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April 9, 2018

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, 2017. The Audit was conducted by Windham & Lacey LLP and accepted by the Board of Aldermen on April 3, 2018. The Audit includes the Kosciusko Water & Light Financial Statements.

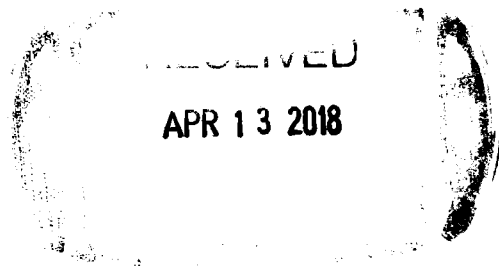
Please contact me if further information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jimmy Cockroft', is written over a printed name and title.

Jimmy Cockroft
Mayor

Enclosure



Mayor
Jimmy Cockroft

Aldermen
Taylor Casey Robert Ellis
Henry Daniel Tim Kyle
Jeffery Woods

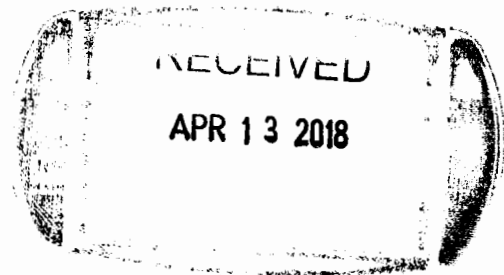
City Clerk
Hart Pettit

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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, 2017



CITY OF KOSCIUSKO

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Windham and Lacey, PLLC

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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, 2017, 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, 2017, 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, the Schedule of Contributions, 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

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

Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the City of Kosciusko's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kosciusko's internal control over financial reporting and compliance.

Windham and Lacey, PLLC
January 29, 2018

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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, 2017

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,683,673	1,294,267	4,977,940	1,002,532
Property tax receivable	1,157,000	117,000	1,274,000	
Fines receivable, net	284,152		284,152	
Accounts receivable, net				1,419,985
Interest receivable				4,952
Intergovernmental receivables	369,615	21,824	391,439	
Other receivables	12,859		12,859	
Inventory, at cost				379,780
Prepaid expenses				27,452
Total current assets	<u>5,507,299</u>	<u>1,433,091</u>	<u>6,940,390</u>	<u>2,834,701</u>
Noncurrent Assets:				
Note receivable	335,899		335,899	
Designated Cash:				
Customer deposits				339,213
Property, plant, equipment replacement				432,772
Designated investments:				
Customer deposits				230,912
Property, plant, equipment replacement				5,400,336
Capital assets, net	<u>5,947,063</u>	<u>5,427,444</u>	<u>11,374,507</u>	<u>6,486,648</u>
Total noncurrent assets	<u>6,282,962</u>	<u>5,427,444</u>	<u>11,710,406</u>	<u>12,889,881</u>
Total Assets	<u>11,790,261</u>	<u>6,860,535</u>	<u>18,650,796</u>	<u>15,724,582</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	<u>851,879</u>	<u>82,898</u>	<u>934,777</u>	<u>506,533</u>
LIABILITIES				
Current Liabilities:				
Claims payable	143,503	57,633	201,136	480,675
Accrued payroll				38,732
Intergovernmental payable				42,174
Compensated absences payable	61,628	9,014	70,642	43,260
Current portion of long-term debt	<u>355,246</u>	<u>51,522</u>	<u>406,768</u>	
Total current liabilities	<u>560,377</u>	<u>118,169</u>	<u>678,546</u>	<u>604,841</u>
Noncurrent Liabilities:				
Customer deposits				570,125
Net pension liability	6,078,766	560,281	6,639,047	3,305,396
Long-term liabilities	<u>2,101,393</u>	<u>531,903</u>	<u>2,633,296</u>	
Total noncurrent liabilities	<u>8,180,159</u>	<u>1,092,184</u>	<u>9,272,343</u>	<u>3,875,521</u>
Total Liabilities	<u>8,740,536</u>	<u>1,210,353</u>	<u>9,950,889</u>	<u>4,480,362</u>

EXHIBIT 1

APR 13 2018

(Continued)

City of Kosciusko
Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit Kosciusko Light and Water Plant</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	493,752	67,661	561,413	279,511
Property tax for future periods	<u>1,157,000</u>	<u>117,000</u>	<u>1,274,000</u>	
Total Deferred Inflows of Resources	<u>1,650,752</u>	<u>184,661</u>	<u>1,835,413</u>	<u>279,511</u>
NET POSITION				
Net investment in capital assets	3,490,424	4,844,019	8,334,443	6,486,648
Restricted for:				
Property, plant, equipment replacement				5,833,108
Customer deposits				570,125
Public safety	504,635		504,635	
Public works	1,056,087		1,056,087	
Capital projects	702,542		702,542	
Unrestricted	<u>(3,502,836)</u>	<u>704,400</u>	<u>(2,798,436)</u>	<u>(1,418,639)</u>
Total Net Position	<u>\$ 2,250,852</u>	<u>5,548,419</u>	<u>7,799,271</u>	<u>11,471,242</u>

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

City of Kosciusko
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Kosciusko Light and Water Plant
Primary Government:								
Governmental Activities:								
General government	\$ 1,459,804				(1,459,804)		(1,459,804)	
Public safety	2,155,658	397,411	188,770	41,444	(1,528,033)		(1,528,033)	
Public works	610,806	100	25,857	182,078	(402,771)		(402,771)	
Health and welfare	309,288	50,420	18,298	56,281	(184,289)		(184,289)	
Culture and recreation	496,241	23,133		500,000	26,892		26,892	
Economic development and assistance	70,395				(70,395)		(70,395)	
Interest on long-term debt	50,088				(50,088)		(50,088)	
Total Governmental Activities	<u>5,152,280</u>	<u>471,064</u>	<u>232,925</u>	<u>779,803</u>	<u>(3,668,488)</u>	<u>0</u>	<u>(3,668,488)</u>	<u>0</u>
Business-type Activities:								
Waste water	1,358,268	612,993		168,951		(576,324)	(576,324)	
Solid waste	730,317	570,972				(159,345)	(159,345)	
Total Business-type Activities	<u>2,088,585</u>	<u>1,183,965</u>	<u>0</u>	<u>168,951</u>	<u>0</u>	<u>(735,669)</u>	<u>(735,669)</u>	<u>0</u>
Total Primary Government	<u>\$ 7,240,865</u>	<u>1,655,029</u>	<u>232,925</u>	<u>948,754</u>	<u>(3,668,488)</u>	<u>(735,669)</u>	<u>(4,404,157)</u>	<u>0</u>
Component Unit:								
Kosciusko Light and Water Plant	<u>\$ 7,291,901</u>	<u>7,769,062</u>						<u>477,161</u>
Total Component Unit	<u>\$ 7,291,901</u>	<u>7,769,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>477,161</u>

(Continued)

City of Kosciusko
Statement of Activities
For the Year Ended September 30, 2017

	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	\$ 1,417,845	134,637	1,552,482	
Sales tax	2,151,891		2,151,891	
Franchise taxes	97,193		97,193	
Grants and contributions not otherwise restricted	10,583		10,583	
Unrestricted investment income	15,319	5,376	20,695	54,355
Miscellaneous	106,869	(4,300)	102,569	35,817
Transfers	428,400	39,000	467,400	(467,400)
Total General Revenues and Transfers	<u>4,228,100</u>	<u>174,713</u>	<u>4,402,813</u>	<u>(377,228)</u>
Change in Net Position	559,612	(560,956)	(1,344)	99,933
Net Position - Beginning	<u>1,691,240</u>	<u>6,109,375</u>	<u>7,800,615</u>	<u>11,371,309</u>
Net Position - Ending	<u>\$ 2,250,852</u>	<u>5,548,419</u>	<u>7,799,271</u>	<u>11,471,242</u>

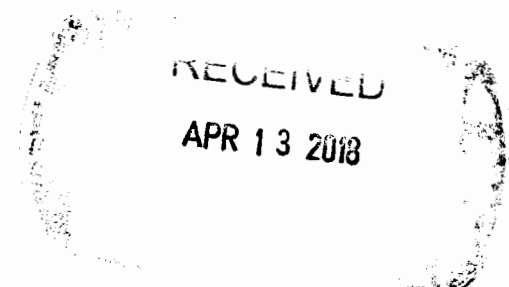
The notes to the financial statements are an integral part of this statement.

**City of Kosciusko
Balance Sheet
Governmental Funds
September 30, 2017**

Exhibit 3

	Major Funds				
	General Fund	Historical Preservation Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,712,254	481,377	6,974	1,483,068	3,683,673
Property tax receivable	952,000		205,000		1,157,000
Fines receivable, net	284,152				284,152
Intergovernmental receivables	358,933		2,416	8,266	369,615
Note receivable				335,899	335,899
Due from other funds	2,015			500,000	502,015
Other receivables	12,859				12,859
Total Assets	\$ 3,322,213	481,377	214,390	2,327,233	6,345,213
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES					
Liabilities:					
Claims payable	\$ 77,026	37,302	23,146	6,029	143,503
Due to other funds		500,000		2,015	502,015
Total Liabilities	77,026	537,302	23,146	8,044	645,518
Deferred Inflows of Resources:					
Property tax for future periods	952,000		205,000	0	1,157,000
Total Deferred Inflows of Resources	952,000	0	205,000	0	1,157,000
Fund Balances:					
Unassigned	2,293,187				2,293,187
Committed:					
Public works				172,746	172,746
Economic development				145,756	145,756
Restricted:					
Public safety				504,635	504,635
Public works		(55,925)		1,480,827	1,424,902
Culture & recreation				15,225	15,225
Debt service			(13,756)		(13,756)
Total Fund Balances	2,293,187	(55,925)	(13,756)	2,319,189	4,542,695
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,322,213	481,377	214,390	2,327,233	6,345,213

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, 2017

Exhibit 3-1

Total Fund Balance - Governmental Funds (Exhibit 3) \$ 4,542,695

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. 5,947,063

Deferred outflows of resources - deferred outflows - pension 851,879

Deferred inflows of resources - deferred inflows - pension (493,752)

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported in the funds:

Net pension liability (6,078,766)

Long-term liabilities (2,456,639)

Compensated absences (61,628)

Total Net Position - Governmental Activities (Exhibit 1) \$ 2,250,852

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, 2017

Exhibit 4

	Major Funds			Other	Total
	General Fund	Historical Preservation Fund	Debt Service Fund	Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 1,189,854		229,780		1,419,634
Franchise fees	97,193				97,193
Licenses and permits	33,454				33,454
Fines and forfeitures	230,012				230,012
Intergovernmental revenues	2,184,311			950,692	3,135,003
Charges for services	79,414			172,139	251,553
Interest income	5,883		100	9,336	15,319
Miscellaneous	51,839		56,597	10,533	118,969
Total Revenues	<u>3,871,960</u>	<u>0</u>	<u>286,477</u>	<u>1,142,700</u>	<u>5,301,137</u>
EXPENDITURES					
Current:					
General government	638,061				638,061
Public safety	1,965,492			362,297	2,327,789
Public works	474,873			97,844	572,717
Health and welfare	288,786			35,792	324,578
Culture and recreation	419,188	55,950		26,492	501,630
Urban and economic development	70,890				70,890
Debt service:					
Principal retirement			349,793		349,793
Interest and fiscal charges			67,118		67,118
Total Expenditures	<u>3,857,290</u>	<u>55,950</u>	<u>416,911</u>	<u>522,425</u>	<u>4,852,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,670</u>	<u>(55,950)</u>	<u>(130,434)</u>	<u>620,275</u>	<u>448,561</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	402,400		102,532	217,750	722,682
Transfers out	(242,750)			(51,532)	(294,282)
Total Other Financing Sources and Uses	<u>159,650</u>	<u>0</u>	<u>102,532</u>	<u>166,218</u>	<u>428,400</u>
Net Change in Fund Balances	174,320	(55,950)	(27,902)	786,493	876,961
Fund Balances - Beginning	<u>2,118,867</u>	<u>25</u>	<u>14,146</u>	<u>1,532,696</u>	<u>3,665,734</u>
Fund Balances - Ending	<u>\$ 2,293,187</u>	<u>(55,925)</u>	<u>(13,756)</u>	<u>2,319,189</u>	<u>4,542,695</u>

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

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, 2017

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$	876,961
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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 \$290,101 exceeded capital outlays of \$122,047 in the current period.	(168,054)
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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.	(17,150)
--	----------

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 \$349,793 and amortization of bond premium of \$15,090.	364,883
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Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(849,788)	
Recognition of contributions made subsequent to the measurement date	82,229	
Recognition of contributions made in the fiscal year prior to measurement date	<u>274,141</u>	(493,418)

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. Thus, the change in net position differs from the change in fund balances by the following item:

Change in compensated absences	<u>(3,610)</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u><u>559,612</u></u>
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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, 2017

Exhibit 5

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 897,135	397,132	1,294,267	1,002,532
Property tax receivable		117,000	117,000	
Accounts receivable, net				1,419,985
Interest receivable				4,952
Intergovernmental receivable		21,824	21,824	
Inventory, at cost				379,780
Prepaid expenses				27,452
Total current assets	<u>897,135</u>	<u>535,956</u>	<u>1,433,091</u>	<u>2,834,701</u>
Noncurrent assets:				
Designated cash:				
Customer deposits				339,213
Property, plant, equipment replacement				432,772
Designated investments:				
Customer deposits				230,912
Property, plant, equipment replacement				5,400,336
Capital assets, net	<u>5,356,122</u>	<u>71,322</u>	<u>5,427,444</u>	<u>6,486,648</u>
Total noncurrent assets	<u>5,356,122</u>	<u>71,322</u>	<u>5,427,444</u>	<u>12,889,881</u>
Total Assets	<u>\$ 6,253,257</u>	<u>607,278</u>	<u>6,860,535</u>	<u>15,724,582</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	<u>41,606</u>	<u>41,292</u>	<u>82,898</u>	<u>506,533</u>
Total Deferred Outflows of Resources	<u>41,606</u>	<u>41,292</u>	<u>82,898</u>	<u>506,533</u>
LIABILITIES				
Current Liabilities:				
Claims payable	\$ 20,565	37,068	57,633	480,675
Accrued payroll				38,732
Deferred revenue		117,000	117,000	
Intergovernmental payable				42,174
Compensated absences payable	6,261	2,753	9,014	43,260
Current portion of long-term debt	<u>51,522</u>		<u>51,522</u>	
Total current liabilities	<u>78,348</u>	<u>156,821</u>	<u>235,169</u>	<u>604,841</u>
Noncurrent Liabilities:				
Customer deposits				570,125
Net pension liability	303,866	256,415	560,281	3,305,396
Long-term liabilities	<u>531,903</u>		<u>531,903</u>	
Total noncurrent liabilities	<u>835,769</u>	<u>256,415</u>	<u>1,092,184</u>	<u>3,875,521</u>
Total Liabilities	<u>914,117</u>	<u>413,236</u>	<u>1,327,353</u>	<u>4,480,362</u>

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City of Kosciusko
Statement of Net Position
Proprietary Funds and Discretely Presented Component Unit
September 30, 2017

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	41,456	26,205	67,661	279,511
Total Deferred Inflows of Resources	41,456	26,205	67,661	279,511
NET POSITION				
Net investment in capital assets	4,772,697	71,322	4,844,019	6,486,648
Restricted for:				
Property, plant equipment replacement				5,833,108
Customer deposits				570,125
Unrestricted	566,593	137,807	704,400	(1,418,639)
Total Net Position	\$ 5,339,290	209,129	5,548,419	11,471,242

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, 2017

Exhibit 6

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
OPERATING REVENUES				
Water sales	\$			1,209,191
Electric sales				6,307,291
Sewer charges	610,993		610,993	
Other charges for services		570,972	570,972	264,580
Total Operating Revenues	610,993	570,972	1,181,965	7,781,062
COST OF PRODUCTION				
Water				502,133
Electric				4,878,992
Garbage collection fees		437,076	437,076	
Total Cost of Production	0	437,076	437,076	5,381,125
OPERATING EXPENSES				
Salaries and wages	190,109	120,167	310,276	416,622
Employee benefits	107,902	67,937	175,839	683,100
Supplies	312	39,543	39,855	24,926
General and administration	273,377	31,104	304,481	257,432
Depreciation expense	189,072	19,113	208,185	447,379
Maintenance and repairs	582,227	15,377	597,604	81,314
Total Operating Expenses	1,342,999	293,241	1,636,240	1,910,773
Operating Income (Loss)	(732,006)	(159,345)	(891,351)	489,164
NONOPERATING REVENUES (EXPENSES)				
Tap fees	2,000		2,000	10,982
Interest income	3,795	1,581	5,376	54,355
Interest expense and fiscal fees	(15,269)		(15,269)	
Grants	168,951		168,951	
Property taxes		134,637	134,637	
Gain on sale of assets		(4,300)	(4,300)	12,832
Transfers in (out)	40,000	(1,000)	39,000	(467,400)
Total Nonoperating Revenues (Expenses)	199,477	130,918	330,395	(389,231)
Change in Net Position	(532,529)	(28,427)	(560,956)	99,933
Total Net Position - Beginning	5,871,819	237,556	6,109,375	11,371,309
Total Net Position - Ending	\$ 5,339,290	209,129	5,548,419	11,471,242

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

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City of Kosciusko
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2017

Exhibit 7

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Light and Water Plant
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 610,993	570,972	1,181,965	7,743,684
Payments to suppliers	(902,130)	(528,720)	(1,430,850)	(6,246,844)
Payments to employees	(191,221)	(118,712)	(309,933)	(420,703)
Net Cash Provided (Used) by Operating Activities	<u>(482,358)</u>	<u>(76,460)</u>	<u>(558,818)</u>	<u>1,076,137</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transactions	40,000	(1,000)	39,000	(467,400)
Property tax receipts		134,637	134,637	
Intergovernmental revenues	168,951		168,951	
Other receipts	2,000		2,000	10,982
Net Cash Provided (Used) by Noncapital Financing Activities	<u>210,951</u>	<u>133,637</u>	<u>344,588</u>	<u>(456,418)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of capital assets		(2,079)	(2,079)	(415,127)
Principal paid on long-term debt	(50,250)		(50,250)	
Gain (loss) on sale of assets				12,832
Interest expense paid	(15,269)		(15,269)	
Net Cash Provided (Used) by Capital Financing Activities	<u>(65,519)</u>	<u>(2,079)</u>	<u>(67,598)</u>	<u>(402,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments				(54,033)
Interest on investments	3,795	1,581	5,376	54,355
Net Cash Provided from Investing Activities	<u>3,795</u>	<u>1,581</u>	<u>5,376</u>	<u>322</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(333,131)</u>	<u>56,679</u>	<u>(276,452)</u>	<u>217,746</u>
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 - Beginning of Year	<u>1,230,265</u>	<u>340,453</u>	<u>1,570,718</u>	<u>1,553,031</u>
Restricted - customer deposits				339,213
Restricted - equipment replacement				432,772
Unrestricted	897,134	397,132	1,294,266	1,002,532
Cash and Cash Equivalents - End of Year	<u>\$ 897,134</u>	<u>397,132</u>	<u>1,294,266</u>	<u>1,774,517</u>

(Continued)

City of Kosciusko
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2017

	<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)	\$ (732,005)	(159,345)	(891,350)	489,161
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	189,072	19,113	208,185	447,379
Change in assets and liabilities:				
(Increase) decrease in accounts receivable				(37,378)
(Increase) decrease in deferred outflows	41,176	26,029	67,205	34,285
(Increase) decrease in inventory				35,080
(Increase) decrease in prepaid expenses				27,367
Increase (decrease) in claims payable	20,274	36,143	56,417	(156,554)
Increase (decrease) in compensated absences payable	(1,112)	1,455	343	(4,081)
Increase (decrease) in net pension liability	(41,219)	(26,060)	(67,279)	(38,642)
Increase (decrease) in deferred inflows	41,456	26,205	67,661	279,511
Increase (decrease) in intergovernmental payables				9
Total adjustments	<u>249,647</u>	<u>82,885</u>	<u>332,532</u>	<u>586,976</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(482,358)</u>	<u>(76,460)</u>	<u>(558,818)</u>	<u>1,076,137</u>

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

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

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 Net Position reports all of the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2017, with the difference reported as net position.

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

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*.

Fund Financial Statements - 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, 2017

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

The government-wide and proprietary fund financial statements are presented 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 presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The City considers revenues received within 60 days after fiscal year-end as available. Significant revenue sources that are susceptible to accrual include property taxes, state appropriations, and federal awards. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures for goods and services are recognized upon receipt of said goods and services. Expenditures for debt service, compensated absences, and claims and judgments are recognized only when payment is due.

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 *Historical Preservation Fund* is a capital project fund that accounts for construction of various projects.

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.

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.

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

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

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

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

2. Receivables.

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

3. Interfund Transactions and Balances.

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

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

4. Restricted Assets.

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

5. Inventory.

Inventory is valued at cost. The inventory in the Light and Water Enterprise Fund of \$379,780 consists of expendable supplies held for consumption. Governmental fund types, which had no material inventory at September 30, 2017, use the purchase method which expenses inventory when purchased.

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.

City of Kosciusko

Notes to Financial Statements
For the Year Ended September 30, 2017

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:

	Capitalization Thresholds	Estimated Useful Life
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.*

Deferred Outflows.

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following item in this category:

Deferred outflows related to pensions - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

Deferred Inflows.

In addition to liabilities, the Statement of Net Position and Balance Sheet - Governmental Funds 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following items in this category:

Statement of Net Position:

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.

Deferred inflows related to pensions - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates.

Balance Sheet - Governmental Funds:

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, 2017.

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.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

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.”

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:

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.

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.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the abovementioned 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.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

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.

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.

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

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.

Real and personal property tax revenues are recognized in the year for which they are levied in accordance with GAAP. However, because the revenues are not currently available, a deferred inflow of resources is recorded for this amount. Motor vehicle and mobile home taxes do not meet the GAAP measurability and collectibility criteria because the lien and due date cannot be established until the date of original purchase. Accordingly, no amount is accrued for these taxes in the financial statements.

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 \$4,977,940 and the bank balance was \$5,081,322. For the discretely-presented component unit, Kosciusko Light and Water Plant, the carrying amount of cash and investments at year-end was \$7,405,765 and the bank balance was \$7,418,529. Section 27-105-5, Miss. Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds' deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Custodial Credit Risk - Custodial credit risk for deposits 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. 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 Deposit Insurance Corporation (FDIC). 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, 2017, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$5,631,248 at September 30, 2017. All of the certificates of deposits had a maturity of less than one year. 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, 2017**

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	\$ 952,000		205,000		1,157,000	117,000	
Fines receivable	1,420,758				1,420,758		
Accounts							1,434,076
Sales tax	346,005				346,005		
Other governmental	12,928		2,416	8,266	23,610	21,824	
Interest							4,952
Other	12,859				12,859		
Note				335,899	335,899		
Gross receivables	2,744,550	0	207,416	344,165	3,296,131	138,824	1,439,028
Less: allowance for uncollectibles	(1,136,606)				(1,136,606)		(14,091)
Net total receivables	\$ 1,607,944	0	207,416	344,165	2,159,525	138,824	1,424,937

	Sept. 30, 2017
Property taxes receivable:	
Governmental funds:	
General Fund	\$ 952,000
Debt service fund	205,000
Total deferred revenue for governmental funds	\$ 1,157,000
Proprietary funds:	
Solid waste fund	\$ 117,000
Total deferred revenue for proprietary funds	\$ 117,000

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

C. Capital Assets.

Capital assets activity for the year ended September 30, 2017, are as follows:

Primary Government

	<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	2,916,963			2,916,963
Improvements other than buildings	4,004,958			4,004,958
Machinery and equipment	3,031,510	122,047	(160,052)	2,993,505
Equipment under capital lease	258,202			258,202
Total capital assets being depreciated	<u>10,211,633</u>	<u>122,047</u>	<u>(160,052)</u>	<u>10,173,628</u>
Less: Accumulated depreciation for:				
Buildings	1,065,583	55,989		1,121,572
Improvements other than buildings	1,589,870	128,990		1,718,860
Machinery and equipment	2,505,833	105,122	(142,902)	2,468,053
Equipment under capital lease	252,689			252,689
Total accumulated depreciation	<u>5,413,975</u>	<u>290,101</u>	<u>(142,902)</u>	<u>5,561,174</u>
Total capital assets, being depreciated, net	<u>4,797,658</u>	<u>(168,054)</u>	<u>(17,150)</u>	<u>4,612,454</u>
Governmental activities capital assets, net	<u>\$ 6,132,267</u>	<u>(168,054)</u>	<u>(17,150)</u>	<u>5,947,063</u>
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	1,307,324	2,079	(50,518)	1,258,885
Wastewater system	7,484,642			7,484,642
Improvements other than buildings	9,947			9,947
Total capital assets, being depreciated	<u>8,948,094</u>	<u>2,079</u>	<u>(50,518)</u>	<u>8,899,655</u>

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less: Accumulated depreciation:				
Buildings	127,979	686		128,665
Machinery & equipment	1,052,036	57,837	(46,219)	1,063,654
Wastewater system	2,747,211	149,662		2,896,873
Improvements other than buildings	9,947			9,947
Total accumulated depreciation	<u>3,937,173</u>	<u>208,185</u>	<u>(46,219)</u>	<u>4,099,139</u>
Total capital assets, being depreciated, net	<u>5,010,921</u>	<u>(206,106)</u>	<u>(4,299)</u>	<u>4,800,516</u>
Business-type activities capital assets, net	<u>\$ 5,637,849</u>	<u>(206,106)</u>	<u>(4,299)</u>	<u>5,427,444</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	<u>\$ 51,944</u>			<u>51,944</u>
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	1,045,207			1,045,207
Machinery and equipment	1,773,745	282,102	(32,157)	2,023,690
Water and electric system	<u>14,290,442</u>	<u>133,025</u>		<u>14,423,467</u>
Total capital assets, being depreciated	<u>17,109,394</u>	<u>415,127</u>	<u>(32,157)</u>	<u>17,492,364</u>
Less: Accumulated depreciation	<u>10,642,438</u>	<u>447,379</u>	<u>(32,157)</u>	<u>11,057,660</u>
Total capital assets, being depreciated, net	<u>6,466,956</u>	<u>(32,252)</u>	<u>0</u>	<u>6,434,704</u>
Business-type activities capital assets, net	<u>\$ 6,518,900</u>	<u>(32,252)</u>	<u>0</u>	<u>6,486,648</u>

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

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 24,328
Public safety	105,972
Public works	127,517
Health and welfare	334
Culture and recreation	<u>31,950</u>
Total depreciation expense - governmental activities	<u>\$ 290,101</u>

(Continued)

City of Kosciusko

Notes to Financial Statements
For the Year Ended September 30, 2017

Business-type activities:	
Waste water	\$ 189,072
Solid waste	<u>19,113</u>
Total depreciation expense - business-type activities	\$ <u>208,185</u>
Discretely-presented component unit:	
Water and electric system	\$ <u>447,379</u>
Total depreciation expense - business-type activities	\$ <u>447,379</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, 2017, because Kosciusko Apartments, LP had negative cash flow for the year ended September 30, 2017. The note receivable balance at September 30, 2017, including accrued interest, is \$335,899.

E. Interfund Transactions.

The following schedule as of September 30, 2017, represents interfund receivables and payables:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	Historical Preservation Grant fund	\$ 500,000
General Fund	Other governmental funds	<u>2,015</u>
Total		\$ <u>502,015</u>

Interfund payables are primarily related to grant activity.

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City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

The composition of interfund transfers as of September 30, 2017, 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	357,400
General Fund	Airport grant fund	4,000
Debt service	Other governmental funds	47,532
Debt service	Waste water	30,000
Other governmental funds	General Fund	<u>242,750</u>
Total governmental funds		<u>\$ 722,682</u>
Proprietary funds:		
Debt service	Waste water	\$ 30,000
Waste water	Discretely-presented component unit	110,000
General Fund	Solid waste	1,000
General Fund	Waste water	<u>40,000</u>
Total proprietary funds		<u>\$ 181,000</u>
Discretely presented component unit:		
Waste water	Discretely-presented component unit	\$ 110,000
General Fund	Discretely-presented component unit	<u>357,400</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.

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	\$ <u>225,625</u>	6/13/2013	2.03%	\$ <u>35,347</u>
Total Governmental Activities	\$ <u>225,625</u>			\$ <u>35,347</u>

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>
2018	\$ 35,650
Total minimum lease payments	35,650
Less: Amount representing interest	<u>(303)</u>
Present value of minimum lease payments	\$ <u>35,347</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.

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%	\$ 1,965,000
		\$ <u>1,965,000</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>
2018	\$ 275,000	46,291
2019	280,000	36,666
2020	295,000	26,866
2021	295,000	22,294
2022	310,000	17,131
2023-2025	<u>510,000</u>	<u>17,937</u>
Total	\$ <u>1,965,000</u>	<u>167,185</u>

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

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%	\$ 410,491
Total Governmental activities		\$ 410,491
Business-type Activities:		
State of Mississippi Department of Environmental Quality revolving loan	2.50	\$ 583,425
Total Business-type activities		\$ 583,425

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>
2018	\$ 44,899	11,699
2019	46,265	10,333
2020	47,672	8,926
2021	49,122	7,476
2022	50,616	5,982
2023-2026	171,917	8,559
Total	\$ 410,491	52,975

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 51,522	13,997
2019	52,824	12,695
2020	54,160	11,359
2021	55,529	9,990
2022	56,934	8,585
2023-2027	307,008	20,587
2028	5,448	12
Total	\$ 583,425	77,225

City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 2,225,000		260,000	1,965,000	275,000
Capital leases	81,635		46,288	35,347	35,347
Other loans	453,996		43,505	410,491	44,899
	<u>2,760,631</u>	<u>0</u>	<u>349,793</u>	<u>2,410,838</u>	<u>355,246</u>
Add premium on refunded bond	60,636		15,090	45,546	
Total	<u>2,821,267</u>	<u>0</u>	<u>364,883</u>	<u>2,456,384</u>	<u>355,246</u>
Compensated absences	58,018	3,610		61,628	
Total	<u>\$ 2,879,285</u>	<u>3,610</u>	<u>364,883</u>	<u>2,518,012</u>	<u>355,246</u>
Business-type Activities:					
Compensated absences	\$ 8,670	343		9,013	
Loans payable	633,675		50,250	583,425	51,522
Total	<u>\$ 642,345</u>	<u>343</u>	<u>50,250</u>	<u>592,438</u>	<u>51,522</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.

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, 2017.

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City of Kosciusko

Notes to Financial Statements
For the Year Ended September 30, 2017

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.

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 became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of 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 Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2017, 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, 2017, 2016 and 2015 were \$405,488, \$389,554 and \$386,179, respectively. The contributions for each year met the required contributions. Kosciusko Water & Light's employer contributions to PERS for the years ended September 30, 2017, 2016 and 2015 were \$201,138, \$197,968 and \$196,362, respectively. The contributions for each year met the required contributions.

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

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

At September 30, 2017, the City of Kosciusko reported a liability of \$6,639,047 for its proportionate share of the net pension liability. At September 30, 2017, Kosciusko Water & Light reported a liability of \$3,305,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the City's proportionate share was 0.039938 percent, which was a decrease of .000355 from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016. At June 30, 2017, Kosciusko Water & Light's proportionate share was 0.019884 percent, which was an increase of 0.00163 from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City of Kosciusko recognized pension expense of \$849,788. For the year ended September 30, 2017, Kosciusko Water & Light recognized pension expense of \$537,173.

At September 30, 2017, the City of Kosciusko and Kosciusko Water & Light reported as a component of pension expense, deferred outflows and deferred inflows of resources from the following sources:

City of Kosciusko

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 95,479	48,443
Net difference between projected and actual earnings on pension plan investments	603,382	512,969
Changes of assumptions	133,195	
Changes in proportion and differences between entity contributions and proportionate share of contributions	9,225	
Entity contributions subsequent to the measurement date	<u>93,497</u>	
Total	<u>\$ 934,778</u>	<u>561,412</u>

(Continued)

City of Kosciusko

**Notes to Financial Statements
For the Year Ended September 30, 2017**

Kosciusko Water & Light

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 45,592	24,119
Net difference between projected and actual earnings on pension plan investments	289,176	255,393
Changes of assumptions	68,996	
Changes in proportion and differences between entity contributions and proportionate share of contributions	49,898	
Entity contributions subsequent to the measurement date	<u>52,871</u>	
Total	\$ <u>506,533</u>	<u>279,512</u>

\$93,497 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, 2018. \$52,871 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Kosciusko

<u>Year Ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 447,840	148,682
2019	257,542	148,682
2020	135,899	135,805
2021		<u>128,243</u>
Total	\$ <u>841,281</u>	<u>561,412</u>

Kosciusko Water & Light

<u>Year Ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 211,567	74,025
2019	152,887	74,025
2020	89,208	67,614
2021		<u>63,848</u>
Total	453,662	<u>279,512</u>

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City of Kosciusko

Notes to Financial Statements For the Year Ended September 30, 2017

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 18.50 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 2022, set forward one year for males.

The actuarial assumption used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the pension July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Fixed Income	18.00	0.75
Global	12.00	4.75
Emerging Debt	2.00	2.25
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Cash	1.00	0.00
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.

City of Kosciusko

Notes to Financial Statements
For the Year Ended September 30, 2017

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 entities' 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	\$ 8,707,559	6,639,047	4,921,740
Kosciusko Water & Light's proportionate share of the net pension liability	\$ 4,335,247	3,305,396	2,450,395

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.

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, 2017, the account had a balance of \$276,276. Also, at September 30, 2017, 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.

GAAP requires the county to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of the City of Kosciusko evaluated the City's activity and events that occurred through January 29, 2018 and determined that no subsequent events met the disclosure requirements.

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City of Kosciusko

Notes to Financial Statements
For the Year Ended September 30, 2017

5. **Change in Accounting Standard.**

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

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

The City of Kosciusko's unrestricted net position amount of (\$2,798,436) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$934,777 balance of deferred outflow of resources at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The City of Kosciusko's unrestricted net position amount of (\$2,798,436) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$561,413 balance of deferred inflows of resources at September 30, 2017, will be recognized as income and will increase the unrestricted net position over the next four years.

Kosciusko Water & Light's unrestricted net position amount of (\$1,418,639) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$506,533 balance of deferred outflow of resources at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The Kosciusko Water & Light's unrestricted net position amount of (\$1,418,639) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$279,511 balance of deferred inflows of resources at September 30, 2017, will be recognized as income and will increase the unrestricted net position over the next four years.

7. **Tax Abatements.**

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Kosciusko Board of Aldermen and the Attala County Board of Supervisors negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of September 30, 2017.

<u>Category</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of retail facilities	71%	\$ 5,111

Each agreement was negotiated in accordance with Sections 27-31-101, et. seq., Miss. Code (Ann.) 1972, which allows localities to abate property taxes for a variety of economic development purposes. The abatements may be granted for a period up to ten years and for up to 100% of annual property taxes through a direct reduction in the City's property tax bill.

The City has not made any commitments as part of the agreements other than to reduce taxes.

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

Schedule of Pension Contributions

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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,155,500	1,155,500	1,190,240	34,740
Franchise fees	100,000	100,000	101,114	1,114
Licenses and permits	28,000	28,000	33,454	5,454
Fines and forfeitures	150,000	150,000	207,382	57,382
Intergovernmental revenues	1,911,500	1,911,500	2,192,464	280,964
Charges for services	65,000	65,000	79,422	14,422
Interest earned	5,000	5,000	7,770	2,770
Miscellaneous revenues	200	200	53,019	52,819
Total Revenues	<u>3,415,200</u>	<u>3,415,200</u>	<u>3,864,865</u>	<u>449,665</u>
EXPENDITURES				
General government	706,827	706,827	615,054	91,773
Public safety	2,044,648	2,044,648	1,921,804	122,844
Public works	484,358	505,358	469,973	35,385
Health and welfare	259,574	261,574	248,773	12,801
Culture and recreation	449,145	449,145	396,694	52,451
Urban and economic development	83,890	83,890	83,890	
Total Expenditures	<u>4,028,442</u>	<u>4,051,442</u>	<u>3,736,188</u>	<u>315,254</u>
Excess of Revenues Over (Under) Expenditures	<u>(613,242)</u>	<u>(636,242)</u>	<u>128,677</u>	<u>764,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	392,400	392,400	396,788	4,388
Transfers out	<u>(355,511)</u>	<u>(355,511)</u>	<u>(317,049)</u>	<u>38,462</u>
Total Other Financing Sources and Uses	<u>36,889</u>	<u>36,889</u>	<u>79,739</u>	<u>42,850</u>
Net Change in Fund Balance	(576,353)	(599,353)	208,416	807,769
Fund Balances - Beginning	<u>(1,174,615)</u>	<u>(1,182,551)</u>	<u>1,693,832</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (1,750,968)</u>	<u>(1,781,904)</u>	<u>1,902,248</u>	<u>807,769</u>

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 6,639,051	7,197,336	6,044,244	4,843,129
City's proportionate share of the net pension liability (asset)	0.039938 %	0.040293 %	0.039101 %	0.039900 %
City's covered-employee payroll	\$ 2,562,038	2,577,651	2,442,825	2,417,795
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	259.131637	279.22073 %	247.42845 %	200.31181 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.467727 %	61.703983 %	67.207687 %

COMPONENT UNIT - KOSCIUSKO WATER & LIGHT

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Entity's proportion of the net pension liability (asset)	\$ 4,074,061	3,344,038	3,110,155	2,448,633
Entity's proportionate share of the net pension liability (asset)	0.024508 %	0.018721 %	0.02012 %	0.020173 %
Entity's covered-employee payroll	\$ 1,275,556	1,197,606	1,256,978	1,232,114
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	319.394915	279.22689 %	247.43114 %	198.73429 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.467727 %	61.703983 %	67.207687 %

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 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.

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 405,488	393,729	386,839
Contributions in relation to the contractually required contribution	<u>405,488</u>	<u>393,729</u>	<u>386,839</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>
City's covered-employee payroll	\$ 2,574,527	2,473,359	2,456,612
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

COMPONENT UNIT – KOSCIUSKO WATER & LIGHT

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 201,138	197,968	198,366
Contributions in relation to the contractually required contribution	<u>201,138</u>	<u>197,968</u>	<u>198,366</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>
Entity's covered-employee payroll	\$ 1,277,067	1,256,940	1,259,467
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 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.

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

City of Kosciusko

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2017**

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.

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:

	<u>General Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 208,416
Increase (decrease):	
Net adjustments for revenue accruals	7,095
Net adjustments for expenditure accruals	<u>(41,191)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 174,320</u>

City of Kosciusko

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2017**

D. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.

Changes in Benefit Provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Changes of Assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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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, 2017

<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 Bushea	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
	Assistant General		
Jason Chad Kyle	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

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CITY OF KOSCIUSKO

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2018.

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.

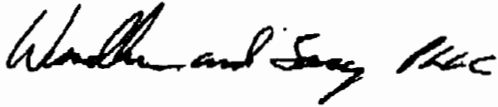
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
January 29, 2018

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

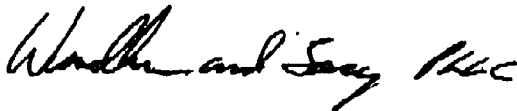
Honorable Mayor and
Members of the Board of Aldermen
City of Kosciusko, Mississippi

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, 2017, and have issued our report thereon dated January 29, 2018. 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
January 29, 2018

CITY OF KOSCIUSKO

SCHEDULE OF FINDINGS AND RESPONSES

City of Kosciusko

Schedule of Findings and Responses
For the Year Ended September 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

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

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