City of Kosciusko  
Statement of Net Position  
Proprietary Funds and Discretely Presented Component Unit  
September 30, 2015

**Exhibit 5**

	Waste Water	Solid Waste	Total	Component Unit Kosciusko Light and Water Plant
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,245,880	304,440	1,550,320	544,884
Property tax receivable		117,000	117,000	
Accounts receivable, net				1,298,867
Interest receivable				4,536
Intergovernmental receivable		21,824	21,824	
Inventory, at cost				382,618
Prepaid expenses				31,991
Total current assets	<u>1,245,880</u>	<u>443,264</u>	<u>1,689,144</u>	<u>2,262,896</u>
Noncurrent assets:				
Designated cash:				
Customer deposits				305,710
Property, plant, equipment replacement				242,197
Designated investments:				
Customer deposits				231,138
Property, plant, equipment replacement				5,298,155
Capital assets, net	5,681,431	79,419	5,760,850	6,742,376
Total noncurrent assets	<u>5,681,431</u>	<u>79,419</u>	<u>5,760,850</u>	<u>12,819,576</u>
Total Assets	<u>\$ 6,927,311</u>	<u>522,683</u>	<u>7,449,994</u>	<u>15,082,472</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	\$ 44,616	36,645	81,261	535,821
<b>LIABILITIES</b>				
Current Liabilities:				
Claims payable	4,574		4,574	465,845
Accrued payroll				38,732
Deferred revenue		117,000	117,000	
Intergovernmental payable				42,135
Compensated absences payable	2,858	3,794	6,652	40,442
Current portion of long-term debt	49,011		49,011	
Total current liabilities	<u>56,443</u>	<u>120,794</u>	<u>177,237</u>	<u>587,154</u>
Noncurrent Liabilities:				
Customer deposits				536,848
Net pension liability	270,886	222,483	493,369	3,110,156
Long-term liabilities	633,675		633,675	
Total noncurrent liabilities	<u>904,561</u>	<u>222,483</u>	<u>1,127,044</u>	<u>3,647,004</u>
Total Liabilities	<u>961,004</u>	<u>343,277</u>	<u>1,304,281</u>	<u>4,234,158</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,998,745	79,419	5,078,164	6,742,376
Restricted for:				
Property, plant and equipment replacement				5,540,352
Customer deposits				536,848
Unrestricted	1,012,178	136,632	1,148,810	(1,435,441)
Total Net Position	<u>\$ 6,010,923</u>	<u>216,051</u>	<u>6,226,974</u>	<u>11,384,135</u>

The notes to the financial statements are an integral part of this statement.

**City of Kosciusko**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds and Discretely Presented Component Unit**  
**For the Year Ended September 30, 2015**

Exhibit 6

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
<b>OPERATING REVENUES</b>				
Water sales	\$			1,068,582
Electric sales				6,742,343
Sewer charges	538,608		538,608	
Other charges for services		574,108	574,108	196,594
Total Operating Revenues	<u>538,608</u>	<u>574,108</u>	<u>1,112,716</u>	<u>8,007,519</u>
<b>COST OF PRODUCTION</b>				
Water				514,143
Electric				5,487,099
Garbage collection fees		434,866	434,866	
Total Cost of Production	<u>0</u>	<u>434,866</u>	<u>434,866</u>	<u>6,001,242</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	117,868	88,388	206,256	419,275
Employee benefits	68,197	56,267	124,464	717,449
Supplies	12,396	2,332	14,728	26,576
General and administration	149,431	31,173	180,604	216,405
Depreciation expense	195,614	13,003	208,617	465,053
Maintenance and repairs	74,284	18,695	92,979	85,751
Total Operating Expenses	<u>617,790</u>	<u>209,858</u>	<u>827,648</u>	<u>1,930,509</u>
Operating Income (Loss)	<u>(79,182)</u>	<u>(70,616)</u>	<u>(149,798)</u>	<u>75,768</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Tap fees	2,500		2,500	3,300
Interest income	4,887	1,084	5,971	45,608
Interest expense and fiscal fees	(17,717)		(17,717)	
Property taxes		133,286	133,286	
Gain on sale of assets		(197)	(197)	310
Transfers in (out)	50,000	(1,000)	49,000	(467,400)
Total Nonoperating Revenue (Expenses)	<u>39,670</u>	<u>133,173</u>	<u>172,843</u>	<u>(418,182)</u>
Change in Net Position	(39,512)	62,557	23,045	(342,414)
Total Net Position - Beginning	6,250,254	317,609	6,567,863	13,978,157
Prior period adjustment	(199,819)	(164,115)	(363,934)	(2,251,608)
Total Net Position - Ending	<u>\$ 6,010,923</u>	<u>216,051</u>	<u>6,226,974</u>	<u>11,384,135</u>

The notes to the financial statements are an integral part of this statement.

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City of Kosciusko  
Statement of Cash Flows  
Proprietary Funds and Discretely Presented Component Unit  
For the Year Ended September 30, 2015

Exhibit 7

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 538,608	574,108	1,112,716	7,984,712
Payments to suppliers	(280,127)	(519,181)	(799,308)	(6,670,118)
Payments to employees	(120,518)	(88,772)	(209,290)	(419,275)
Net Cash Provided (Used) by Operating Activities	<u>137,963</u>	<u>(33,845)</u>	<u>104,118</u>	<u>895,319</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund transactions	68,610	9,221	77,831	(467,400)
Property tax receipts		133,286	133,286	
Other receipts	2,500		2,500	3,300
Net Cash Provided (Used) by Noncapital Financing Activities	<u>71,110</u>	<u>142,507</u>	<u>213,617</u>	<u>(464,100)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(2,555)		(2,555)	(460,984)
Principal paid on long-term debt	(47,802)	(3,299)	(51,101)	
Gain (Loss) on sale of assets				307
Interest expense paid	(17,717)		(17,717)	
Net Cash Provided (Used) by Capital Financing Activities	<u>(68,074)</u>	<u>(3,299)</u>	<u>(71,373)</u>	<u>(460,677)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments				(182,442)
Interest on investments	4,887	1,084	5,971	45,682
Net Cash Provided From Investing Activities	<u>4,887</u>	<u>1,084</u>	<u>5,971</u>	<u>(136,760)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>145,886</u>	<u>106,447</u>	<u>252,333</u>	<u>(166,218)</u>
Restricted - customer deposits				290,665
Restricted - equipment replacement				441,500
Unrestricted	1,099,994	197,997	1,297,991	511,799
Cash and Cash Equivalents - Beginning of Year	<u>1,099,994</u>	<u>197,997</u>	<u>1,297,991</u>	<u>1,243,964</u>
Restricted - customer deposits				305,710
Restricted - equipment replacement				242,197
Unrestricted	1,245,880	304,444	1,550,324	544,884
Cash and Cash Equivalents - End of Year	<u>\$ 1,245,880</u>	<u>304,444</u>	<u>1,550,324</u>	<u>1,092,791</u>

(Continued)

City of Kosciusko  
Statement of Cash Flows  
Proprietary Funds and Discretely Presented Component Unit  
For the Year Ended September 30, 2015

Exhibit 7 (Continued)

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (79,182)	(70,616)	(149,798)	75,768
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	195,614	13,003	208,617	465,053
Change in assets and liabilities:				
(Increase) decrease in intergovernmental receivables		1,571	1,571	
(Increase) decrease in accounts receivable				(22,807)
(Increase) decrease in inventory				(8,329)
(Increase) decrease in prepaid expenses				(4,545)
Increase (decrease) in claims payable	(4,728)	(1,162)	(5,890)	67,452
Increase (decrease) in compensated absences payable	(192)	1,636	1,444	
Increase (decrease) in net pension liability	26,451	21,723	48,174	322,727
Total adjustments	<u>217,145</u>	<u>36,771</u>	<u>253,916</u>	<u>819,551</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 137,963</u>	<u>(33,845)</u>	<u>104,118</u>	<u>895,319</u>

The notes to the financial statements are an integral part of this statement.

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## City of Kosciusko

### Notes to Financial Statements For the Year Ended September 30, 2015

#### 1. Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

The City of Kosciusko (City) was incorporated in 1834 under the laws of the State of Mississippi (State) and is located within the central region of the State. The City operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and sanitation, recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statements of City of Kosciusko, Mississippi, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the City 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. Based on these criteria, the following entities should be combined with the financial statements of the City:

##### Blended Component Units

The Kosciusko/Attala County Airport was established by an inter-local agreement between Attala County, Mississippi and the City of Kosciusko, Mississippi. Although the airport is a legally separate entity, the City of Kosciusko is responsible for the operation of the Airport, which is thus included as a blended component unit. The E-911 Fund is also a blended component unit.

##### Discretely Presented Component Unit

Kosciusko Light and Water Plant – The utility operates under a municipal public utility commission established under Section 21-27-13 of the Mississippi Code. The commission is composed of five members appointed by the City's Board of Aldermen. The authority of the commission is defined in Section 21-27-17 of the Mississippi Code. The utility provides services to the citizens of the City.

##### B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. *Governmental Fund Types.*

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds).

2. *Proprietary Fund Types.*

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the City's Proprietary Fund Type:

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 (expenses, including depreciation) 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. Operating revenue and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or related services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.**

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for financial resources to be used for debt service.

The City reports the following major Proprietary Funds:

The *Waste Water Fund* accounts for the activities of the waste water system.

The *Solid Waste Fund* accounts for the activities of the solid waste system.

The City's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

**D. Assets, Liabilities and Net Position or Equity.**

*1. Deposits.*

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the city did not invest in any governmental securities during the fiscal year.

*2. Receivables.*

Receivables are reported net of allowances for uncollectible accounts, where applicable.

*3. Interfund Transactions and Balances.*

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between governmental funds have been eliminated.

*4. Restricted Assets.*

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

*5. Inventory.*

Inventory is valued at cost. The inventory in the Light and Water Enterprise Fund of \$362,618 consists of expendable supplies held for consumption. Governmental fund types, which had no material inventory at September 30, 2015, use the purchase method which expenses inventory when purchased.

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

6. *Capital Assets.*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Kosciusko meets this criteria and has so elected. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A half year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	1,000	5-10 years
Furniture and equipment	1,000	3-7 years

In the fund financial statements, capital assets are recorded as expenditures in the governmental type funds upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in government-wide statements.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

Property tax for future periods – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

8. *Compensated Absences.*

Employees receive vacation days annually on their anniversary dates of hire. The vacation days must be used before their next anniversary date or they are lost.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours and compensatory hours are multiplied by the employee's hourly rate at September 30, 2015.

9. *Long-term Obligations.*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, if any are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Equity Classifications.*

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of "restricted" or "net investment in capital assets."

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Non-spendable** - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has no fund balance reported in this category.

**Restricted** - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The City has \$1,009,346 reported as restricted fund balances.

**Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The City has \$288,356 reported as committed fund balances.

**Assigned** - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the City. The City has no fund balance reported in this category.

**Unassigned** - Includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

12. *Estimates.*

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

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

13. *Intergovernmental Revenues in Governmental Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**E. Stewardship, Compliance and Accountability.**

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
2. Prior to October 1, the budget is legally enacted through passage of an order.
3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
5. Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. 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 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.

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

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.

Attala County collects the City's property taxes.

**2. Detailed Notes on all Funds.**

**A. Cash and Investments.**

At year-end, the City's carrying amount of cash and investments was \$4,033,240 and the bank balance was \$4,106,799. For the discretely-presented component unit, Kosciusko Light and Water Plant, the carrying amount of cash and investments at year-end was \$6,622,084 and the bank balance was \$6,717,581. 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.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

At September 30, 2015, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$5,771,490 at September 30, 2015. All of the certificates of deposits had a maturity of less than one year. Certificates of deposit with maturities of 30 days or less are reported as cash in the financial statements. Certificates of deposit with maturities greater than 30 days are presented as investments. The City does not have a written policy in regard to investments.

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

**B. Receivables.**

Receivables as of year-end for the City's individual major funds, proprietary funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Proprietary Funds	Component Unit
	General	Debt Service	Other	Total		Kosciusko Light and Water Plant
Receivables:						
Property taxes	\$ 957,000	205,000		1,162,000	117,000	
Fines receivable	1,193,613			1,193,613		
Accounts						1,312,679
Sales tax	331,683			331,683		
Other governmental	1,969	2,416	7,849	12,234	21,824	
Interest						4,536
Other	12,648			12,648		
Note			329,190	329,190		
Due from other funds	72,729			72,729		
Gross receivables	2,569,642	207,416	337,039	3,114,097	138,824	1,317,215
Less: allowance for uncollectibles	(954,890)			(954,890)		(13,812)
Net total receivables	\$ <u>1,614,752</u>	<u>207,416</u>	<u>337,039</u>	<u>2,159,207</u>	<u>138,824</u>	<u>1,303,403</u>

**C. Capital Assets.**

Capital assets activity for the year ended September 30, 2015, are as follows:

Primary Government

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,334,609			1,334,609
Total capital assets, not being depreciated	<u>1,334,609</u>	<u>0</u>	<u>0</u>	<u>1,334,609</u>
Capital assets, being depreciated:				
Buildings	2,779,375	78,375		2,857,750
Improvements other than buildings	4,004,958			4,004,958
Machinery and equipment	2,986,514	26,422	(64,587)	2,948,349
Equipment under capital lease	258,202			258,202
Total capital assets being depreciated	<u>10,029,049</u>	<u>104,797</u>	<u>(64,587)</u>	<u>10,069,259</u>
Less: Accumulated depreciation for:				
Buildings	955,973	54,805		1,010,778
Improvements other than buildings	1,328,775	130,597		1,459,372
Machinery and equipment	2,388,866	110,044	(56,569)	2,442,341
Equipment under capital lease	178,234	74,455		252,689
Total accumulated depreciation	<u>4,851,848</u>	<u>369,901</u>	<u>(56,569)</u>	<u>5,165,180</u>
Total capital assets, being depreciated, net	<u>5,177,201</u>	<u>(265,104)</u>	<u>(8,018)</u>	<u>4,904,079</u>
Governmental activities capital assets, net	\$ <u>6,511,810</u>	<u>(265,104)</u>	<u>(8,018)</u>	<u>6,238,688</u>

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 626,928			626,928
Total capital assets, not being depreciated	<u>626,928</u>	<u>0</u>	<u>0</u>	<u>626,928</u>
Capital assets, being depreciated:				
Buildings	146,181			146,181
Machinery & equipment	1,260,960	2,555	(101,027)	1,162,488
Wastewater system	7,484,642			7,484,642
Improvements other than buildings	9,947			9,947
Equipment under capital lease	74,950			74,950
Total capital assets, being depreciated	<u>8,976,680</u>	<u>2,555</u>	<u>(101,027)</u>	<u>8,878,208</u>
Less: Accumulated depreciation:				
Buildings	117,369	5,511		122,880
Machinery & equipment	1,034,979	41,940	(100,830)	976,089
Wastewater system	2,447,222	154,420		2,601,642
Improvements other than buildings	9,947			9,947
Equipment under capital lease	26,982	6,746		33,728
Total accumulated depreciation	<u>3,636,499</u>	<u>208,617</u>	<u>(100,830)</u>	<u>3,744,286</u>
Total capital assets, being depreciated, net	<u>5,340,181</u>	<u>(206,062)</u>	<u>(197)</u>	<u>5,133,922</u>
Business-type activities capital assets, net	<u>\$ 5,967,109</u>	<u>(206,062)</u>	<u>(197)</u>	<u>5,760,850</u>
Discretely-presented component unit:				
	Beginning Balance	Increases	Decreases	Ending Balance
Discretely-presented component unit:				
Capital assets, not being depreciated:				
Land	\$ 51,944			51,944
Total capital assets, not being depreciated	<u>51,944</u>	<u>0</u>	<u>0</u>	<u>51,944</u>
Capital assets, being depreciated:				
Buildings	740,435	302,714		1,043,149
Machinery and equipment	1,697,281	40,247	(12,976)	1,724,552
Water and electric system	14,016,249	118,027		14,134,276
Total capital assets, being depreciated	<u>16,453,965</u>	<u>460,988</u>	<u>(12,976)</u>	<u>16,901,977</u>
Less: Accumulated depreciation	<u>9,759,467</u>	<u>465,053</u>	<u>(12,975)</u>	<u>10,211,545</u>
Total capital assets, being depreciated, net	<u>6,694,498</u>	<u>(4,065)</u>	<u>(1)</u>	<u>6,690,432</u>
Business-type activities capital assets, net	<u>\$ 6,746,442</u>	<u>(4,065)</u>	<u>(1)</u>	<u>6,742,376</u>

Adjustments are made for equipment transferred when construction projects are completed.

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**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

Depreciation expense was charged to the following functions:

Governmental activities:		
General government	\$	28,303
Public safety		182,503
Public works		126,496
Health and welfare		392
Culture and recreation		<u>32,207</u>
Total depreciation expense - governmental activities	\$	<u>369,901</u>
Business-type activities:		
Waste water	\$	195,614
Solid waste		<u>13,003</u>
Total depreciation expense - business-type activities	\$	<u>208,617</u>
Discretely-presented component unit:		
Water and electric system	\$	<u>465,053</u>
Total depreciation expense - business-type activities	\$	<u>465,053</u>

**D. Notes Receivable.**

The City received a HOME grant that was approved as a loan to Kosciusko Apartments, LP, for construction of 12 three-bedroom apartments. A promissory note in the amount of \$307,050 has been signed by the entity. Interest will accrue at the rate of 1 percent per annum on the principal amount outstanding from November 1, 2008, until paid in full on or before November 30, 2046. Promisor shall make equal annual installments on the amount commencing October 31, 2008, equal to the lesser of one-half the net cash flow, after payment of expenses and senior indebtedness or the amount necessary to amortize principal over the remaining term of the promissory note in equal annual installments together with unpaid installments. The City will use repaid HOME funds for future housing projects. The City did not receive payments on this loan for the year ended September 30, 2015, because Kosciusko Apartments, LP had negative cash flow for the year ended September 30, 2015. The note receivable balance at September 30, 2015, including accrued interest, is \$329,190.

**E. Interfund Transactions.**

The following schedule as of September 30, 2015, represents interfund receivables and payables:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ <u>72,729</u>
Total		\$ <u>72,729</u>

Interfund payables are primarily related to grant activity.

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

The composition of interfund transfers as of September 30, 2015, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
<b>Governmental funds:</b>		
General Fund	Solid waste	\$ 1,000
General Fund	Waste water	40,000
General Fund	Discretely-presented component unit	347,400
General Fund	Other governmental funds	4,000
Debt service	General Fund	25,000
Debt service	Other governmental funds	62,712
Debt service	Waste water	30,000
Other governmental funds	General Fund	<u>161,068</u>
<b>Total governmental funds</b>		<b>\$ <u>671,180</u></b>
<b>Proprietary funds:</b>		
Debt service	Waste water	\$ 30,000
Waste water	Discretely-presented component unit	120,000
General Fund	Solid waste	1,000
General Fund	Waste water	<u>40,000</u>
<b>Total proprietary funds</b>		<b>\$ <u>191,000</u></b>
<b>Discretely presented component unit:</b>		
Waste water	Discretely-presented component unit	\$ 120,000
General Fund	Discretely-presented component unit	<u>347,400</u>
<b>Total discretely presented component unit</b>		<b>\$ <u>467,400</u></b>

The purpose of these transfers was routine allocations between funds, transfers for debt service and operating transfers from component unit.

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

**F. Leases.**

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in both the governmental-type and business-type funds. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Effective Interest Rate</u>	<u>Outstanding Present Value</u>
Governmental Activities:				
E911 equipment	\$ 225,623	6/13/2013	2.03%	\$ 126,975
Cardiac monitor	<u>12,254</u>	9/12/2012	2.75%	<u>3,190</u>
Total Governmental Activities	<u>\$ 237,877</u>			<u>\$ 130,165</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2016	\$ 50,809
2017	47,532
2018	<u>35,650</u>
Total minimum lease payments	133,991
Less: amount representing interest	<u>(3,827)</u>
Present value of minimum lease payments	<u>\$ 130,165</u>

City of Kosciusko

Notes to Financial Statements  
For the Year Ended September 30, 2015

**G. Long-term Debt.**

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
\$2,630,000 bonds due in annual installments ranging from \$75,000 to \$315,000 through May, 2025, plus interest of 1.55 percent to 3.5 percent, payable on May 1 and November 1 of each year, beginning November 1, 2013	1.55% - 3.50%	2,475,000
		<u>\$ 2,475,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 250,000	64,141
2017	260,000	55,391
2018	275,000	46,291
2019	280,000	36,666
2020	295,000	26,866
2021-2025	<u>1,115,000</u>	<u>57,362</u>
Total	<u>\$ 2,475,000</u>	<u>286,717</u>

City of Kosciusko

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

Loans Payable

The City has received several loans to finance various projects including building acquisition and waste water system improvements. Two of these loans are made under state programs. The loan from Mississippi Department of Environmental Quality has federal participation. There was one new loan made during the current year. Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities		
State of Mississippi Capital Improvement (CAP)	3.0%	\$ 440,524
<b>Total Governmental Activities</b>		<b>\$ 440,524</b>
Business-type Activities		
State of Mississippi Department of Environmental Quality revolving loan	2.50	\$ 682,686
<b>Total Business-type Activities</b>		<b>\$ 682,686</b>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 22,027	
2017	22,027	
2018	22,027	
2019	22,027	
2020	22,026	
2021-2025	110,130	
2026-2030	110,130	
2031-2035	110,130	
<b>Total</b>	<b>\$ 440,524</b>	<b>0</b>

<u>Year Ending September 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 49,011	16,508
2017	50,250	15,269
2018	51,522	13,997
2019	52,824	12,695
2020	54,160	11,359
2021-2025	292,050	35,545
2026-2028	132,869	3,629
<b>Total</b>	<b>\$ 682,686</b>	<b>109,002</b>

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

**Changes in Long-term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 2,710,000		235,000	2,475,000	250,000
Capital leases	177,691		47,526	130,165	48,529
Other loans	<u>113,878</u>	<u>338,509</u>	<u>11,863</u>	<u>440,524</u>	<u>22,027</u>
	3,001,569	338,509	294,389	3,045,689	320,556
Add premium on refunded bond	<u>96,345</u>		<u>18,236</u>	<u>78,109</u>	
Total	<u>3,097,914</u>	<u>338,509</u>	<u>312,625</u>	<u>3,123,798</u>	<u>320,556</u>
Compensated absences	<u>55,416</u>	<u>1,032</u>		<u>56,448</u>	
Total	\$ <u>3,153,330</u>	<u>339,541</u>	<u>312,625</u>	<u>3,180,246</u>	<u>320,556</u>
 <b>Business-type Activities:</b>					
Compensated absences	\$ 5,208	1,443		6,651	
Capital leases	3,299		3,299		
Loans payable	<u>730,488</u>		<u>47,802</u>	<u>682,686</u>	<u>49,011</u>
Total	\$ <u>738,995</u>	<u>1,443</u>	<u>51,101</u>	<u>689,337</u>	<u>49,011</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Waste Water Fund and Solid Waste Fund.

**Prior Year Defeasance of Debt**

In fiscal year 2013, the city issued bonds to refund all or a portion of two earlier issues. Each of the bonds refunded had a call provision to allow the city to pay off the outstanding debt of the two issues. A portion of the proceeds was transferred to a trust account to pay the debt when future call provisions were exercised. Accordingly, the trust assets and the liability for the defeased bonds are not included in the city's financial statements. As of September 30, 2015, \$1,525,000 of Series 2008, G.O. bonds outstanding are considered defeased.

**H. Deficit Fund Balance.**

The waste tire grant fund, airport grant fund and the capital projects grant fund had a deficit fund balance of \$3,208, \$25,113 and \$47,503, respectively, at September 30, 2015. These deficits will be eliminated in the fiscal year ending September 30, 2016, as grant revenue is received.

**3. Other Information.**

**A. Contingencies.**

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

## City of Kosciusko

### Notes to Financial Statements For the Year Ended September 30, 2015

The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the City with respect to the various proceedings; however, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

The City of Kosciusko has entered into joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. The City was subject to assessment for the year ended September 30, 2014. No assessment was made or is probable for the year ended September 30, 2015.

#### **B. Defined Benefit Pension Plan.**

##### **General Information about the Pension Plan**

Defined Benefit Pension Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. The City of Kosciusko and Kosciusko Water & Light contribute 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, local school districts, counties and municipalities. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years of the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The rate at June/September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Kosciusko's employer contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$386,839, \$384,586, and \$340,578, respectively, equal to the required contributions for each year.

The Kosciusko Water & Light's employer contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$198,366, \$197,025, and \$161,046, respectively, equal to the required contributions for each year.

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

At September 30, 2105, the City of Kosciusko reported a liability of \$6,044,245 and Kosciusko Water & Light reported a liability of \$3,110,155, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's and component unit's proportion of the net pension liability was based on a projection of the city's and component unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the city's proportion was .039101 percent, which was a decrease of 0.000799 from its proportion measured as of June 30, 2014. At June 30, 2015, the component unit's proportion was .020120 percent, which was a decrease of 0.000053 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City of Kosciusko and Kosciusko Water & Light recognized pension expense of \$692,942 and \$368,016, respectively.

At September 30, 2015, the City of Kosciusko and Kosciusko Water & Light reported as components of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF KOSCIUSKO	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 93,018	
Net difference between projected and actual earnings on pension plan investments	353,653	
Changes in assumptions	520,691	
Changes in proportion and differences between entity contributions and proportionate share of contributions	(74,603)	
Entity contributions subsequent to the measurement date	102,781	
Total	\$ 995,540	0

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

KOSCIUSKO WATER & LIGHT	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 47,864	
Net difference between projected and actual earnings on pension plan investments	181,977	
Changes in assumptions	267,929	
Changes in proportion and differences between entity contributions and proportionate share of contributions	(7,238)	
Entity contributions subsequent to the measurement date	45,289	
<b>Total</b>	<b>\$ <u>535,821</u></b>	<b><u>0</u></b>

These amounts will be amortized as follows:

<u>Year ended June/September 30</u>	<u>General Government</u>	<u>Component Unit</u>
2016	\$ 286,614	158,934
2017	286,614	158,934
2018	231,118	127,171
2019	88,413	45,493
<b>Total</b>	<b>\$ <u>892,759</u></b>	<b><u>490,532</u></b>

\$102,781 reported as deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016.

\$45,289 reported as deferred outflows of resources related to pensions resulting from the component unit's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016.

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

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

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

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

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return</u>	
U.S. Broad	34.00	%	5.20	%
International Equity	19.00		5.00	
Emerging Markets Equity	8.00		5.45	
Fixed Income	20.00		0.25	
Real Assets	10.00		4.00	
Private Equity	8.00		6.15	
Cash	1.00		(0.50)	
Total	<u>100.00</u>	%		

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

**Sensitivity of the entity's proportionate share of the net pension liability to changes in the discount rate.** The following table presents the city's and the component unit's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.750%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ <u>7,966,867</u>	\$ <u>6,044,244</u>	\$ <u>4,448,826</u>
Component Unit's proportionate share of the net pension liability	\$ <u>4,099,470</u>	\$ <u>3,110,155</u>	\$ <u>2,289,209</u>

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

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**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

**C. Risk Management.**

The City classifies risks of loss in the following categories: torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss resulting from any of the above is mitigated through the purchase of commercial insurance.

The City is insured for health benefits for its employees for claims over \$5,000 per employee. For claims under \$5,000, the City is self-insured. The City accounts for its self-insurance related to its employees' health benefits in a medical benefits account. All claims handling procedures are performed by an independent claims administrator. Amounts are periodically paid into the fund and claims are disbursed from the fund. As of September 30, 2015, the account had a balance of \$335,024. Also, at September 30, 2015, the City had no unpaid insurance claims. There were no amounts due to the City by the re-insurance company.

There has been no significant reduction in insurance coverage from coverage in the prior year.

**4. Subsequent Events.**

The City of Kosciusko has evaluated events and transactions for potential recognition or disclosure through December 23, 2015, which is the date the financial statements were available to be issued.

As of December 23, 2015, the City of Kosciusko had not issued any new debt.

The City entered into a capital improvements loan with Mississippi Development Authority with a variable interest rate of 3%, dated February 19, 2014, in an amount not to exceed \$509,563, to be financed with proceeds from lease of a city-owned building. In 2015 the City drew \$440,527 against the loan with the balance to be drawn in 2016.

**5. Change in Accounting Standard.**

In June 2012, the GASB issued Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. These statements are effective for fiscal years beginning after June 15, 2014.

**6. Prior Period Adjustment.**

State of Activities

Explanation	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Implementation of GASB 68 and 71:	
Net pension liability (9-30-2014)	\$ 4,447,930
Deferred outflows - contributions made during fiscal year 2014	(353,204)
Total prior year adjustments related to GASB 68 and 71	\$ 4,094,726

(Continued)

**City of Kosciusko**

**Notes to Financial Statements  
For the Year Ended September 30, 2015**

Explanation	Amount
<b>BUSINESS TYPE ACTIVITIES</b>	
Implementation of GASB 68 and 71:	
Net pension liability (9-30-2014)	\$ 395,316
Deferred outflows - contributions made during fiscal year 2014	<u>(31,382)</u>
Total prior year adjustments related to GASB 68 and 71	\$ <u>363,934</u>
 <b>COMPONENT UNIT</b>	
Implementation of GASB 68 and 71:	
Net pension liability (9-30-2014)	\$ 2,448,633
Deferred outflows - contributions made during fiscal year 2014	<u>(197,025)</u>
Total prior year adjustments related to GASB 68 and 71	\$ <u>2,251,608</u>

**7. Effect of Deferred Amounts on Net Position.**

The City of Kosciusko's unrestricted net position amount of (\$1,430,276), includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$995,541 balance of deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

Kosciusko Water & Light's unrestricted net position amount of (\$1,435,441) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$535,821 balance of deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

**CITY OF KOSCIUSKO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:**

**Budgetary Comparison Schedule**

**Schedule of Pension Contributions  
PERS**

**Schedule of Proportionate Share of the Net Pension Liability  
PERS**

**Notes to the Required Supplementary Information**

**City of Kosciusko**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,115,500	1,115,500	1,157,081	41,581
Franchise fees	100,000	100,000	102,783	2,783
Licenses and permits	28,000	28,000	28,481	481
Fines and forfeitures	175,000	175,000	165,249	(9,751)
Intergovernmental revenues	1,911,500	1,911,500	2,108,335	196,835
Charges for services	49,000	49,000	72,893	23,893
Interest earned	5,000	5,000	4,611	(389)
Miscellaneous revenues	700	700	8,323	7,623
Total Revenues	<u>3,384,700</u>	<u>3,384,700</u>	<u>3,647,756</u>	<u>263,056</u>
<b>EXPENDITURES</b>				
General government	786,600	679,557	679,557	
Public safety	2,001,254	1,867,592	1,867,592	
Public works	562,009	541,103	541,103	
Health and welfare	263,019	234,852	234,852	
Culture and recreation	464,049	429,876	429,876	
Urban and economic development	90,553	101,190	101,190	
Total Expenditures	<u>4,167,484</u>	<u>3,854,170</u>	<u>3,854,170</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(782,784)</u>	<u>(469,470)</u>	<u>(206,414)</u>	<u>263,056</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	392,400	392,400	392,400	
Transfers out	<u>(297,120)</u>	<u>(261,978)</u>	<u>(261,978)</u>	
Total Other Financing Sources and Uses	<u>95,280</u>	<u>130,422</u>	<u>130,422</u>	<u>0</u>
Net Change in Fund Balance	<u>(687,504)</u>	<u>(339,048)</u>	<u>(75,992)</u>	<u>263,056</u>
Fund Balances - Beginning	<u>228,569</u>	<u>(89,323)</u>	<u>1,546,689</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (458,935)</u>	<u>(428,371)</u>	<u>1,470,697</u>	<u>263,056</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**City of Kosciusko  
Schedule of Pension Contributions  
PERS  
Last 10 Fiscal Years**

	<u>Government</u> <u>2015</u>	<u>Component</u> <u>Unit</u> <u>2015</u>
Contractually required contribution	\$ 386,839	198,366
Contributions in relation to the contractually required contribution	<u>386,839</u>	<u>198,366</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
Entity's covered-employee payroll	2,456,612	1,259,467
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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**City of Kosciusko**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

	<u>City</u>	<u>Component</u>
	<u>2015</u>	<u>Unit</u>
		<u>2015</u>
Kosciusko's proportion of the net pension liability (asset)	\$ 6,044,244	3,110,155
Kosciusko's proportionate share of the new pension liability (asset)	0.039101 %	0.02012 %
Kosciusko's covered-employee payroll	\$ 2,456,612	1,259,467
Kosciusko's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	246.039830 %	246.942158 %
Plan fiduciary net position as a percentage of the total pension liability	61.703983 %	61.703983 %

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and , until a full 10-year trend is compiled, the entity has only presented information for the years in which information available.

**City of Kosciusko**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2015**

**A. Budgetary Information.**

Statutory requirements dictate how and when the city's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation.**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major fund.

**C. Budget/GAAP Reconciliation.**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (75,992)
Increase (decrease):	
Net adjustments for revenue accruals	(12,321)
Net adjustments for expenditure accruals	50,094
Net Change in Fund Balance GAAP Basis	\$ (38,219)

**City of Kosciusko**

**Notes to the Required Supplementary Information  
For the Year Ended September 30, 2015**

- D. Pension Schedules.
  - A. Changes of Benefit Terms
    - None
  - B. Changes in Assumptions
    - None

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**CITY OF KOSCIUSKO**

**SUPPLEMENTAL INFORMATION**

**City of Kosciusko  
Schedule of Surety Bonds For Municipal Officials - UNAUDITED  
For the Year Ended September 30, 2015**

<b>Name</b>	<b>Position</b>	<b>Surety Agency</b>	<b>Bond Amount</b>
Marvin R. Lawrence	Alderman	Tyler, King & Ryder/St. Paul Travelers	\$ 100,000
Henry G. Daniel	Alderman	Tyler, King & Ryder/St. Paul Travelers	100,000
Timothy C. Kyle	Alderman	Tyler, King & Ryder/St. Paul Travelers	100,000
Robert M. Ellis	Alderman	Tyler, King & Ryder/St. Paul Travelers	100,000
Jeffery Woods	Alderman	Tyler, King & Ryder/St. Paul Travelers	100,000
Jimmy Cockroft	Mayor	Tyler, King & Ryder/St. Paul Travelers	100,000
Hart Pettit	City Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Sherlene M. Robertson	Deputy City Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Trish Miller	Deputy City Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Risa Dubard	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Melodie Philley	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Dawn Clanton	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
R. J. Adams	Chief of Police	Tyler, King & Ryder/Western Surety	75,000
Elizabeth T. Peteet	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Debra Gates Elmore	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Jasmine Sharkey	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Latoya R. Thompson	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Tammy Veasy	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Stephanie Mitchell	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Charlene Miller Nash	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Shannon Delon Mitchell	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Linda Hargrove	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	50,000
Brent Busbea	Building Inspector	Tyler, King & Ryder/St. Paul Travelers	50,000
Lawrence Routt	Tourism	Tyler, King & Ryder/St. Paul Travelers	50,000
Darren Milner	Tourism	Tyler, King & Ryder/St. Paul Travelers	50,000
Ronnie Ables	Tourism	Tyler, King & Ryder/St. Paul Travelers	50,000
Semone Olive	Tourism	Tyler, King & Ryder/St. Paul Travelers	50,000

**Discretely-Presented Component Unit:  
Kosciusko Water and Light Plant**

Morris A. Massey, Jr.	Commissioner	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Donnie R. Gladney	Commissioner	Tyler, King & Ryder/St. Paul Travelers	50,000
Sandras A. Anderson	Commissioner	Tyler, King & Ryder/St. Paul Travelers	50,000
William A. Tolleson	Commissioner	Tyler, King & Ryder/St. Paul Travelers	50,000
James R. Ables	Commissioner	Tyler, King & Ryder/St. Paul Travelers	50,000
David L. Clark	General Manager	Tyler, King & Ryder/St. Paul Travelers	50,000
Jason Chad Kyle	Assistant General Manager	Tyler, King & Ryder/St. Paul Travelers	50,000
Melissa D. Steen	Accounting Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Debra R. Jones	Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Jessica Grubbs	Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000
Ashley B. Box	Clerk	Tyler, King & Ryder/St. Paul Travelers	50,000

**CITY OF KOSCIUSKO**

**SPECIAL REPORTS**

# Windham and Lacey, PLLC

*Certified Public Accountants*

2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Honorable Mayor and  
Members of the Board of Aldermen  
City of Kosciusko, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 23, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Kosciusko, Mississippi's internal control to determine the auditing 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 county's internal control. Accordingly, we do not express an opinion on the effectiveness of the county'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

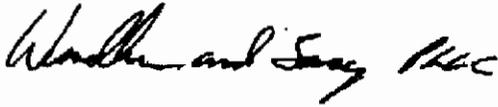
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kosciusko, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
December 23, 2015

# Windham and Lacey, PLLC

*Certified Public Accountants*

2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

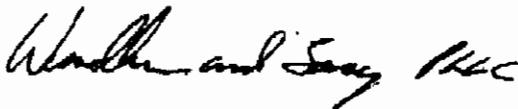
Honorable Mayor and  
Members of the Board of Aldermen  
City of Kosciusko, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2015, and have issued our report thereon dated December 23, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
December 23, 2015

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**CITY OF KOSCIUSKO**

**SCHEDULE OF FINDINGS AND RESPONSES**

**City of Kosciusko**

**Schedule of Findings and Responses  
For the Year Ended September 30, 2015**

**Section 1: Summary of Auditor's Results**

*Financial Statements:*

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements:                           | Unmodified    |
| 2. | Internal control over financial reporting:   |               |
| a. | Material weaknesses identified?  | No            |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements?                                    | No            |

**Section 2: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.