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May 4, 2017

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


RE: CITY OF KOSCIUSKO AUDIT

Tom:

Enclosed please find two copies of the City of Kosciusko Audit for the fiscal year ending September 30, 2016. The Audit was conducted by Windham & Lacey LLP and accepted by the Board of Aldermen on April 18, 2017. The Audit includes the Kosciusko Water & Light Financial Statements.

Please contact me if further information is needed.

Sincerely,



Jimmy Cockroft
Mayor

Enclosure



Mayor
Jimmy Cockroft

Aldermen
Taylor Casey Robert Ellis
Henry Daniel Tim Kyle
Jeffery Woods

City Clerk
Hart Pettit

662-289-1226 
662-289-6751 
www.cityofkosciusko.com 
222 E. Washington Street Kosciusko MS 39090 

CITY OF KOSCIUSKO

**Audited Financial Statements
And
Special Reports**

For the Year Ended September 30, 2016

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CITY OF KOSCIUSKO

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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, 2016, 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, 2016, 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 Proportionate Share of the Net Pension Liability - PERS, the Schedule of Contributions - 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kosciusko, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

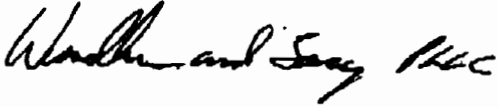
The Schedule of Surety Bonds for Municipal Officials for the City of Kosciusko has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, 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.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
March 10, 2017



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.



City of Kosciusko
Statement of Net Position
September 30, 2016

Exhibit 1

	Governmental Activities	Business-type Activities	Total	Component Unit Kosciusko Light and Water Plant
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,723,599	1,570,718	4,294,317	855,006
Property tax receivable	1,162,000	117,000	1,279,000	
Fines receivable, net	261,222		261,222	
Accounts receivable, net				1,382,607
Interest receivable				5,229
Intergovernmental receivables	370,194	21,824	392,018	
Other receivables	16,780		16,780	
Inventory, at cost				414,860
Prepaid expenses				54,819
Total Current Assets	4,533,795	1,709,542	6,243,337	2,712,521
Noncurrent Assets:				
Note receivable	332,528		332,528	
Designated cash:				
Customer deposits				335,473
Property, plant, equipment replacement				362,552
Designated investments:				
Customer deposits				231,100
Property, plant, equipment replacement				5,346,025
Capital assets, net	6,132,267	5,637,852	11,770,119	6,518,898
Total Noncurrent Assets	6,464,795	5,637,852	12,102,647	12,794,048
Total Assets	10,998,590	7,347,394	18,345,984	15,506,569
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	1,342,299	150,103	1,492,402	540,818
LIABILITIES				
Current Liabilities:				
Claims payable	38,589	1,216	39,805	637,229
Accrued payroll				38,732
Intergovernmental payable				42,165
Compensated absences payable	58,018	8,671	66,689	47,341
Current portion of long-term debt	349,862	50,250	400,112	
Total Current Liabilities	446,469	60,137	506,606	765,467
Noncurrent Liabilities:				
Customer deposits				566,573
Net pension liability	6,569,775	627,560	7,197,335	3,344,038
Long-term liabilities	2,471,405	583,425	3,054,830	
Total Noncurrent Liabilities	9,041,180	1,210,985	10,252,165	3,910,611
Total Liabilities	9,487,649	1,271,122	10,758,771	4,676,078

(Continued)



City of Kosciusko
Statement of Net Position
September 30, 2016

Exhibit 1(Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u> <u>Kosciusko Light and Water Plant</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods	<u>1,162,000</u>	<u>117,000</u>	<u>1,279,000</u>	<u>0</u>
NET POSITION				
Net investment in capital assets	3,311,000	5,004,177	8,315,177	6,518,898
Restricted for:				
Property, plant and equipment replacement				5,708,577
Customer deposits				566,573
Public safety	407,170		407,170	
Public works	907,095		907,095	
Capital projects	218,456		218,456	
Unrestricted	<u>(3,152,481)</u>	<u>1,105,198</u>	<u>(2,047,283)</u>	<u>(1,422,739)</u>
Total Net Position	<u>\$ 1,691,240</u>	<u>6,109,375</u>	<u>7,800,615</u>	<u>11,371,309</u>

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

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City of Kosciusko
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Kosciusko Light and Water Plant
Primary Government:								
Governmental Activities:								
General government	\$ 1,541,753				(1,541,753)		(1,541,753)	
Public safety	2,058,271	364,449	193,872	47,473	(1,452,477)		(1,452,477)	
Public works	1,751,037		45,828	1,076,734	(628,475)		(628,475)	
Health and welfare	312,347	53,658	40,954	46,425	(171,310)		(171,310)	
Culture and recreation	417,425	18,711			(398,714)		(398,714)	
Economic development and assistance	73,804			2,500	(71,304)		(71,304)	
Interest on long-term debt	69,712				(69,712)		(69,712)	
Total Governmental Activities	<u>6,224,349</u>	<u>436,818</u>	<u>280,654</u>	<u>1,173,132</u>	<u>(4,333,745)</u>	<u>0</u>	<u>(4,333,745)</u>	
Business-type Activities:								
Waste water	744,322	535,152		17,248		(191,922)	(191,922)	
Solid waste	686,193	573,031				(113,162)	(113,162)	
Total Business-type Activities	<u>1,430,515</u>	<u>1,108,183</u>	<u>0</u>	<u>17,248</u>	<u>0</u>	<u>(305,084)</u>	<u>(305,084)</u>	
Total Primary Government	<u>\$ 7,654,864</u>	<u>1,545,001</u>	<u>280,654</u>	<u>1,190,380</u>	<u>(4,333,745)</u>	<u>(305,084)</u>	<u>(4,638,829)</u>	
Component Unit:								
Kosciusko Light and Water Plant	<u>\$ 7,333,076</u>	<u>7,725,257</u>						<u>392,181</u>
Total Component Unit	<u>\$ 7,333,076</u>	<u>7,725,257</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>392,181</u>

(Continued)

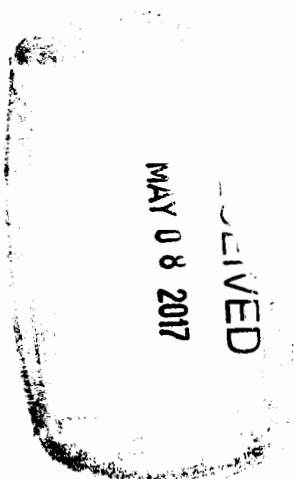


City of Kosciusko
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2 (Continued)

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	Kosciusko Light and Water Plant
General Revenues and Transfers				
Taxes:				
Property taxes	\$ 1,433,389	134,384	1,567,773	
Sales tax	2,127,323		2,127,323	
Franchise taxes	101,572		101,572	
Grants and contributions not otherwise restricted	76,833		76,833	
Unrestricted investment income	13,118	5,717	18,835	48,993
Miscellaneous	82,882	(1,617)	81,265	13,400
Transfers	422,567	49,000	471,567	(467,400)
Total General Revenues and Transfers	<u>4,257,684</u>	<u>187,484</u>	<u>4,445,168</u>	<u>(405,007)</u>
Change in net position	(76,061)	(117,600)	(193,661)	(12,826)
Net Position - Beginning	<u>1,767,301</u>	<u>6,226,975</u>	<u>7,994,276</u>	<u>11,384,135</u>
Net Position - Ending	<u>\$ 1,691,240</u>	<u>6,109,375</u>	<u>7,800,615</u>	<u>11,371,309</u>

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



City of Kosciusko
Balance Sheet
Governmental Funds
September 30, 2016

Exhibit 3

	<u>Major Funds</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Airport</u>	<u>Debt</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Grant</u>	<u>Service</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,283,737	96,564	39,426	1,303,872	2,723,599
Property tax receivable	957,000		205,000		1,162,000
Fines receivable, net	261,222				261,222
Intergovernmental receivables	359,235		2,416	8,543	370,194
Note receivable				332,528	332,528
Due from other funds	206,874				206,874
Other receivables	16,780				16,780
Total Assets	<u>\$ 3,084,848</u>	<u>96,564</u>	<u>246,842</u>	<u>1,644,943</u>	<u>5,073,197</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 8,981	113	27,696	1,799	38,589
Due to other funds		204,364		2,510	206,874
Total Liabilities	<u>8,981</u>	<u>204,477</u>	<u>27,696</u>	<u>4,309</u>	<u>245,463</u>
Deferred Inflows of Resources:					
Property tax for future periods	957,000		205,000	0	1,162,000
Total Deferred Inflows of Resources	<u>957,000</u>	<u>0</u>	<u>205,000</u>	<u>0</u>	<u>1,162,000</u>
Fund Balances:					
Unassigned	2,118,867				2,118,867
Committed:					
Public works				156,072	156,072
Economic development				145,144	145,144
Restricted:					
Public safety				407,170	407,170
Public works		(107,913)		917,061	809,148
Culture & recreation				15,187	15,187
Debt service			14,146		14,146
Total Fund Balances	<u>2,118,867</u>	<u>(107,913)</u>	<u>14,146</u>	<u>1,640,634</u>	<u>3,665,734</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,084,848</u>	<u>96,564</u>	<u>246,842</u>	<u>1,644,943</u>	<u>5,073,197</u>

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, 2016

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 3,665,734
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.	6,132,267
Deferred outflows of resources - Deferred outflows - pension	1,342,299
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(6,569,775)
Long-term liabilities	(2,821,267)
Compensated absences	<u>(58,018)</u>
Total net position - Governmental Activities (Exhibit 1)	\$ <u><u>1,691,240</u></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, 2016

Exhibit 4

	<u>Major Funds</u>			<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Airport</u>	<u>Debt</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Grant</u>	<u>Service</u>	<u>Funds</u>	<u>Funds</u>
REVENUES					
Property taxes	\$ 1,207,931		229,348		1,437,279
Franchise fees	101,572				101,572
Licenses and permits	41,296				41,296
Fines and forfeitures	205,065				205,065
Intergovernmental revenues	2,175,987	1,113,129		271,579	3,560,695
Charges for services	65,136			165,807	230,943
Interest income	5,539		291	7,288	13,118
Miscellaneous	81,356		59,599	2,127	143,073
Total Revenues	<u>3,883,882</u>	<u>1,113,129</u>	<u>289,229</u>	<u>446,801</u>	<u>5,733,050</u>
EXPENDITURES					
Current:					
General government	688,465				688,465
Public safety	1,874,596			359,323	2,233,919
Public works	453,990	1,191,929		32,467	1,682,553
Health and welfare	292,236			34,546	326,782
Culture and recreation	431,606			24,026	455,632
Urban and economic development	70,390			3,414	73,804
Debt service:					
Principal retirement			332,980		332,971
Interest and fiscal charges			89,125		89,125
Total Expenditures	<u>3,811,283</u>	<u>1,196,096</u>	<u>422,096</u>	<u>453,776</u>	<u>5,883,260</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>72,599</u>	<u>(82,967)</u>	<u>(132,867)</u>	<u>(6,975)</u>	<u>(150,210)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued				47,922	47,922
Transfers in	393,032		80,808	394,515	872,522
Transfers out	(394,515)	(4,000)		(51,440)	(449,955)
Total Other Financing Sources and Uses	<u>(1,483)</u>	<u>(4,000)</u>	<u>80,808</u>	<u>390,997</u>	<u>470,489</u>
Net Change in Fund Balances	71,116	(82,800)	(52,059)	384,022	320,279
Fund Balances - Beginning	<u>2,047,751</u>	<u>(25,113)</u>	<u>66,205</u>	<u>1,256,612</u>	<u>3,345,455</u>
Fund Balances - Ending	<u>\$ 2,118,867</u>	<u>(107,913)</u>	<u>14,146</u>	<u>1,640,634</u>	<u>3,665,734</u>

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

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City of Kosciusko
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, 2016

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$ 320,279
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 \$302,660 exceeded capital outlays of \$203,567 in the current period.	(99,093)
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.	(7,328)
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 \$332,980 and amortization of bond premium of \$17,473 exceeded debt proceeds of \$47,922.	302,531
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	(590,880)
Change in compensated absences	(1,570)
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u>(76,061)</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, 2016

Exhibit 5

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,230,265	340,453	1,570,718	855,006
Property tax receivable		117,000	117,000	
Accounts receivable, net				1,382,607
Interest receivable				5,229
Intergovernmental receivable		21,824	21,824	
Inventory, at cost				414,860
Prepaid expenses				54,819
Total Current Assets	1,230,265	479,277	1,709,542	2,712,521
Noncurrent Assets:				
Designated cash:				
Customer deposits				335,473
Property, plant, equipment replacement				362,552
Designated investments:				
Customer deposits				231,100
Property, plant, equipment replacement				5,346,025
Capital assets, net	5,545,196	92,656	5,637,852	6,518,898
Total Noncurrent Assets	5,545,196	92,656	5,637,852	12,794,048
Total Assets	6,775,461	571,933	7,347,394	15,506,569
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	82,782	67,321	150,103	540,818
LIABILITIES				
Current Liabilities:				
Claims payable	291	925	1,216	637,229
Accrued payroll				38,732
Deferred revenue		117,000	117,000	
Intergovernmental payable				42,165
Compensated absences payable	7,373	1,298	8,671	47,341
Current portion of long-term debt	50,250		50,250	
Total Current Liabilities	57,914	119,223	177,137	765,467
Noncurrent Liabilities:				
Customer deposits				566,573
Net pension liability	345,085	282,475	627,560	3,344,038
Long-term liabilities	583,425		583,425	
Total Noncurrent Liabilities	928,510	282,475	1,210,985	3,910,611
Total Liabilities	986,424	401,698	1,388,122	4,676,078
NET POSITION				
Net investment in capital assets	4,911,521	92,656	5,004,177	6,518,898
Restricted for:				
Property, plant and equipment replacement				5,708,577
Customer deposits				566,573
Unrestricted	960,298	144,900	1,105,198	(1,422,739)
Total Net Position	\$ 5,871,819	237,556	6,109,375	11,371,309

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, 2016

Exhibit 6

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
OPERATING REVENUES				
Water sales	\$			1,235,488
Electric sales				6,326,378
Sewer charges	532,152		532,152	
Other charges for services		573,031	573,031	163,391
Total Operating Revenues	532,152	573,031	1,105,183	7,725,257
COST OF PRODUCTION				
Water				535,447
Electric				4,938,273
Garbage collection fees		436,238	436,238	
Total Cost of Production	0	436,238	436,238	5,473,720
OPERATING EXPENSES				
Salaries and wages	156,324	125,574	281,898	436,433
Employee benefits	92,035	72,672	164,707	646,619
Supplies	109	665	774	34,128
General and administration	184,445	26,687	211,132	218,366
Depreciation expense	193,728	18,765	212,493	430,633
Maintenance and repairs	101,173	5,592	106,765	93,177
Total Operating Expenses	727,814	249,955	977,769	1,859,356
Operating Income (Loss)	(195,662)	(113,162)	(308,824)	392,181
NONOPERATING REVENUES (EXPENSES)				
Tap fees	3,000		3,000	13,400
Interest income	4,434	1,283	5,717	48,993
Interest expense and fiscal fees	(16,508)		(16,508)	
Grants	17,248		17,248	
Property taxes		134,384	134,384	
Gain on sale of assets	(1,617)		(1,617)	
Transfers in (out)	50,000	(1,000)	49,000	(467,400)
Total Nonoperating Revenue (Expenses)	56,557	134,667	191,224	(405,007)
Change in Net Position	(139,105)	21,505	(117,600)	(12,826)
Total Net Position - Beginning	6,010,924	216,051	6,226,975	11,384,135
Total Net Position - Ending	\$ 5,871,819	237,556	6,109,375	11,371,309

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

City of Kosciusko
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2016

Exhibit 7

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 532,152	573,031	1,105,183	7,641,517
Payments to suppliers	(346,013)	(511,613)	(857,626)	(6,120,784)
Payments to employees	(151,809)	(128,070)	(279,879)	(429,533)
Net Cash Provided (Used) by Operating Activities	34,330	(66,652)	(32,322)	1,091,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transactions	50,000	(1,000)	49,000	(467,400)
Property tax receipts		134,384	134,384	
Intergovernmental revenues	17,248		17,248	
Other receipts	3,000		3,000	13,400
Net Cash Provided (Used) by Noncapital Financing Activities	70,248	133,384	203,632	(454,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(59,108)	(32,002)	(91,110)	(207,156)
Principal paid on long-term debt	(49,011)		(49,011)	
Interest expense paid	(16,508)		(16,508)	
Net Cash Provided (Used) by Capital Financing Activities	(124,627)	(32,002)	(156,629)	(207,156)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments				(47,867)
Interest on investments	4,434	1,283	5,717	48,300
Net Cash Provided From Investing Activities	4,434	1,283	5,717	433
Net Increase (Decrease) in Cash and Cash Equivalents	(15,615)	36,013	20,398	430,477
Restricted - customer deposits				305,710
Restricted - equipment replacement				242,197
Unrestricted	1,245,880	304,440	1,550,320	544,884
Cash and Cash Equivalents - Beginning of Year	1,245,880	304,440	1,550,320	1,092,791
Restricted - customer deposits				335,473
Restricted - equipment replacement				362,552
Unrestricted	1,230,265	340,453	1,570,718	855,006
Cash and Cash Equivalents - End of Year	\$ 1,230,265	340,453	1,570,718	1,553,031

(Continued)



City of Kosciusko
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2016

Exhibit 7 (Continued)

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (195,662)	(113,162)	(308,824)	392,181
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	193,728	18,765	212,493	430,633
Change in assets and liabilities:				
(Increase) decrease in accounts receivable				(83,740)
(Increase) decrease in deferred outflows	(38,167)	(30,676)	(68,843)	(4,997)
(Increase) decrease in inventory				(32,242)
(Increase) decrease in prepaid expenses				(22,828)
Increase (decrease) in claims payable	(4,283)	925	(3,358)	171,382
Increase (decrease) in compensated absences payable	4,515	(2,496)	2,019	6,899
Increase (decrease) in net pension liability	74,199	59,992	134,191	233,882
Increase (decrease) in intergovernmental payables				30
Total adjustments	<u>229,992</u>	<u>46,510</u>	<u>276,502</u>	<u>699,019</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>34,330</u>	<u>(66,652)</u>	<u>(32,322)</u>	\$ <u>1,091,200</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, 2016

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 the 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016.

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, 2016

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 \$1,245,651 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 \$301,216 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, 2016**

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, 2016**

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 \$4,294,317 and the bank balance was \$4,462,622. For the discretely-presented component unit, Kosciusko Light and Water Plant, the carrying amount of cash and investments at year-end was \$7,130,156 and the bank balance was \$1,137,193. 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, 2016, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$5,939,677 at September 30, 2016. 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, 2016**

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 Kosciusko Light and Water Plant
	General	Airport Fund	Debt Service	Other	Total		
Receivables:							
Property taxes	\$ 957,000		205,000		1,162,000	117,000	
Fines receivable	1,306,112				1,306,112		
Accounts							1,397,750
Sales tax	351,270				351,270		
Other governmental	7,965		2,416	8,543	18,924	21,824	
Interest							5,229
Other	16,780				16,780		
Note				332,528	332,528		
Due from other funds	206,874				206,874		
Gross receivables	2,846,001	0	207,416	341,071	3,394,488	138,824	1,402,979
Less: allowance for uncollectibles	(1,044,890)				(1,044,890)		(15,143)
Net total receivables	\$ 1,801,111	0	207,416	341,071	2,349,598	138,824	1,387,836
							Sept. 30, 2016
Property taxes receivable:							
Governmental funds:							
General Fund						\$ 957,000	
Debt service fund						205,000	
Total deferred revenue for governmental funds						\$ 1,162,000	
Proprietary funds:							
Solid waste fund						\$ 117,000	
Total deferred revenue for proprietary funds						\$ 117,000	

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

C. Capital Assets.

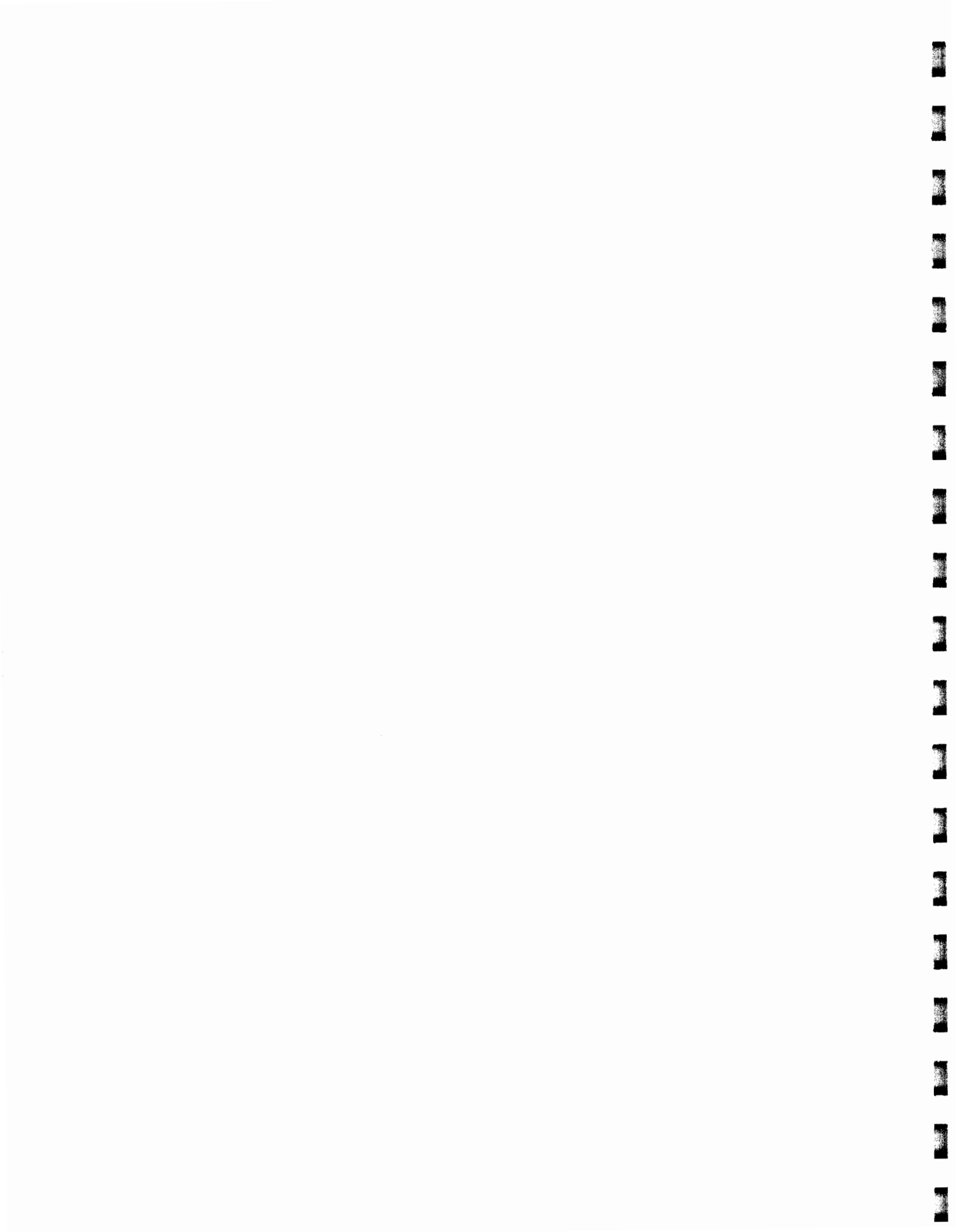
Capital assets activity for the year ended September 30, 2016, are as follows:

Primary Government

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	2,857,750	59,213		2,916,963
Improvements other than buildings	4,004,958			4,004,958
Machinery and equipment	2,948,349	144,354	(61,193)	3,031,510
Equipment under capital lease	258,202			258,202
Total capital assets being depreciated	<u>10,069,259</u>	<u>203,567</u>	<u>(61,193)</u>	<u>10,211,633</u>
Less: Accumulated depreciation for:				
Buildings	1,010,778	54,805		1,065,583
Improvements other than buildings	1,459,372	130,498		1,589,870
Machinery and equipment	2,442,341	117,357	(53,865)	2,505,833
Equipment under capital lease	252,689			252,689
Total accumulated depreciation	<u>5,165,180</u>	<u>302,660</u>	<u>(53,865)</u>	<u>5,413,975</u>
Total capital assets, being depreciated, net	<u>5,177,201</u>	<u>(99,093)</u>	<u>(7,328)</u>	<u>4,797,658</u>
Governmental activities capital assets, net	\$ <u><u>6,511,810</u></u>	<u><u>(99,093)</u></u>	<u><u>(7,328)</u></u>	<u><u>6,132,267</u></u>

(Continued)



City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	1,162,488	91,110	(21,221)	1,232,377
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>8,878,208</u>	<u>91,110</u>	<u>(21,221)</u>	<u>8,948,097</u>
Less: Accumulated depreciation:				
Buildings	122,880	5,099		127,979
Machinery & equipment	976,089	47,758	(12,284)	1,011,563
Wastewater system	2,601,642	152,891	(7,322)	2,747,211
Improvements other than buildings	9,947			9,947
Equipment under capital lease	33,728	6,745		40,473
Total accumulated depreciation	<u>3,744,286</u>	<u>212,493</u>	<u>(19,606)</u>	<u>3,937,173</u>
Total capital assets, being depreciated, net	<u>5,133,922</u>	<u>(121,383)</u>	<u>(1,615)</u>	<u>5,010,924</u>
Business-type activities capital assets, net	\$ <u>5,760,850</u>	<u>(121,383)</u>	<u>(1,615)</u>	<u>5,637,852</u>
Discretely-presented component unit:				
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	1,043,149	2,058		1,045,207
Machinery and equipment	1,724,552	61,910	(12,719)	1,773,743
Water and electric system	14,134,278	156,164		14,290,442
Total capital assets, being depreciated	<u>16,901,979</u>	<u>220,132</u>	<u>(12,719)</u>	<u>17,109,392</u>
Less: Accumulated depreciation	<u>10,224,522</u>	<u>430,633</u>	<u>(12,717)</u>	<u>10,642,438</u>
Total capital assets, being depreciated, net	<u>6,677,457</u>	<u>(210,501)</u>	<u>0</u>	<u>6,466,954</u>
Business-type activities capital assets, net	\$ <u>6,729,401</u>	<u>(210,501)</u>	<u>0</u>	<u>6,518,898</u>

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

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2016

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 27,958
Public safety	106,807
Public works	131,476
Health and welfare	334
Culture and recreation	<u>36,085</u>
Total depreciation expense - governmental activities	<u>\$ 302,660</u>
Business-type activities:	
Waste water	\$ 193,728
Solid waste	<u>18,765</u>
Total depreciation expense - business-type activities	<u>\$ 212,493</u>
Discretely-presented component unit:	
Water and electric system	<u>\$ 430,633</u>
Total depreciation expense - business-type activities	<u>\$ 430,633</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, 2016, because Kosciusko Apartments, LP had negative cash flow for the year ended September 30, 2016. The note receivable balance at September 30, 2016, including accrued interest, is \$332,528.

E. Interfund Transactions.

The following schedule as of September 30, 2016, represents interfund receivables and payables:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ <u>206,874</u>
Total		<u>\$ 206,874</u>

Interfund payables are primarily related to grant activity.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

The composition of interfund transfers as of September 30, 2016, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Governmental funds:		
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	632
General Fund	Airport grant fund	4,000
Debt service	Other governmental funds	50,808
Debt service	Waste water	30,000
Other governmental funds	General Fund	<u>394,515</u>
Total governmental funds		<u>\$ 868,355</u>
Proprietary funds:		
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>
Total proprietary funds		<u>\$ 191,000</u>
Discretely presented component unit:		
Waste water	Discretely-presented component unit	\$ 120,000
General Fund	Discretely-presented component unit	<u>347,400</u>
Total discretely presented component unit		<u>\$ 467,400</u>

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

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

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	06/13/2013	2.03%	\$ 81,635
Cardiac monitor	<u>12,254</u>	09/12/2012	2.75%	
Total Governmental Activities	<u>\$ 237,877</u>			<u>\$ 81,635</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>
2017	\$ 47,532
2018	<u>35,650</u>
Total minimum lease payments	83,182
Less: amount representing interest	<u>(1,547)</u>
Present value of minimum lease payments	<u>\$ 81,635</u>

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.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

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%	\$ <u>2,225,000</u>
		\$ <u>2,225,000</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>
2017	\$ 260,000	55,391
2018	275,000	46,291
2019	280,000	36,666
2020	295,000	26,866
2021	295,000	22,294
2022-2025	<u>820,000</u>	<u>35,068</u>
Total	\$ <u>2,225,000</u>	<u>222,576</u>

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%	\$ <u>453,996</u>
Total Governmental activities		\$ <u>453,996</u>
Business-type activities		
Environmental Quality revolving loan	2.50	\$ <u>633,675</u>
Total Business-type activities		\$ <u>633,675</u>



City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

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>
2017	\$ 43,574	13,024
2018	44,899	11,699
2019	46,265	10,333
2020	47,672	8,926
2021	49,122	7,476
2022-2026	<u>222,464</u>	<u>14,541</u>
Total	\$ <u>453,996</u>	<u>65,999</u>

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 50,250	15,269
2018	51,522	13,997
2019	52,824	12,695
2020	54,160	11,359
2021	55,529	9,990
2022-2026	299,436	28,159
2027-2028	<u>69,954</u>	<u>1,025</u>
Total	\$ <u>633,675</u>	<u>92,494</u>

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 2,475,000		250,000	2,225,000	260,000
Capital leases	130,165		48,530	81,635	46,288
Other loans	440,524	47,922	34,450	453,996	43,574
	<u>3,045,689</u>	47,922	332,980	2,760,631	349,862
Add premium on refunded bond	78,109		17,473	60,636	
Total	3,123,798	47,922	350,453	2,821,267	349,862
Compensated absences	56,448	1,570		58,018	
Total	\$ <u>3,180,246</u>	<u>49,492</u>	<u>350,453</u>	<u>2,879,285</u>	<u>349,862</u>
Business-type Activities:					
Compensated absences	\$ 6,651	2,019		8,670	
Loans payable	682,686		49,011	633,675	50,250
Total	\$ <u>689,337</u>	<u>2,019</u>	<u>49,011</u>	<u>642,345</u>	<u>50,250</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.

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2016

H. Deficit Fund Balance.

The waste tire grant fund, airport grant fund and the capital projects grant fund had a deficit fund balance of \$2,015, \$107,913 and \$495, respectively, at September 30, 2016. 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.

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, 2016.

B. Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description – City of Kosciusko and Kosciusko Water & Light are members of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the City. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.



City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2016

Benefits Provided – 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 become 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 credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. 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. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions – Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2016, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$389,554, \$386,179 and \$377,528, respectively. The contributions for each year met the required contributions. Kosciusko Water & Light's employer contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$197,968, \$196,362, and \$196,280, respectively. The contributions for each year met the required contributions.

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

At September 30, 2016, the City of Kosciusko reported a liability of \$7,197,336 for its proportionate share of the net pension liability. At September 30, 2016, Kosciusko Water & Light reported a liability of \$3,344,038 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entities' proportion of the net pension liability was based on a projection of the entities' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportion was .040293 percent, which was an increase of 0.001192 from its proportion measured as of June 30, 2015. At June 30, 2016, Kosciusko Water & Light's proportion was .018721 percent, which was a decrease of 0.001399 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City of Kosciusko recognized pension expense of \$1,049,959. For the year ended September 30, 2016, Kosciusko Water & Light recognized pension expense of \$385,092.

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

At September 30, 2016, the City of Kosciusko and Kosciusko Water & Light reported as a component of pension expense, deferred outflows of resources from the following sources:

	<u>City of Kosciusko</u>	<u>Kosciusko Water & Light</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 180,540	85,723
Net difference between projected and actual earnings on pension plan investments	841,701	401,480
Changes of Assumptions	326,854	162,161
Changes in proportion and differences between entity contributions and proportionate share of contributions	52,777	(161,180)
Entity contributions subsequent to the measurement date	<u>91,530</u>	<u>52,634</u>
Total	\$ <u>1,493,402</u>	<u>540,818</u>

\$91,530 reported as deferred outflows of resources related to pensions resulting from the City of Kosciusko's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. \$52,634 reported as deferred outflows of resources related to pensions resulting from the Kosciusko Water & Light's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September, 30:</u>	<u>City of Kosciusko</u>	<u>Kosciusko Water & Light</u>
2017	\$ 520,327	139,013
2018	464,829	107,250
2019	274,531	70,285
2020	<u>142,185</u>	<u>66,062</u>
Total	\$ <u>1,401,872</u>	<u>382,610</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumption used in the June 30, 2016 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, 2016

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:

Asset Class	Target Allocation		Long-term Expected Real Rate of Return	
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	100.00	%		

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 City of Kosciusko's and Kosciusko Water & Light'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:

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Kosciusko's proportionate share of the net pension liability	\$ 9,228,598	\$ 7,197,336	\$ 5,512,047
	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Kosciusko Water & Light's proportionate share of the net pension liability	\$ 4,287,807	\$ 3,344,038	\$ 2,561,016

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2016**

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, 2016, the account had a balance of \$335,024. Also, at September 30, 2016, 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 March 10, 2017, which is the date the financial statements were available to be issued.

As of March 10, 2017, the City of Kosciusko had not issued any new debt.

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. Effect of Deferred Amounts on Net Position.

The City of Kosciusko's unrestricted net position amount of \$(2,047,283) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,492,402 balance of deferred outflow of resources at September 30, 2016 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 \$(1,422,739) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$540,818 balance of deferred outflow of resources at September 30, 2016 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 – General Fund

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

**Schedule of Pension Contributions
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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive Negative
REVENUES				
Taxes	\$ 1,155,500	1,155,500	1,200,249	44,749
Franchise fees	100,000	100,000	97,440	(2,560)
Licenses and permits	28,000	28,000	41,296	13,296
Fines and forfeitures	150,000	150,000	183,714	33,714
Intergovernmental revenues	2,091,500	2,091,500	2,173,971	82,471
Charges for services	65,000	65,000	65,136	136
Interest earned	5,000	5,000	5,539	539
Miscellaneous revenues	200	200	4,349	4,149
Total Revenues	<u>3,595,200</u>	<u>3,595,200</u>	<u>3,771,694</u>	<u>176,494</u>
EXPENDITURES				
General government	917,024	885,024	598,373	286,651
Public safety	2,006,722	2,006,722	1,845,088	161,634
Public works	457,771	483,271	453,618	29,653
Health and welfare	269,315	269,315	233,868	35,447
Culture and recreation	481,641	481,641	433,803	47,838
Urban and economic development	93,690	93,690	82,190	11,500
Total Expenditures	<u>4,226,163</u>	<u>4,219,663</u>	<u>3,646,940</u>	<u>572,723</u>
Excess of Revenues over (under) Expenditures	<u>(630,963)</u>	<u>(624,463)</u>	<u>124,754</u>	<u>749,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	392,400	392,400	398,397	5,997
Transfers out	<u>(477,117)</u>	<u>(522,117)</u>	<u>(300,016)</u>	<u>222,101</u>
Total Other Financing Sources and Uses	<u>(84,717)</u>	<u>(129,717)</u>	<u>98,381</u>	<u>228,098</u>
Net Change in Fund Balance	(715,680)	(754,180)	223,135	977,315
Fund Balances - Beginning	<u>(458,935)</u>	<u>(428,371)</u>	<u>1,470,697</u>	
Fund Balances - Ending	<u>\$ (1,174,615)</u>	<u>(1,182,551)</u>	<u>1,693,832</u>	<u>977,315</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 7,197,336	6,044,244	4,843,129
City's proportionate share of the net pension liability (asset)	0.040293 %	0.039101 %	0.039900 %
City's covered-employee payroll	\$ 2,577,651	2,522,268	2,417,795
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.2207547 %	239.6352806 %	200.3117902 %
Plan fiduciary net position as a percentage of the total pension liability	57.467727 %	61.703983 %	67.207687 %

Kosciusko Water & Light
Schedule of the Entity's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Entity's proportion of the net pension liability (asset)	\$ 3,344,038	3,110,155	2,448,633
Entity's proportionate share of the net pension liability (asset)	0.018721 %	0.02012 %	0.020173 %
Entity's covered-employee payroll	\$ 1,197,606	1,172,212	1,232,114
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.2268096 %	265.323593 %	393.0746568 %
Plan fiduciary net position as a percentage of the total pension liability	57.467727 %	61.703983 %	67.207687 %

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 9/30/2015, and until a full 10-year trend is compiled, the entities have only presented information for the years in which information was available.

City of Kosciusko
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 393,729	386,839
Contributions in relation to the contractually required contribution	<u>389,554</u>	<u>386,839</u>
Contribution deficiency (excess)	\$ <u>4,175</u>	<u>0</u>
City covered-employee payroll	\$ <u>2,473,359</u>	<u>2,522,268</u>
Contributions as a percentage of covered-employee payroll	15.75%	15.34%

Kosciusko Water & Light
Schedule of the Entity's Contributions
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 197,968	198,366
Contributions in relation to the contractually required contribution	<u>197,968</u>	<u>198,366</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>
Entity covered-employee payroll	\$ <u>1,256,940</u>	<u>1,172,212</u>
Contributions as a percentage of covered-employee payroll	15.75%	16.92%

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 9/30/2015, and until a full 10-year trend is compiled, the entities have only presented information for the years in which information was available.

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City of Kosciusko

Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

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)	\$ 223,135
Increase (decrease):	
Net adjustments for revenue accruals	112,188
Net adjustments for expenditure accruals	<u>(264,207)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 71,116</u>

City of Kosciusko

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2016**

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

CITY OF KOSCIUSKO

SUPPLEMENTAL INFORMATION

City of Kosciusko
Schedule of Expenditures of Federal Awards
September 30, 2016

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Federal Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development/ Mississippi Development Authority/ Community Development Block Grant	14.228	1127-10-224-PF-01	\$ 17,248
United States Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation/ Federal Aviation Administration-Airport Improvement Grant *	20.106	AIP 3-28-0039-014-2015	981,953
U.S. Department of Homeland Security	16.607	BVP	532
Total Expenditures of Federal Awards			\$ <u>999,733</u>

* Denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Kosciusko, Mississippi, and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Kosciusko, Mississippi, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Kosciusko, Mississippi.

CITY OF KOSCIUSKO

OTHER INFORMATION

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City of Kosciusko
Schedule of Surety Bonds For Municipal Officials - UNAUDITED
For the Year Ended September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Surety Agency</u>	<u>Bond Amount</u>
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:
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**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 10, 2017.

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

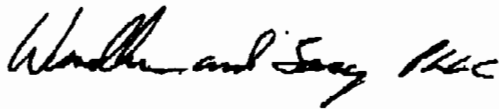
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 City'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 City'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
March 10, 2017

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB UNIFIED GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Kosciusko, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Unified Guidance that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. The City of Kosciusko, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kosciusko, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB Unified Guidance. Those standards and OMB Unified Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kosciusko, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City of Kosciusko, Mississippi's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Kosciusko, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

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Report on Internal Control Over Compliance

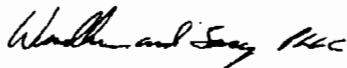
The management of the City of Kosciusko, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Kosciusko, Mississippi's internal control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

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Unified Guidance. Accordingly this report 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
March 10, 2017

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

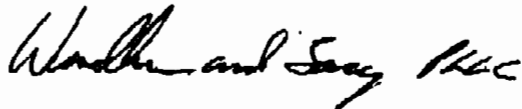
Honorable Mayor and
Members of the Board of Aldermen
City of Kosciusko, Mississippi

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, 2016, and have issued our report thereon dated March 10, 2017. 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 City'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
March 10, 2017

CITY OF KOSCIUSKO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Kosciusko

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

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 |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | The following federal program is identified as a major program: | |
| | United States Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation/Federal Aviation Administration - Airport Improvement Grant, CFDA #20.106 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

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*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

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