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CITY OF KOSCIUSKO

**Audited Financial Statements
And
Special Reports**

For the Year Ended September 30, 2020

CITY OF KOSCIUSKO

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INDEPENDENT AUDITORS' 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, 2020, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2020, 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

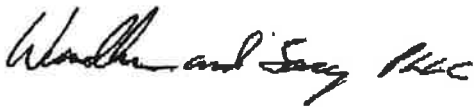
The City of Kosciusko has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, 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 July 1, 2021, 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 effectiveness of the City of Kosciusko's 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
July 1, 2021

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, 2020

Exhibit 1

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u> <u>Unit</u> <u>Kosciusko</u> <u>Water and</u> <u>Light Plant</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,323,613	3,146,253	6,469,866	451,724
Property tax receivable	1,157,000	122,000	1,279,000	
Fines receivable, net	285,841		285,841	
Accounts receivable, net				1,660,158
Interest receivable				2,013
Intergovernmental receivables	433,538	21,824	455,362	
Other receivables	15,121		15,121	
Internal balances	2,344,159	(2,344,159)		
Inventory, at cost				391,451
Prepaid expenses				48,374
Total Current Assets	<u>7,559,272</u>	<u>945,918</u>	<u>8,505,190</u>	<u>2,553,720</u>
Noncurrent Assets:				
Note receivable	346,117		346,117	
Designated cash:				
Customer deposits				372,438
Property, plant, equipment replacement				343,183
Designated investments:				
Customer deposits				230,315
Property, plant, equipment replacement				4,981,969
Capital assets, net	<u>5,516,721</u>	<u>5,175,447</u>	<u>10,692,168</u>	<u>7,884,076</u>
Total Noncurrent Assets	<u>5,862,838</u>	<u>5,175,447</u>	<u>11,038,285</u>	<u>13,811,981</u>
Total Assets	<u>13,422,110</u>	<u>6,121,365</u>	<u>19,543,475</u>	<u>16,365,701</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	<u>525,783</u>	<u>24,844</u>	<u>550,627</u>	<u>502,494</u>
LIABILITIES				
Current Liabilities:				
Claims payable	106,722	137,769	244,491	445,989
Accrued payroll				38,732
Intergovernmental payable				42,156
Compensated absences payable	69,328	6,338	75,666	44,186
Current portion of long-term debt	<u>344,122</u>	<u>96,254</u>	<u>440,376</u>	
Total Current Liabilities	<u>520,172</u>	<u>240,361</u>	<u>760,533</u>	<u>571,063</u>
Noncurrent Liabilities:				
Customer deposits				602,753
Net pension liability	6,874,662	645,860	7,520,522	4,395,424
Long-term liabilities	<u>1,050,110</u>	<u>411,764</u>	<u>1,461,874</u>	
Total Noncurrent Liabilities	<u>7,924,772</u>	<u>1,057,624</u>	<u>8,982,396</u>	<u>4,998,177</u>
Total Liabilities	<u>8,444,944</u>	<u>1,297,985</u>	<u>9,742,929</u>	<u>5,569,240</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Net Position
September 30, 2020

Exhibit 1

	Governmental Activities	Business-type Activities	Total	Component Unit Kosciusko Water and Light Plant
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	202,570	11,805	214,375	
Property tax for future periods	1,157,000	122,000	1,279,000	
Total Deferred Inflows of Resources	1,359,570	133,805	1,493,375	0
NET POSITION				
Net investment in capital assets	4,122,489	4,667,429	8,789,918	7,884,076
Restricted for:				
Property, plant and equipment replacement				5,325,152
Customer deposits				602,753
Public safety	298,773		298,773	
Public works	1,940,360		1,940,360	
Capital projects	1,585,054		1,585,054	
Unrestricted	(3,803,297)	46,990	(3,756,307)	(2,513,026)
Total Net Position	\$ 4,143,379	4,714,419	8,857,798	11,298,955

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, 2020

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:							Kosciusko Water and Light Plant
Governmental Activities:							
General government	\$ 994,681			(994,681)		(994,681)	
Public safety	2,445,076	159,594	44,655	(1,919,032)		(1,919,032)	
Public works	1,149,872	58,096	642,365	(449,411)		(449,411)	
Health and welfare	210,254		69,477	(91,061)		(91,061)	
Culture and recreation	478,655			(473,273)		(473,273)	
Economic development and assistance	77,370			(77,370)		(77,370)	
Interest on long-term debt	46,452			(46,452)		(46,452)	
Total Governmental Activities	<u>5,402,360</u>	<u>217,690</u>	<u>756,497</u>	<u>(4,051,280)</u>	<u>0</u>	<u>(4,051,280)</u>	
Business-type Activities:							
Waste water	1,616,514		246,295		(682,357)	(682,357)	
Solid waste	752,925				(145,082)	(145,082)	
Total Business-type Activities	<u>2,369,439</u>	<u>0</u>	<u>246,295</u>	<u>0</u>	<u>(827,439)</u>	<u>(827,439)</u>	
Total Primary Government	<u>\$ 7,771,799</u>	<u>217,690</u>	<u>1,002,792</u>	<u>(4,051,280)</u>	<u>(827,439)</u>	<u>(4,878,719)</u>	
Component Unit:							
Kosciusko Water and Light Plant	<u>\$ 7,133,158</u>						379,335
Total Component Unit	<u>\$ 7,133,158</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	379,335

(Continued)

CITY OF KOSCIUSKO

Statement of Activities

For the Year Ended September 30, 2020

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Governmental Activities	Business-type Activities	Total	
General Revenues and Transfers				Kosciusko Water and Light Plant
Taxes:				
Property taxes	\$ 1,460,115	134,492	1,594,607	
Sales tax	2,337,013		2,337,013	
Franchise taxes	94,491		94,491	
Grants and contributions not otherwise restricted	19,516		19,516	
Unrestricted investment income	25,728	11,429	37,157	98,466
Miscellaneous	87,062	(1,723)	85,339	24,500
Transfers	349,400	120,000	469,400	(469,400)
Total General Revenues and Transfers	4,373,325	264,198	4,637,523	(346,434)
Change in Net Position	322,045	(563,241)	(241,196)	32,901
Net Position - Beginning	3,821,334	5,277,660	9,098,994	11,266,054
Net Position - Ending	\$ 4,143,379	4,714,419	8,857,798	11,298,955

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

CITY OF KOSCIUSKO
Balance Sheet
Governmental Funds
September 30, 2020

Exhibit 3

	Major Funds					
	General Fund	Historical Preservation Fund	Construction Projects Fund	S Huntington Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ (1,504,083)	971,159	301,291	750,254	2,804,992	3,323,613
Property tax receivable	952,000				205,000	1,157,000
Fines receivable, net	285,841					285,841
Intergovernmental receivables	2,768,003				9,694	2,777,697
Note receivable					346,117	346,117
Due from other funds	1,436,137		500,254			1,936,391
Other receivables	15,121					15,121
Total Assets	\$ 3,953,019	971,159	801,545	750,254	3,365,803	9,841,780

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:						
Claims payable	\$ 55,210	7,570			43,943	106,723
Due to other funds		503,580		254	1,432,557	1,936,391
Total Liabilities	55,210	511,150	0	254	1,476,500	2,043,114
Deferred Inflows of Resources:						
Property tax for future periods	952,000				205,000	1,157,000
Total Deferred Inflows of Resources	952,000	0	0	0	205,000	1,157,000

(Continued)

CITY OF KOSCIUSKO
Balance Sheet
Governmental Funds
September 30, 2020

Exhibit 3

	Major Funds					
	General Fund	Historical Preservation Fund	Construction Projects Fund	S Huntington Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Unassigned	2,945,809	460,009			(128,329)	3,277,489
Committed:						
Public works					211,077	211,077
Economic development					151,108	151,108
Restricted:						
Public safety			801,545	750,000	298,773	298,773
Public works					1,151,019	2,702,564
Culture & recreation					655	655
Total Fund Balances	<u>2,945,809</u>	<u>460,009</u>	<u>801,545</u>	<u>750,000</u>	<u>1,684,303</u>	<u>6,641,666</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,953,019</u>	<u>971,159</u>	<u>801,545</u>	<u>750,254</u>	<u>3,365,803</u>	<u>9,841,780</u>

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

CITY OF KOSCIUSKO**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020****Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 6,641,666
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.	5,516,721
Deferred outflows of resources - deferred outflows - pension	525,783
Deferred inflows of resources - deferred inflows - pension	(202,570)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(6,874,662)
Long-term liabilities	(1,394,231)
Compensated absences	<u>(69,328)</u>
Total Net Position - Governmental Activities (Exhibit 1)	\$ <u>4,143,379</u>

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

CITY OF KOSCIUSKO

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

For the Year Ended September 30, 2020

Exhibit 4

	Major Funds					
	General Fund	Historical Preservation Fund	Construction Projects Fund	S Huntington Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 1,230,580				229,535	1,460,115
Franchise fees	94,491					94,491
Licenses and permits	32,381					32,381
Fines and forfeitures	156,587					156,587
Intergovernmental revenues	2,360,246				907,430	3,267,676
Charges for services	74,859				176,106	250,965
Interest income	3,696	5,790	1,394		14,848	25,728
Miscellaneous	12,553				74,596	87,149
Total Revenues	3,965,393	5,790	1,394	0	1,402,515	5,375,092
EXPENDITURES						
Current:						
General government	639,979				1,940	641,919
Public safety	1,991,733				734,934	2,726,667
Public works	539,266				429,522	968,788
Health and welfare	229,461				9,826	239,287
Culture and recreation	434,975	11,150			30,928	477,053
Urban and economic development	77,370					77,370
Debt service:						
Principal retirement					343,949	343,949
Interest and fiscal charges					56,808	56,808
Total Expenditures	3,912,784	11,150	0	0	1,607,907	5,531,841
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,609	(5,360)	1,394	0	(205,392)	(156,749)

(Continued)

CITY OF KOSCIUSKO

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

For the Year Ended September 30, 2020

Exhibit 4

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Historical Preservation Fund	Construction Projects Fund	S Huntington Projects Fund			
OTHER FINANCING SOURCES (USES)							
Transfers in	349,400					276,842	626,242
Transfers out	(276,842)						(276,842)
Total Other Financing Sources and Uses	72,558	0	0	0		276,842	349,400
Net Change in Fund Balances	125,167	(5,360)	1,394			71,450	192,651
Fund Balances - Beginning	2,820,642	465,369	800,151	750,000		1,612,853	6,449,015
Fund Balances - Ending	\$ 2,945,809	460,009	801,545	750,000		1,684,303	6,641,666

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

CITY OF KOSCIUSKO**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020**

Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$	\$	192,651
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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 \$432,187 exceeded capital outlays of \$414,203 in the current period.	(17,984)
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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.	(87)
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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 of debt repayments of \$343,949 and amortization of bond premium of \$10,356.	354,305
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Items reported in the Statement of Activities relating to the implementation of GASB Statement No. 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(601,568)	
Recognition of contributions made subsequent to the measurement date	91,553	
Recognition of contributions made in the fiscal year prior to the measurement date	<u>319,316</u>	(190,699)

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>(16,141)</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	\$	\$	<u><u>322,045</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, 2020

Exhibit 5

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Water and Light Plant</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,052,847	1,093,406	3,146,253	451,724
Property tax receivable		122,000	122,000	
Accounts receivable, net				1,660,158
Interest receivable				2,013
Intergovernmental receivable		21,824	21,824	
Inventory, at cost				391,451
Prepaid expenses				48,374
Total Current Assets	<u>2,052,847</u>	<u>1,237,230</u>	<u>3,290,077</u>	<u>2,553,720</u>
Noncurrent Assets:				
Designated cash:				
Customer deposits				372,438
Property, plant, equipment replacement				343,183
Designated investments:				
Customer deposits				230,315
Property, plant, equipment replacement				4,981,969
Capital assets, net	<u>4,998,381</u>	<u>177,066</u>	<u>5,175,447</u>	<u>7,884,076</u>
Total Noncurrent Assets	<u>4,998,381</u>	<u>177,066</u>	<u>5,175,447</u>	<u>13,811,981</u>
Total Assets	<u>\$ 7,051,228</u>	<u>1,414,296</u>	<u>8,465,524</u>	<u>16,365,701</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	<u>2,064</u>	<u>22,780</u>	<u>24,844</u>	<u>502,494</u>
LIABILITIES				
Current Liabilities:				
Claims payable	\$ 92,237	45,532	137,769	445,989
Accrued payroll				38,732
Intergovernmental payable	1,522,920	821,239	2,344,159	42,156
Compensated absences payable	4,018	2,320	6,338	44,186
Current portion of long-term debt	<u>96,254</u>		<u>96,254</u>	
Total Current Liabilities	<u>1,715,429</u>	<u>869,091</u>	<u>2,584,520</u>	<u>571,063</u>
Noncurrent Liabilities:				
Customer deposits				602,753
Net pension liability	346,937	298,923	645,860	4,395,424
Long-term liabilities	<u>411,764</u>		<u>411,764</u>	
Total Noncurrent Liabilities	<u>758,701</u>	<u>298,923</u>	<u>1,057,624</u>	<u>4,998,177</u>
Total Liabilities	<u>2,474,130</u>	<u>1,168,014</u>	<u>3,642,144</u>	<u>5,569,240</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Net Position
Proprietary Funds and Discretely Presented Component Unit
September 30, 2020

Exhibit 5

	Waste Water	Solid Waste	Total	Component Unit Kosciusko Water and Light Plant
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods		122,000	122,000	
Deferred inflows - pension	2,444	9,361	11,805	
Total Deferred Inflows of Resources	2,444	131,361	133,805	0
NET POSITION				
Net investment in capital assets	4,490,363	177,066	4,667,429	7,884,076
Restricted for:				
Property, plant and equipment replacement				5,325,152
Customer deposits				602,753
Unrestricted	86,355	(39,365)	46,990	(2,513,026)
Total Net Position	\$ 4,576,718	137,701	4,714,419	11,298,955

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, 2020

Exhibit 6

	Waste Water	Solid Waste	Total	Component Unit Kosciusko Water and Light Plant
OPERATING REVENUES				
Water sales	\$			1,262,409
Electric sales				6,089,141
Sewer charges	684,112		684,112	
Other charges for services	3,750	607,843	611,593	184,943
Total Operating Revenues	687,862	607,843	1,295,705	7,536,493
COST OF PRODUCTION				
Water				688,176
Electric				4,367,098
Garbage collection fees		469,418	469,418	
Total Cost of Production	0	469,418	469,418	5,055,274
OPERATING EXPENSES				
Salaries and wages	82,619	114,064	196,683	424,642
Employee benefits	33,961	49,719	83,680	801,413
Supplies	380,542	7,241	387,783	28,882
General and administration	536,735	33,560	570,295	202,579
Depreciation expense	207,682	43,486	251,168	552,472
Maintenance and repairs	359,051	35,436	394,487	67,896
Total Operating Expenses	1,600,590	283,506	1,884,096	2,077,884
Operating Income (Loss)	(912,728)	(145,081)	(1,057,809)	403,335
NONOPERATING REVENUES (EXPENSES)				
Tap fees				500
Interest income	7,418	4,011	11,429	98,466
Interest expense and fiscal fees	(15,923)		(15,923)	
Grants	246,295		246,295	
Property taxes		134,492	134,492	
Gain (loss) on sale of assets	(1,725)		(1,725)	
Transfers in (out)	120,000		120,000	(469,400)
Total Nonoperating Revenue (Expenses)	356,065	138,503	494,568	(370,434)
Change in Net Position	(556,663)	(6,578)	(563,241)	32,901
Total Net Position - Beginning	5,133,381	144,279	5,277,660	11,266,054
Total Net Position - Ending	\$ 4,576,718	137,701	4,714,419	11,298,955

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

Exhibit 7

CITY OF KOSCIUSKO
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2020

	Waste Water	Solid Waste	Total	Component Unit Kosciusko Water and Light Plant
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 687,862	607,843	1,295,705	7,584,591
Payments to suppliers	143,617	106,341	249,958	(5,969,855)
Payments to employees	(85,780)	(113,899)	(199,679)	(431,988)
Net Cash Provided (Used) by Operating Activities	745,699	600,285	1,345,984	1,182,748
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transactions	120,000		120,000	(469,400)
Property tax receipts		134,492	134,492	
Grants	246,295		246,295	494
Net Cash Provided (Used) by Noncapital Financing Activities	366,295	134,492	500,787	(468,906)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of capital assets		(143,700)	(143,700)	(658,989)
Principal paid on long-term debt	(93,421)		(93,421)	
Interest expense paid	(15,923)		(15,923)	
Net Cash Provided (Used) by Capital Financing Activities	(109,344)	(143,700)	(253,044)	(658,989)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments				(98,209)
Interest on investments	7,418	4,011	11,429	98,466
Net Cash Provided From Investing Activities	7,418	4,011	11,429	257
Net Increase (Decrease) in Cash and Cash Equivalents	1,010,068	595,088	1,605,156	55,110
Restricted - customer deposits				356,150
Restricted - equipment replacement				223,025
Unrestricted	1,042,779	498,319	1,541,098	516,772
Cash and Cash Equivalents - Beginning of Year	1,042,779	498,319	1,541,098	1,095,947
Restricted - customer deposits				372,438
Restricted - equipment replacement				343,183
Unrestricted	2,052,847	1,093,407	3,146,254	451,724
Cash and Cash Equivalents - End of Year	\$ 2,052,847	1,093,407	3,146,254	1,167,345

(Continued)

CITY OF KOSCIUSKO**Statement of Cash Flows****Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2020****Exhibit 7**

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Water and Light Plant</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (912,728)	(145,081)	(1,057,809)	403,334
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	207,682	43,486	251,168	552,472
Change in assets and liabilities:				
(Increase) decrease in accounts receivable				48,098
(Increase) decrease in deferred outflows	(4,376)	(15,587)	(19,963)	(102,860)
(Increase) decrease in inventory				(15,326)
(Increase) decrease in prepaid expenses				4,425
Increase (decrease) in claims payable	32,572	3,444	36,016	(99,022)
Increase (decrease) in compensated absences payable	(3,161)	165	(2,996)	(7,346)
Increase (decrease) in net pension liability	16,763	23,216	39,979	439,342
Increase (decrease) in deferred inflows	(6,695)	2,226	(4,469)	(40,369)
Increase (decrease) in intergovernmental payables	1,415,642	688,416	2,104,058	
Total adjustments	<u>1,658,427</u>	<u>745,366</u>	<u>2,403,793</u>	<u>779,414</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>745,699</u>	<u>600,285</u>	<u>1,345,984</u>	<u>1,182,748</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, 2020

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.

Discretely Presented Component Unit

Kosciusko Water and Light 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 Activities) 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, 2020, with the difference reported as net position.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020

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. Measurable means knowing or being able to reasonably estimate the amount. 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 *Construction Projects Fund* is a capital project fund that accounts for construction of various projects.

The *S Huntington Fund* is a capital project fund that accounts for construction of various projects.

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.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

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

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

2. Receivables.

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

3. Interfund Transactions and Balances.

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

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

4. Restricted Assets.

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

5. Inventory.

Inventory is valued at cost. The inventory in the Light and Water Enterprise Fund of \$391,451 consists of expendable supplies held for consumption. Governmental fund types, which had no material inventory at September 30, 2020, 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, 2020

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

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

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

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

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

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

7. *Deferred Outflows/Inflows of Resources.*

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.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020.

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, 2020

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, 2020

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.

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, 2020

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 \$6,469,866 and the bank balance was \$6,710,738. For the discretely-presented component unit, Kosciusko Water and Light Plant, the carrying amount of cash and investments at year-end was \$6,379,629 and the bank balance was \$6,377,629. 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, 2020, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$5,555,467 at September 30, 2020. 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, 2020

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 Water and Light Plant
	General	Other	Total		
Receivables:					
Property taxes	\$ 952,000	205,000	1,157,000	122,000	
Fines receivable	1,429,213		1,429,213		
Accounts					1,672,020
Sales tax	377,102		377,102		
Other governmental	46,742	9,694	56,436	21,824	
Interest					2,013
Other	15,121		15,121		
Note		346,117	346,117		
Gross receivables	2,820,178	560,811	3,380,989	143,824	1,674,033
Less: allowance for uncollectibles	(1,143,372)		(1,143,372)		(11,862)
Net total receivables	\$ 1,676,806	560,811	2,237,617	143,824	1,662,171
					Sept. 30, 2020
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				\$ 122,000	
Total deferred revenue for proprietary funds				\$ 122,000	

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

C. Capital Assets.

Capital assets activity for the year ended September 30, 2020, are as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,334,609			1,334,609
Total capital assets, not being depreciated	<u>1,334,609</u>	<u>0</u>	<u>0</u>	<u>1,334,609</u>
Capital assets, being depreciated:				
Buildings	2,857,750		(7,500)	2,850,250
Improvements other than buildings	4,004,958			4,004,958
Machinery and equipment	3,205,485	414,203	(566,445)	3,053,243
Total capital assets being depreciated	<u>10,068,193</u>	<u>414,203</u>	<u>(573,945)</u>	<u>9,908,451</u>
Less: Accumulated depreciation for:				
Buildings	1,220,056	44,963	(7,500)	1,257,519
Improvements other than buildings	2,009,741	160,873		2,170,614
Machinery and equipment	2,638,213	226,351	(566,358)	2,298,206
Total accumulated depreciation	<u>5,868,010</u>	<u>432,187</u>	<u>(573,858)</u>	<u>5,726,339</u>
Total capital assets, being depreciated, net	<u>4,200,183</u>	<u>(17,984)</u>	<u>(87)</u>	<u>4,182,112</u>
Governmental activities capital assets, net	<u>\$ 5,534,792</u>	<u>(17,984)</u>	<u>(87)</u>	<u>5,516,721</u>

Business-type Activities:

Capital assets, not being depreciated:				
Land	\$ 626,930			626,930
Total capital assets, not being depreciated	<u>626,930</u>	<u>0</u>	<u>0</u>	<u>626,930</u>
Capital assets, being depreciated:				
Buildings	146,181			146,181
Machinery & equipment	1,350,213	143,700	(37,010)	1,456,903
Wastewater system	7,472,321			7,472,321
Under lease	160,208			160,208
Improvements other than buildings	9,947			9,947
Total capital assets, being depreciated	<u>9,138,870</u>	<u>143,700</u>	<u>(37,010)</u>	<u>9,245,560</u>
Less: Accumulated depreciation:				
Buildings	130,037	686		130,723
Machinery & equipment	1,142,874	85,596	(35,285)	1,193,185
Wastewater system	3,182,281	148,865		3,331,146
Under lease	16,021	16,021		32,042
Improvements other than buildings	9,947			9,947
Total accumulated depreciation	<u>4,481,160</u>	<u>251,168</u>	<u>(35,285)</u>	<u>4,697,043</u>
Total capital assets, being depreciated, net	<u>4,657,710</u>	<u>(107,468)</u>	<u>(1,725)</u>	<u>4,548,517</u>
Business-type activities capital assets, net	<u>\$ 5,284,640</u>	<u>(107,468)</u>	<u>(1,725)</u>	<u>5,175,447</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

Discretely-presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 36,944			36,944
Construction in progress		207,938		207,938
Total capital assets, not being depreciated	<u>36,944</u>	<u>207,938</u>	<u>0</u>	<u>244,882</u>
Capital assets, being depreciated:				
Buildings	1,027,523			1,027,523
Machinery and equipment	3,927,561	67,510	(4,451)	3,990,620
Water and electric system	14,710,880	383,470		15,094,350
Total capital assets, being depreciated	<u>19,665,964</u>	<u>450,980</u>	<u>(4,451)</u>	<u>20,112,493</u>
Less: Accumulated depreciation	<u>11,925,278</u>	<u>552,472</u>	<u>(4,451)</u>	<u>12,473,299</u>
Total capital assets, being depreciated, net	<u>7,740,686</u>	<u>(101,492)</u>	<u>0</u>	<u>7,639,194</u>
Business-type activities capital assets, net	\$ <u>7,777,630</u>	<u>106,446</u>	<u>0</u>	<u>7,884,076</u>

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

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 20,052
Public safety	177,493
Public works	203,003
Culture and recreation	<u>31,638</u>
Total depreciation expense - governmental activities	\$ <u>432,186</u>
Business-type activities:	
Waste water	\$ 207,682
Solid waste	<u>43,486</u>
Total depreciation expense - business-type activities	\$ <u>251,168</u>
Discretely-presented component unit:	
Water and electric system	\$ <u>552,472</u>
Total depreciation expense - discretely-presented component unit	\$ <u>552,472</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020, because Kosciusko Apartments, LP, had a negative cash flow for the year ended September 30, 2020. The note receivable balance at September 30, 2020, including accrued interest, is \$346,117.

E. Interfund Transactions.

The following schedule as of September 30, 2020, represents interfund receivables and payables:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Construction Projects Fund	Historical Preservation Grant Fund	\$ 500,000
Construction Projects Fund	S Huntington Projects Fund	254
General Fund	E911	458,947
General Fund	Other Funds	587,353
General Fund	Debt Service	389,837
Total		<u>\$ 1,936,391</u>

The composition of interfund transfers as of September 30, 2020, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Discretely-presented Component Unit	\$ 349,400
E911	General Fund	135,455
Home Grant	General Fund	20,000
Community Service Officer	General Fund	26,387
Debt Service Fund	General Fund	70,000
Fire	General Fund	25,000
Total Governmental Funds		<u>\$ 626,242</u>
Proprietary Funds:		
Waste Water	Discretely-presented Component Unit	<u>\$ 120,000</u>
Total Proprietary Funds		<u>\$ 120,000</u>

(Continued)

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Discretely-presented Component Unit:		
Waste Water	Discretely-presented Component Unit	\$ 120,000
General Fund	Discretely-presented Component Unit	<u>349,400</u>
Total Discretely Presented Component Unit		<u>\$ 469,400</u>

The purpose of these transfers was routine allocations between funds, transfers for debt service and operating transfers from the 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>
Business-type Activities:				
Reliant Lagoon Master Aerator	\$ <u>160,208</u>	05/21/2018	3.73%	\$ <u>83,098</u>
Total Business-type Activities	\$ <u>160,208</u>			\$ <u>83,098</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, are as follows:

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>
2021	\$ 43,825
2022	<u>43,954</u>
Total minimum lease payments	87,779
Less: amount representing interest	<u>(4,681)</u>
Present value of minimum lease payments	<u>\$ 83,098</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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%	\$ <u>1,115,000</u>
Total		\$ <u>1,115,000</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>
2021	\$ 295,000	22,294
2022	310,000	17,131
2023	315,000	10,931
2024	95,000	4,631
2025	<u>100,000</u>	<u>2,375</u>
Total	\$ <u>1,115,000</u>	<u>57,362</u>

Loans Payable

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

<u>Loan Type</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities:		
State of Mississippi Capital Improvement (CAP)	3.0%	\$ <u>266,642</u>
Total Governmental Activities		\$ <u>266,642</u>
Business-type Activities:		
State of Mississippi Department of Environmental Quality revolving loan	2.50	\$ <u>424,920</u>
Total Business-type Activities		\$ <u>424,920</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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>
2021	\$ 49,122	7,476
2022	50,616	5,982
2023	52,156	4,442
2024	53,742	2,856
2025	55,377	1,221
2026	5,629	
Total	<u>\$ 266,642</u>	<u>21,977</u>

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 55,529	9,990
2022	56,934	8,585
2023	58,374	7,145
2024	59,850	5,669
2025	61,363	4,156
2026-2028	132,870	3,629
Total	<u>\$ 424,920</u>	<u>39,174</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 1,410,000		295,000	1,115,000	295,000
Other loans	315,591		48,949	266,642	49,122
	<u>1,725,591</u>	<u>0</u>	<u>343,949</u>	<u>1,381,642</u>	<u>344,122</u>
Add premium on refunded bond	22,946		10,356	12,590	
Total	<u>1,748,537</u>	<u>0</u>	<u>354,305</u>	<u>1,394,232</u>	<u>344,122</u>
Compensated absences	53,186	16,142		69,328	
Total	<u>\$ 1,801,723</u>	<u>16,142</u>	<u>354,305</u>	<u>1,463,560</u>	<u>344,122</u>
Business-type Activities:					
Compensated absences	\$ 9,334		2,996	6,338	
Capital leases	122,359		39,261	83,098	40,725
Loans payable	479,080		54,160	424,920	55,529
Total	<u>\$ 610,773</u>	<u>0</u>	<u>96,417</u>	<u>514,356</u>	<u>96,254</u>

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

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

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, 2020. No assessment was made or is probable for the year ended September 30, 2020.

B. Defined Benefit Pension Plan.

General Information about the Pension Plan.

Plan Description – City of Kosciusko and Kosciusko Water & Light Plant are members of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann., Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429, Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public-school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2020, PERS members were required to contribute 9.00 percent of their annual pay, and the City's required contribution rate was 17.40 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2020, 2019 and 2018, were \$445,210, \$413,090 and \$416,147, respectively. The contributions for each year met the required contributions. Kosciusko Water & Light Plant's employer contributions to PERS for the years ended September 30, 2020, 2019 and 2018 were \$261,809, \$236,073 and \$222,404, respectively. The contributions for each year met the required contributions.

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

At September 30, 2020, the City of Kosciusko reported a liability of \$7,520,522 for its proportionate share of the net pension liability. At September 30, 2020, Kosciusko Water & Light Plant reported a liability of \$4,395,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportionate share was 0.038848 percent, which was a decrease of .000942 from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020. At June 30, 2020, Kosciusko Water & Light Plant's proportionate share was 0.022705 percent, which was an increase of 0.000217 from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2020, the City of Kosciusko recognized pension expense of \$651,288. For the year ended September 30, 2020, Kosciusko Water & Light Plant recognized pension expense of \$557,920.

At September 30, 2020, the City of Kosciusko and Kosciusko Water & Light Plant 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	\$ 65,384	
Net difference between projected and actual earnings on pension plan investments	304,507	
Changes of assumptions	43,089	
Changes in proportion and differences between entity contributions and proportionate share of contributions	38,480	214,373
Entity contributions subsequent to the measurement date	99,167	
Total	<u>\$ 550,627</u>	<u>214,373</u>

(Continued)

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

Kosciusko Water & Light Plant

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,072	
Net difference between projected and actual earnings on pension plan investments	191,571	
Changes of assumptions	24,353	
Changes in proportion and differences between entity contributions and proportionate share of contributions	180,716	
Entity contributions subsequent to the measurement date	67,784	
Total	\$ 502,496	0

\$99,167 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, 2021. \$67,784 reported as deferred outflows of resources related to pensions resulting from the Kosciusko Water & Light Plant's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Year Ended September 30:</u>		
2021	\$ 61,416	99,682
2022	143,281	86,141
2023	147,222	28,550
2024	99,543	
Total	\$ 451,462	214,373

Kosciusko Water & Light Plant

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Year Ended September 30:</u>		
2021	\$ 142,119	
2022	142,642	
2023	91,772	
2024	58,179	
Total	\$ 434,712	0

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

The most recent 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 %	4.90 %
International Equity	22.00	4.75
Global	12.00	5.00
Emerging Debt	20.00	0.50
Real Assets	10.00	4.00
Private Equity	8.00	6.25
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 (17.40%). 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, 2020

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 Plant'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	\$ 9,734,391	\$ 7,520,522	\$ 5,693,190
Kosciusko Water & Light Plant's proportionate share of the net pension liability	\$ 5,689,336	\$ 4,395,424	\$ 3,327,427

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, 2020, the account had a balance of \$276,276. Also, at September 30, 2020, 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.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Kosciusko evaluated the activity of the City through July 1, 2021, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2020

6. Effect of Deferred Amounts on Net Position.

The City of Kosciusko's unrestricted net position amount of (\$3,756,307) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$550,627 balance of deferred outflow of resources at September 30, 2020 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 (\$3,756,307) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$214,375 balance of deferred inflows of resources at September 30, 2020, will be recognized as income and will increase the unrestricted net position over the next four years.

Kosciusko Water & Light Plant's unrestricted net position amount of (\$2,513,026) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$502,494 balance of deferred outflow of resources at September 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

7. Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 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, 2020.

<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	66%	\$ 5,675

Each agreement was negotiated in accordance with Section 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, 2020 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,162,500	1,162,500	1,230,580	68,080
Franchise fees	92,500	92,500	100,697	8,197
Licenses and permits	28,000	28,000	32,381	4,381
Fines and forfeitures	150,000	150,000	161,371	11,371
Intergovernmental revenues	1,944,500	1,944,500	2,343,465	398,965
Charges for services	23,000	23,000	74,859	51,859
Interest earned	5,500	5,500	3,696	(1,804)
Miscellaneous revenues	421,400	421,400	12,553	(408,847)
Total Revenues	<u>3,827,400</u>	<u>3,827,400</u>	<u>3,959,602</u>	<u>132,202</u>
EXPENDITURES				
General government	734,582	734,582	637,233	97,349
Public safety	2,045,813	2,045,813	1,973,889	71,924
Public works	531,666	531,666	526,597	5,069
Health and welfare	176,962	176,962	228,067	(51,105)
Culture and recreation	416,944	416,944	431,557	(14,613)
Urban and economic development	291,890	291,890	77,370	214,520
Total Expenditures	<u>4,197,857</u>	<u>4,197,857</u>	<u>3,874,713</u>	<u>323,144</u>
Excess of Revenues Over (Under) Expenditures	<u>(370,457)</u>	<u>(370,457)</u>	<u>84,889</u>	<u>455,346</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	349,400	344,400
Transfers out	<u>(307,587)</u>	<u>(307,587)</u>	<u>(276,842)</u>	<u>30,745</u>
Total Other Financing Sources and Uses	<u>(302,587)</u>	<u>(302,587)</u>	<u>72,558</u>	<u>375,145</u>
Net Change in Fund Balance	(673,044)	(673,044)	157,447	830,491
Fund Balances - Beginning	<u>(3,154,755)</u>	<u>(3,154,755)</u>	<u>2,375,574</u>	<u>834,901</u>
Fund Balances - Ending	<u>\$ (3,827,799)</u>	<u>(3,827,799)</u>	<u>2,533,021</u>	<u>1,665,392</u>

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

CITY OF KOSCIUSKO
Schedule of the City's and Component Unit's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years *

For the Year Ended September 30, 2020 - UNAUDITED

	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.038848 %	0.039790 %	0.040971 %	0.039938 %	0.040293 %	0.039101 %	0.039900 %
City's proportionate share of the net pension liability (asset)	\$ 7,520,521	6,999,846	6,814,695	6,639,051	7,197,336	6,044,244	4,843,129
City's covered payroll	\$ 2,558,678	2,622,794	2,642,203	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 payroll	293.9221348 %	266.8850851 %	257.9171623 %	259.1316366 %	279.220732 %	247.428449 %	200.311813 %
Plan fiduciary net position as a percentage of the total pension liability	58.97 %	61.59 %	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

COMPONENT UNIT - KOSCIUSKO WATER & LIGHT

Component Unit's proportion of the net pension liability (asset)	0.022705 %	0.022488 %	0.021041 %	0.024508 %	0.018721 %	0.02012 %	0.020173 %
Component Unit's proportionate share of the net pension liability (asset)	\$ 4,395,424	3,956,083	3,499,743	4,074,061	3,344,038	3,110,155	2,448,633
Component Unit's covered payroll	\$ 1,540,649	1,457,308	1,412,089	1,275,556	1,197,606	1,256,978	1,232,114
Component Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	285.2969106 %	271.4651261 %	247.8415312 %	319.3949148 %	279.226891 %	247.43114 %	198.7342892 %
Plan fiduciary net position as a percentage of the total pension liability	58.97 %	61.59 %	62.54 %	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 accompanying notes to the required supplementary information are an integral part of this schedule.

CITY OF KOSCIUSKO
Schedule of the City's and Component Unit's Contributions
PERS
Last 10 Fiscal Years*
For the Year Ended September 30, 2020 - UNAUDITED

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 445,041	416,517	416,248	405,488	393,729	386,839
Contributions in relation to the contractually required contribution	<u>445,041</u>	<u>416,517</u>	<u>416,248</u>	<u>405,488</u>	<u>393,729</u>	<u>386,839</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City employee covered payroll	\$ 2,558,678	2,622,794	2,642,203	2,574,527	2,473,359	2,456,612
Contributions as a percentage of covered payroll	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

COMPONENT UNIT

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 261,809	236,073	222,404	246,929	247,026	198,366
Contributions in relation to the contractually required contribution	<u>261,809</u>	<u>236,073</u>	<u>222,404</u>	<u>246,929</u>	<u>247,026</u>	<u>198,366</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Component Unit's covered payroll	\$ 1,504,649	1,457,308	1,412,089	1,567,803	1,568,419	1,259,467
Contributions as a percentage of covered payroll	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %
		17.40 %**				

* 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.

** Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019, contributions were 17.40%.

The accompanying 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, 2020 UNAUDITED

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:

	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 157,447
Increase (decrease):	
Net adjustments for revenue accruals	5,791
Net adjustments for expenditure accruals	<u>(38,071)</u>
Net Change in Fund Balance GAAP Basis	\$ <u>125,167</u>

CITY OF KOSCIUSKO

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2020
UNAUDITED**

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.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF KOSCIUSKO

Notes to the Required Supplementary Information For the Year Ended September 30, 2020 UNAUDITED

2019

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

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

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

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

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

CITY OF KOSCIUSKO

OTHER INFORMATION

CITY OF KOSCIUSKO
Schedule of Surety Bonds For Municipal Officials
For the Year Ended September 30, 2020 - UNAUDITED

<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
Michelle Quesnot	City Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Sherlene M. Robertson	Deputy City Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Trish Miller	Deputy City Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Risa Dubard	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Melodie Philley	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Dawn Clanton	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
R. J. Adams	Chief of Police	Tyler, King & Ryder/Western Surety	\$ 75,000
Elizabeth T. Peteet	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Debra Gates Elmore	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Jasmine Sharkey	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Latoya R. Thompson	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Tammy Veasy	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Stephanie Mitchell	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Charlene Miller Nash	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Shannon Delon Mitchell	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Linda Hargrove	E911 Dispatcher	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Brent Busbea	Building Inspector	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Lawrence Routt	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Darren Milner	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Ronnie Ables	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000
Semone Olive	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$ 50,000

Discretely-Presented Component Unit:

Kosciusko Water and Light Plant

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

CITY OF KOSCIUSKO

SPECIAL REPORTS

Windham and Lacey, PLLC

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Mississippi Society of CPAs

INDEPENDENT AUDITORS' 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kosciusko, Mississippi's internal control over financial reporting (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
July 1, 2021

Windham and Lacey, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' 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, 2020, and have issued our report thereon dated July 1, 2021. 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
July 1, 2021

CITY OF KOSCIUSKO

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF KOSCIUSKO

**Schedule of Findings and Responses
For the Year Ended September 30, 2020**

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*.

