

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF KOSCIUSKO, MISSISSIPPI

Audited Financial Statements

And

Special Reports

For the Year Ended September 30, 2022

CITY OF KOSCIUSKO

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Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the City of Kosciusko, Mississippi as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Kosciusko, Mississippi, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the City of Kosciusko, Mississippi, prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kosciusko, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Kosciusko, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kosciusko, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

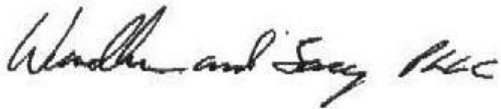
Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, and corresponding notes be presented to supplement the basic financial statements. 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, Mississippi, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kosciusko, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials for the City of Kosciusko, Mississippi, 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.

A handwritten signature in black ink that reads "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
September 27, 2023

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, 2022

Exhibit 1

				Component Unit
	Governmental Activities	Business-type Activities	Total	Kosciusko Water and Light Plant
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 12,240,637	448,040	12,688,677	433,124
Property tax receivable	1,325,000	122,000	1,447,000	
Fines receivable, net	299,049		299,049	
Accounts receivable, net				2,024,283
Interest receivable	66,636		66,636	1,183
Intergovernmental receivables	484,044	21,824	505,868	
Other receivables	74,748		74,748	
Internal balances	68,767	(68,767)		
Inventory, at cost				415,813
Prepaid expenses				44,032
Total Current Assets	<u>14,558,881</u>	<u>523,097</u>	<u>15,081,978</u>	<u>2,918,435</u>
Noncurrent Assets:				
Note receivable	353,171		353,171	
Designated cash:				
Customer deposits				381,008
Property, plant, and equipment replacement				189,577
Designated investments:				
Customer deposits				230,110
Property, plant, and equipment replacement				4,809,915
Capital assets, net	<u>5,067,821</u>	<u>5,004,607</u>	<u>10,072,428</u>	<u>7,981,147</u>
Total Noncurrent Assets	<u>5,420,992</u>	<u>5,004,607</u>	<u>10,425,599</u>	<u>13,591,757</u>
Total Assets	<u>\$ 19,979,873</u>	<u>5,527,704</u>	<u>25,507,577</u>	<u>16,510,192</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows – pension	\$ <u>1,343,935</u>	<u>102,610</u>	<u>1,446,545</u>	<u>442,050</u>
LIABILITIES				
Current Liabilities:				
Claims payable	5,626	69,193	74,819	739,520
Accrued payroll				38,732
Intergovernmental payable				42,156
Compensated absences payable	56,993	13,110	70,103	38,632
Current portion of long-term debt	<u>384,737</u>	<u>69,333</u>	<u>454,070</u>	
Total Current Liabilities	<u>447,356</u>	<u>151,636</u>	<u>598,992</u>	<u>859,040</u>
Noncurrent Liabilities:				
Customer deposits				611,118
Net pension liability	7,834,495	791,078	8,625,573	4,223,352
Long-term liabilities	<u>3,861,918</u>	<u>285,133</u>	<u>4,147,051</u>	
Total Noncurrent Liabilities	<u>11,696,413</u>	<u>1,076,211</u>	<u>12,772,624</u>	<u>4,834,470</u>
Total Liabilities	<u>12,143,769</u>	<u>1,227,847</u>	<u>13,371,616</u>	<u>5,693,510</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Net Position
September 30, 2022

Exhibit 1

	Governmental Activities	Business-type Activities	Total	Component Unit Kosciusko Water and Light Plant
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	91,855	(44,733)	47,122	253,053
Property tax for future periods	1,325,000	122,000	1,447,000	
Total Deferred Inflows of Resources	1,416,855	77,267	1,494,122	253,053
NET POSITION				
Net investment in capital assets	821,166	4,650,141	5,471,307	7,981,147
Restricted for:				
Property, plant, and equipment replacement				4,999,492
Customer deposits				611,118
Public safety	370,108		370,108	
Public works	6,288,531		6,288,531	
Capital projects	3,976,406		3,976,406	
Unrestricted	(3,693,027)	(324,941)	(4,017,968)	(2,586,078)
Total Net Position	\$ 7,763,184	4,325,200	12,088,384	11,005,679

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, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Kosciusko Water and Light Plant
Primary Government								
Governmental Activities:								
General government	\$ 1,239,027				(1,239,027)		(1,239,027)	
Public safety	2,895,220	347,788	232,517	98,297	(2,216,618)		(2,216,618)	
Public works	1,169,827		870,040	2,058,726	1,758,939		1,758,939	
Health and welfare	271,036	60,360		97,428	(113,248)		(113,248)	
Culture and recreation	682,609	15,351		113,287	(553,971)		(553,971)	
Economic development and assistance	74,350				(74,350)		(74,350)	
Interest on long-term debt	87,579				(87,579)		(87,579)	
Total Governmental Activities	<u>6,419,648</u>	<u>423,499</u>	<u>1,102,557</u>	<u>2,367,738</u>	<u>(2,525,854)</u>	<u>0</u>	<u>(2,525,854)</u>	
Business-type Activities:								
Waste water	1,011,573	792,866				(218,707)	(218,707)	
Solid waste	848,284	631,834				(216,450)	(216,450)	
Total Business-type Activities	<u>1,859,857</u>	<u>1,424,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(435,157)</u>	<u>(435,157)</u>	
Total Primary Government	<u>\$ 8,279,505</u>	<u>1,848,199</u>	<u>1,102,557</u>	<u>2,367,738</u>	<u>(2,525,854)</u>	<u>(435,157)</u>	<u>(2,961,011)</u>	
Component Unit:								
Kosciusko Water and Light Plant	<u>\$ 8,604,037</u>	<u>8,890,645</u>						<u>286,608</u>
Total Component Unit	<u>\$ 8,604,037</u>	<u>8,890,645</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>286,608</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Activities
For the Year Ended September 30, 2022

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Kosciusko Water and Light Plant</u>
General Revenues and Transfers				
Taxes:				
Property taxes	\$ 1,572,609	139,867	1,712,476	
Sales tax	2,612,904		2,612,904	
Franchise taxes	121,505		121,505	
Grants and contributions not otherwise restricted	19,500		19,500	
Unrestricted investment income	7,234		7,234	10,080
Miscellaneous	136,995		136,995	30,416
Transfers	355,286	114,114	469,400	(469,400)
Total General Revenues and Transfers	<u>4,826,033</u>	<u>253,981</u>	<u>5,080,014</u>	<u>(428,904)</u>
Change in Net Position	2,300,179	(181,176)	2,119,003	(142,296)
Net Position - Beginning	<u>5,463,005</u>	<u>4,506,376</u>	<u>9,969,381</u>	<u>11,147,975</u>
Net Position - Ending	\$ <u><u>7,763,184</u></u>	<u><u>4,325,200</u></u>	<u><u>12,088,384</u></u>	<u><u>11,005,679</u></u>

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

CITY OF KOSCIUSKO
Balance Sheet
Governmental Funds
September 30, 2022

Exhibit 3

	Major Funds				
	General Fund	ARPA Fund	Construction Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,656,412	1,652,117	3,230,139	5,701,969	12,240,637
Property tax receivable	1,120,000			205,000	1,325,000
Fines receivable, net	299,049				299,049
Intergovernmental receivables	541,729			11,082	552,811
Interest receivable			66,636		66,636
Note receivable				353,171	353,171
Due from other funds	547,592			269,057	816,649
Other receivables	74,748				74,748
Total Assets	<u>\$ 4,239,530</u>	<u>1,652,117</u>	<u>3,296,775</u>	<u>6,540,279</u>	<u>15,728,701</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Claims payable	\$			5,626	5,626
Due to other funds				816,649	816,649
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>822,275</u>	<u>822,275</u>
Deferred Inflows of Resources:					
Property tax for future periods	<u>1,120,000</u>			<u>205,000</u>	<u>1,325,000</u>
Total Deferred Inflows of Resources	<u>1,120,000</u>	<u>0</u>	<u>0</u>	<u>205,000</u>	<u>1,325,000</u>

(Continued)

CITY OF KOSCIUSKO
Balance Sheet
Governmental Funds
September 30, 2022

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Construction Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Unassigned	3,119,530			(173,149)	2,946,381
Committed:					
Public works				251,507	251,507
Economic development				151,108	151,108
Restricted:					
Public safety				370,108	370,108
Public works		1,652,117	3,296,775	4,913,430	9,862,322
Total Fund Balances	<u>3,119,530</u>	<u>1,652,117</u>	<u>3,296,775</u>	<u>5,513,004</u>	<u>13,581,426</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ <u>4,239,530</u>	 <u>1,652,117</u>	 <u>3,296,775</u>	 <u>6,540,279</u>	 <u>15,728,701</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, 2022

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 13,581,426
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.	5,067,821
Deferred outflows of resources - deferred outflows - pension	1,343,935
Deferred inflows of resources - deferred inflows - pension	(91,855)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(7,834,495)
Long-term liabilities	(4,246,655)
Compensated absences	<u>(56,993)</u>
Total Net Position - Governmental Activities (Exhibit 1)	\$ <u><u>7,763,184</u></u>

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

CITY OF KOSCIUSKO
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2022

Exhibit 4

	Major Funds				
	General Fund	ARPA Fund	Construction Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,333,806			238,803	1,572,609
Franchise fees	121,505				121,505
Licenses and permits	32,777				32,777
Fines and forfeitures	207,377				207,377
Intergovernmental revenues	2,640,095	826,040		2,531,300	5,997,435
Charges for services	112,779			167,994	280,773
Interest income	2,398	37	639	4,160	7,234
Miscellaneous	7,256			137,287	144,543
Total Revenues	<u>4,457,993</u>	<u>826,077</u>	<u>639</u>	<u>3,079,544</u>	<u>8,364,253</u>
EXPENDITURES					
Current:					
General government	732,938			108,272	841,210
Public safety	2,452,141			450,455	2,902,596
Public works	595,702		171,025	357,331	1,124,058
Health and welfare	332,562			2,883	335,445
Culture and recreation	514,387			161,551	675,938
Urban and economic development	74,350				74,350
Debt service:					
Principal retirement	11,337			351,653	362,990
Interest and fiscal charges	506		66,636	24,259	91,401
Total Expenditures	<u>4,713,923</u>	<u>0</u>	<u>237,661</u>	<u>1,456,404</u>	<u>6,407,988</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(255,930)</u>	<u>826,077</u>	<u>(237,022)</u>	<u>1,623,140</u>	<u>1,956,265</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	25,756		3,530,000		3,555,756
Transfers in	462,460			933,082	1,373,162
Transfers out	(175,315)		(797,750)	(67,191)	(1,017,876)
Total Other Financing Sources and Uses	<u>312,901</u>	<u>0</u>	<u>2,732,250</u>	<u>865,891</u>	<u>3,911,042</u>
Net Change in Fund Balances	56,971	826,077	2,495,228	2,489,031	5,867,307
Fund Balances - Beginning	<u>3,062,559</u>	<u>826,040</u>	<u>801,547</u>	<u>3,023,973</u>	<u>7,714,119</u>
Fund Balances - Ending	<u>\$ 3,119,530</u>	<u>1,652,117</u>	<u>3,296,775</u>	<u>5,513,004</u>	<u>13,581,426</u>

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

CITY OF KOSCIUSKO**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2022**

Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$	5,867,307
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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 \$497,989 exceeded capital outlays of \$337,456 in the current period.	(160,533)
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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.	-
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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 \$362,990, the amount of debt issued of \$3,555,756, and amortization of bond premium of \$3,822.	(3,188,944)
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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	(742,235)	
Recognition of contributions made subsequent to the measurement date	127,499	
Recognition of contributions made in the fiscal year prior to the measurement date	<u>361,611</u>	(253,125)

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>35,474</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u><u>2,300,179</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, 2022

Exhibit 5

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Water and Light Plant
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 403,749	44,291	448,040	433,124
Property tax receivable		122,000	122,000	
Accounts receivable, net				2,024,283
Interest receivable				1,183
Intergovernmental receivable		21,824	21,824	
Inventory, at cost				415,813
Prepaid expenses				44,032
Total Current Assets	<u>403,749</u>	<u>188,115</u>	<u>591,864</u>	<u>2,918,435</u>
Noncurrent Assets:				
Designated cash:				
Customer deposits			.	381,008
Property, plant, and equipment replacement				189,577
Designated investments:				
Customer deposits				230,110
Property, plant, and equipment replacement				4,809,915
Capital assets, net	<u>4,623,477</u>	<u>381,130</u>	<u>5,004,607</u>	<u>7,981,147</u>
Total Noncurrent Assets	<u>4,623,477</u>	<u>381,130</u>	<u>5,004,607</u>	<u>13,591,757</u>
Total Assets	\$ <u>5,027,226</u>	<u>569,245</u>	<u>5,596,471</u>	<u>16,510,192</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	\$ <u>28,344</u>	<u>74,266</u>	<u>102,610</u>	<u>442,050</u>
LIABILITIES				
Current Liabilities:				
Claims payable	25,626	43,567	69,193	739,520
Accrued payroll				38,732
Intergovernmental payable	12,645	56,122	68,767	42,156
Compensated absences payable	9,663	3,447	13,110	38,632
Current portion of long-term debt	<u>69,333</u>		<u>69,333</u>	
Total Current Liabilities	<u>117,267</u>	<u>103,136</u>	<u>220,403</u>	<u>859,040</u>
Noncurrent Liabilities:				
Customer deposits				611,118
Net pension liability	418,355	372,723	791,078	4,223,352
Long-term liabilities	<u>285,133</u>		<u>285,133</u>	
Total Noncurrent Liabilities	<u>703,488</u>	<u>372,723</u>	<u>1,076,211</u>	<u>4,834,470</u>
Total Liabilities	<u>820,755</u>	<u>475,859</u>	<u>1,296,614</u>	<u>5,693,510</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Net Position
Proprietary Funds and Discretely Presented Component Unit
September 30, 2022

Exhibit 5

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Component Unit Kosciusko Water and Light Plant</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax for future periods		122,000	122,000	
Deferred inflows - pension	(37,511)	(7,222)	(44,733)	253,053
Total Deferred Inflows of Resources	<u>(37,511)</u>	<u>114,778</u>	<u>77,267</u>	<u>253,053</u>
NET POSITION				
Net investment in capital assets	4,269,011	381,130	4,650,141	7,981,147
Restricted for:				
Property, plant, and equipment replacement				4,999,492
Customer deposits				611,118
Unrestricted	<u>3,315</u>	<u>(328,256)</u>	<u>(324,941)</u>	<u>(2,586,078)</u>
Total Net Position	\$ <u>4,272,326</u>	<u>52,874</u>	<u>4,325,200</u>	<u>11,005,679</u>

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

CITY OF KOSCIUSKO**Exhibit 6**
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2022

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Water and Light Plant
OPERATING REVENUES				
Water sales	\$			1,355,905
Electric sales				7,250,835
Sewer charges	792,866		792,866	
Other charges for services		631,834	631,834	300,105
Total Operating Revenues	<u>792,866</u>	<u>631,834</u>	<u>1,424,700</u>	<u>8,906,845</u>
COST OF PRODUCTION				
Water				747,218
Electric				6,083,702
Garbage collection fees		463,542	463,542	
Total Cost of Production	<u>0</u>	<u>463,542</u>	<u>463,542</u>	<u>6,830,920</u>
OPERATING EXPENSES				
Salaries and wages	113,475	188,204	301,679	325,830
Employee benefits	57,398	81,164	138,562	591,089
Supplies	9,081	8,974	18,055	29,541
General and administration	472,210	53,754	525,964	233,195
Depreciation expense	193,604	36,004	229,608	542,734
Maintenance and repairs	155,099	16,643	171,742	50,728
Total Operating Expenses	<u>1,000,867</u>	<u>384,743</u>	<u>1,385,610</u>	<u>1,773,117</u>
Operating Income (Loss)	<u>(208,001)</u>	<u>(216,451)</u>	<u>(424,452)</u>	<u>302,808</u>
NONOPERATING REVENUES (EXPENSES)				
Tap fees				11,309
Interest income				10,080
Interest expense and fiscal fees	(10,705)		(10,705)	
Property taxes		139,867	139,867	
Gain (loss) on sale of assets				2,907
Transfers in (out)	114,114		114,114	(469,400)
Total Nonoperating Revenue (Expenses)	<u>103,409</u>	<u>139,867</u>	<u>243,276</u>	<u>(445,104)</u>
Change in Net Position	(104,592)	(76,584)	(181,176)	(142,296)
Total Net Position - Beginning	<u>4,376,918</u>	<u>129,458</u>	<u>4,506,376</u>	<u>11,147,975</u>
Total Net Position - Ending	<u>\$ 4,272,326</u>	<u>52,874</u>	<u>4,325,200</u>	<u>11,005,679</u>

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

CITY OF KOSCIUSKO
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2022

Exhibit 7

				Component Unit
	Waste Water	Solid Waste	Total	Kosciusko Water and Light Plant
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 792,866	631,834	1,424,700	8,619,703
Payments to suppliers	(2,351,217)	(1,613,287)	(3,964,504)	(7,431,586)
Payments to employees	(109,467)	(186,188)	(295,655)	(323,929)
Net Cash Provided (Used) by Operating Activities	<u>(1,667,818)</u>	<u>(1,167,641)</u>	<u>(2,835,459)</u>	<u>864,188</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transactions	114,114		114,114	(469,400)
Property tax receipts		139,867	139,867	
Grants				11,367
Net Cash Provided (Used) by Noncapital Financing Activities	<u>114,114</u>	<u>139,867</u>	<u>253,981</u>	<u>(458,033)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(46,009)	(12,100)	(58,109)	(477,983)
Proceeds from loans	45,709		45,709	
Principal paid on long-term debt	(103,005)		(103,005)	
Gain (loss) on sale of assets				2,907
Interest expense paid	(10,705)		(10,705)	
Net Cash Provided (Used) by Capital Financing Activities	<u>(114,010)</u>	<u>(12,100)</u>	<u>(126,110)</u>	<u>(475,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments				(17,281)
Interest on investments				10,080
Net Cash Provided From Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,201)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,667,714)</u>	<u>(1,039,874)</u>	<u>(2,707,588)</u>	<u>(76,122)</u>
Restricted - customer deposits				372,174
Restricted - equipment replacement				269,529
Unrestricted	2,071,463	1,084,165	3,155,628	429,294
Cash and Cash Equivalents - Beginning of Year	<u>2,071,463</u>	<u>1,084,165</u>	<u>3,155,628</u>	<u>1,070,997</u>
Restricted - customer deposits				381,008
Restricted - equipment replacement				189,577
Unrestricted	403,749	44,291	448,040	433,124
Cash and Cash Equivalents - End of Year	<u>\$ 403,749</u>	<u>44,291</u>	<u>448,040</u>	<u>1,003,709</u>

(Continued)

CITY OF KOSCIUSKO
Statement of Cash Flows
Proprietary Funds and Discretely Presented Component Unit
For the Year Ended September 30, 2022

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)	\$ (208,001)	(216,451)	(424,452)	302,808
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	193,604	36,004	229,608	542,734
Change in assets and liabilities:				
(Increase) decrease in accounts receivable				(287,142)
(Increase) decrease in deferred outflows	(31,235)	(47,168)	(78,403)	16,597
(Increase) decrease in interest receivable				7,409
(Increase) decrease in inventory				(18,712)
(Increase) decrease in prepaid expenses				6,609
Increase (decrease) in claims payable	(49,129)	(43,680)	(92,809)	208,151
Increase (decrease) in compensated absences payable	4,008	2,016	6,024	1,901
Increase (decrease) in net pension liability	106,616	161,440	268,056	847,648
Increase (decrease) in deferred inflows	(60,036)	(96,597)	(156,633)	(763,815)
Increase (decrease) in intergovernmental payables	(1,623,643)	(963,207)	(2,586,850)	
Total adjustments	(1,459,815)	(951,192)	(2,411,007)	561,380
Net Cash Provided (Used) by Operating Activities	\$ (1,667,816)	(1,167,643)	(2,835,459)	864,188

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, 2022

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Kosciusko, Mississippi, (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 Unit

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, 2022, with the difference reported as net position.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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, 2022

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 *Construction Projects Fund* is a capital projects fund that accounts for construction of various projects.

The *ARPA Fund* is a special revenue fund that accounts for grant fund.

The City reports the following major Proprietary Funds:

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

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

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

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

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

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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 City, 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 \$415,813 consists of expendable supplies held for consumption. Governmental fund types, which had no material inventory at September 30, 2022, 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, 2022

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, 2022

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, 2022.

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, 2022

11. Leases.

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency, and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The City used the Federal Prime Borrowing Rate in effect at the date of the lease inception (3.3%) to calculate the present value of lease payments when the rate implicit in the lease is not known when the City is the lessee.

See Note 2F for details.

12. 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 Statement No. 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.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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.

13. *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.

14. *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.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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 \$12,688,677 and the bank balance was \$13,083,463. For the discretely presented component unit, Kosciusko Water and Light Plant, the carrying amount of cash and investments at year-end was \$6,041,734 and the bank balance was \$6,057,939. 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, 2022, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$5,040,025 at September 30, 2022. 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, 2022**

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:

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>	<u>Component Unit</u>
	<u>General</u>	<u>Other</u>	<u>Total</u>		<u>Kosciusko Water and Light Plant</u>
Receivables:					
Property taxes	\$ 1,120,000	205,000	1,325,000	122,000	
Fines receivable	1,495,246		1,495,246		
Accounts					2,035,633
Sales tax	426,912		426,912		
Other governmental	46,050	11,082	57,132	21,824	
Interest					1,183
Other	74,748		74,748		
Note		353,171	353,171		
Gross receivables	3,162,956	569,253	3,732,209	143,824	2,036,816
Less: allowance for uncollectibles	<u>(1,196,197)</u>		<u>(1,196,197)</u>		<u>(11,350)</u>
Net total receivables	\$ <u>1,966,759</u>	<u>569,253</u>	<u>2,536,012</u>	<u>143,824</u>	<u>2,025,466</u>

	<u>Sept. 30, 2022</u>
Property taxes receivable:	
Governmental Funds:	
General Fund	\$ 1,120,000
Debt Service Fund	<u>205,000</u>
Total deferred revenue for Governmental Funds	\$ <u>1,325,000</u>
Proprietary Funds:	
Solid Waste Fund	\$ <u>122,000</u>
Total deferred revenue for Proprietary Funds	\$ <u>122,000</u>

CITY OF KOSCIUSKO

**Notes to Financial Statements
For the Year Ended September 30, 2022**

C. Capital Assets.

Capital assets activity for the year ended September 30, 2022, are as follows:

Primary Government

Governmental Activities

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,334,609	1,033			1,335,642
Total capital assets, not being depreciated	<u>1,334,609</u>	<u>1,033</u>	<u>0</u>	<u>0</u>	<u>1,335,642</u>
Capital assets, being depreciated:					
Buildings	2,850,250	67,500	(19,590)		2,898,160
Improvements other than buildings	4,004,958	14,075			4,019,033
Machinery and equipment	3,085,704	229,092	(91,536)		3,223,260
Intangible right to use asset:					
Building				9,303	9,303
Equipment		25,756		6,530	32,286
Total capital assets being depreciated	<u>9,940,912</u>	<u>336,423</u>	<u>(111,126)</u>	<u>15,833</u>	<u>10,182,042</u>
Less: Accumulated depreciation for:					
Buildings	1,302,090	45,921	(19,590)		1,328,421
Improvements other than buildings	2,331,487	160,817			2,492,304
Machinery and equipment	2,422,613	279,554	(91,536)		2,610,631
Intangible right to use asset:					
Building		4,652		3,863	8,515
Equipment		7,045		2,947	9,992
Total accumulated depreciation	<u>6,056,190</u>	<u>497,989</u>	<u>(111,126)</u>	<u>6,810</u>	<u>6,449,863</u>
Total capital assets, being depreciated, net	<u>3,884,722</u>	<u>(161,566)</u>	<u>0</u>	<u>9,023</u>	<u>3,732,179</u>
Governmental activities capital assets, net	<u>\$ 5,219,331</u>	<u>(160,533)</u>	<u>0</u>	<u>9,023</u>	<u>5,067,821</u>

Business-type Activities

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 626,929				626,929
Total capital assets, not being depreciated	<u>626,929</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>626,929</u>
Capital assets, being depreciated:					
Buildings	146,181				146,181
Machinery & equipment	1,659,143	12,400	(1,894)	160,208	1,829,857
Wastewater system	7,472,321				7,472,321
Under lease	160,208			(160,208)	
Improvements other than buildings	9,947				9,947
Intangible right to use asset:					
Equipment		45,709			45,709
Total capital assets, being depreciated	<u>9,447,800</u>	<u>58,109</u>	<u>(1,894)</u>	<u>0</u>	<u>9,504,015</u>

(Continued)

CITY OF KOSCIUSKO

**Notes to Financial Statements
For the Year Ended September 30, 2022**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Less: Accumulated depreciation:					
Buildings	131,409	634			132,043
Machinery & equipment	1,229,193	60,311	(1,894)	48,063	1,335,673
Wastewater system	3,480,011	164,886			3,644,897
Under lease	48,063			(48,063)	
Improvements other than buildings	9,947				9,947
Intangible right to use asset:					
Equipment		3,777			3,777
Total accumulated depreciation	<u>4,898,623</u>	<u>229,608</u>	<u>(1,894)</u>	<u>0</u>	<u>5,126,337</u>
Total capital assets, being depreciated, net	<u>4,549,177</u>	<u>(171,499)</u>	<u>0</u>	<u>0</u>	<u>4,377,678</u>
Business-type activities capital assets, net	<u>\$ 5,176,106</u>	<u>(171,499)</u>	<u>0</u>	<u>0</u>	<u>5,004,607</u>

Discretely Presented Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$ 36,944</u>			<u>36,944</u>
Total capital assets, not being depreciated	<u>36,944</u>	<u>0</u>	<u>0</u>	<u>36,944</u>
Capital assets, being depreciated:				
Buildings	1,027,523			1,027,523
Machinery and equipment	4,010,476	79,649	(55,217)	4,034,908
Water and electric system	15,298,704	132,876		15,431,580
Construction in progress	669,655	265,458		935,113
Total capital assets, being depreciated	<u>21,006,358</u>	<u>477,983</u>	<u>(55,217)</u>	<u>21,429,124</u>
Less: Accumulated depreciation	<u>12,997,302</u>	<u>542,734</u>	<u>(55,115)</u>	<u>13,484,921</u>
Total capital assets, being depreciated, net	<u>8,009,056</u>	<u>(64,751)</u>	<u>(102)</u>	<u>7,944,203</u>
Business-type activities capital assets, net	<u>\$ 8,046,000</u>	<u>(64,751)</u>	<u>(102)</u>	<u>7,981,147</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 38,421
Public safety	173,418
Public works	253,251
Culture and recreation	<u>32,899</u>
Total depreciation expense - governmental activities	<u>\$ 497,989</u>
Business-type activities:	
Waste water	\$ 193,604
Solid waste	<u>36,004</u>
Total depreciation expense - business-type activities	<u>\$ 229,608</u>
Discretely presented component unit:	
Water and electric system	<u>\$ 542,734</u>
Total depreciation expense - business-type activities	<u>\$ 542,734</u>

D. Notes Receivable.

The City received a HOME grant that was approved as a loan to Kosciusko Apartments, LP, for construction of 12 three-bedroom apartments. A promissory note in the amount of \$307,050 has been signed by the entity. Interest will accrue at the rate of 1 percent per annum on the principal amount outstanding from November 1, 2008, until paid in full on or before November 30, 2046. Promisor shall make equal annual installments on the amount commencing October 31, 2008, equal to the lesser of one-half the net cash flow, after payment of expenses and senior indebtedness or the amount necessary to amortize principal over the remaining term of the promissory note in equal annual installments together with unpaid installments. The City will use repaid HOME funds for future housing projects. The City did not receive payments on this loan for the year ended September 30, 2022, because Kosciusko Apartments, LP, had a negative cash flow for the year ended September 30, 2022. The note receivable balance at September 30, 2022, including accrued interest, is \$353,171.

E. Interfund Transactions.

The following schedule as of September 30, 2022, represents interfund receivables and payables:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Tourism	\$ 11,154
General Fund	Other Funds	52,578
General Fund	Debt Service	438,479
General Fund	Airport Fund	45,381
Other	Other	<u>269,057</u>
Total		<u>\$ 816,649</u>

Interfund payables are primarily related to grant activity.

CITY OF KOSCIUSKO

**Notes to Financial Statements
For the Year Ended September 30, 2022**

The composition of interfund transfers as of September 30, 2022, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Discretely Presented Component Unit	\$ 349,400
General Fund	EMS Grant Fund	25
General Fund	Outdoor Recreation Grant	655
General Fund	Waste Water	90,000
General Fund	Community Service Officer	22,380
Waste Water	Debt Service	44,131
Historic Preservation Grant	Construction Projects	797,496
S Huntington Street	Construction Projects	254
Debt Service Fund	General Fund	70,000
Fire Aid Fund	General Fund	25,000
Court Square Fund	General Fund	<u>40,332</u>
Total Governmental Funds		\$ <u><u>1,439,673</u></u>
Proprietary Funds:		
Sewer Rehabilitation Grant/Loan	General Fund	\$ 39,983
General Fund	Waste Water	90,000
Waste Water	Debt Service	44,131
Waste Water	Discretely Presented Component Unit	<u>120,000</u>
Total Proprietary Funds		\$ <u><u>294,114</u></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><u>469,400</u></u>

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

F. Leases.

As Lessee:

The City is a lessee for various non-cancellable leases of buildings and equipment. For leases that have a maximum possible term of 12 months or less at commencement, the City recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the City recognized a lease and an intangible right-to-use lease asset.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized as a component of depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The City used the Federal Prime Borrowing Rate at lease inception as the discount rate for leases unless the rate that the lessor charged was known. The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a City or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the City and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The City, acting as lessee, has entered into one lease for a copier, one lease for a postage machine, two leases for vehicles and one lease for buildings. These leases have terms of two to five years.

Description	Amount Outstanding	Issue Date	Effective Interest Rate
Governmental Activities:			
Northside Rental	\$ 796	12/01/2020	3.30%
Postage machine	7,803	06/01/2022	3.30%
City Hall copier	1,989	12/10/2019	3.30%
2021 Dodge (Fire)	12,565	03/09/2022	3.30%
Total Governmental Activities	\$ 23,153		
Business-type Activities:			
2022 Dodge (Waste Water)	\$ 42,010	06/01/2022	3.30%
Total Business-type Activities	\$ 42,010		

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2022, are as follows:

Year Ending September 30:	Governmental Activities	
	Principal	Interest
2023	\$ 12,877	559
2024	5,671	213
2025	1,680	127
2026	1,736	70
2027	1,189	15
Total	\$ 23,153	984

(Continued)

CITY OF KOSCIUSKO

**Notes to Financial Statements
For the Year Ended September 30, 2022**

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,959	122
2024	11,326	854
2025	11,705	475
2026	<u>8,020</u>	<u>100</u>
Total	\$ <u>42,010</u>	<u>1,551</u>

G. Long-term Debt.

General Obligation Bonds

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

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
\$3,530,000 bonds due in annual installments ranging from \$155,000 to \$325,000 through September, 2036, plus interest of 2.00 percent to 2.25 percent, payable on September 1 of each year, beginning September 2024	2.00% - 2.25%	\$ 3,530,000
\$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 Nov. 1 of each year, beginning November 1, 2013	2.00% - 2.375%	<u>510,000</u>
Total		\$ <u>4,040,000</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>
2023	\$ 315,000	10,931
2024	250,000	76,831
2025	260,000	71,475
2026	265,000	65,900
2027	270,000	60,600
2028-2036	<u>2,680,000</u>	<u>289,013</u>
Total	\$ <u>4,040,000</u>	<u>574,750</u>

CITY OF KOSCIUSKO

**Notes to Financial Statements
For the Year Ended September 30, 2022**

Loans Payable

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

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
State of Mississippi Capital Improvement (CAP)	3.0%	\$ <u>180,104</u>
Total Governmental Activities		\$ <u><u>180,104</u></u>
Business-type Activities:		
State of Mississippi Department of Environmental Quality Revolving Loan	2.50%	\$ <u>312,456</u>
Total Business-type Activities		\$ <u><u>312,456</u></u>

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>
2023	\$ 56,860	4,442
2024	58,446	2,856
2025	<u>64,798</u>	<u>1,221</u>
Total	\$ <u><u>180,104</u></u>	<u><u>8,519</u></u>
<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 58,374	7,145
2024	59,850	5,669
2025	61,363	4,156
2026	62,915	2,604
2027	64,506	1,013
2028	<u>5,448</u>	<u>12</u>
Total	\$ <u><u>312,456</u></u>	<u><u>20,599</u></u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 820,000	3,530,000	310,000		4,040,000	315,000
Leases		25,756	11,337	8,734	23,153	12,877
Other loans	<u>221,757</u>		<u>41,653</u>		<u>180,104</u>	<u>56,860</u>
	<u>1,041,757</u>	<u>3,555,756</u>	<u>362,990</u>	<u>8,734</u>	<u>4,243,257</u>	<u>384,737</u>
 Add premium on refunded bond	<u>7,220</u>		<u>3,822</u>		<u>3,398</u>	
Total	<u>1,048,977</u>	<u>3,555,756</u>	<u>366,812</u>	<u>8,734</u>	<u>4,246,655</u>	<u>384,737</u>
Compensated absences	<u>92,467</u>		<u>35,474</u>		<u>56,993</u>	
 Total	<u>\$ 1,141,444</u>	<u>3,555,756</u>	<u>402,286</u>	<u>8,734</u>	<u>4,303,648</u>	<u>384,737</u>
 Business-type Activities:						
Compensated absences	\$ 7,087	6,023			13,110	
Equipment loan	42,372		42,372			
Leases		45,709	3,699		42,010	10,959
Other loans	<u>369,390</u>		<u>56,934</u>		<u>312,456</u>	<u>58,374</u>
 Total	<u>\$ 418,849</u>	<u>51,732</u>	<u>103,005</u>	<u>0</u>	<u>367,576</u>	<u>69,333</u>

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

3. Other Information.

A. Contingencies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

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

The City of Kosciusko has entered into joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. The City was subject to assessment for the year ended September 30, 2022. No assessment was made or is probable for the year ended September 30, 2022.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

B. Defined Benefit Pension Plan.

General Information about the Pension Plan.

Plan Description – The 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).

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, 2022, 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, 2022, 2021, and 2020, were \$534,310, \$456,394, and \$445,210, 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, 2022, 2021, and 2020 were \$238,680, \$260,518, and \$261,809, respectively. The contributions for each year met the required contributions.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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

At September 30, 2022, the City of Kosciusko reported a liability of \$8,625,574 for its proportionate share of the net pension liability. At September 30, 2022, Kosciusko Water & Light Plant reported a liability of \$4,223,351 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportionate share was 0.041905 percent, which was an increase of .003229 from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021. At June 30, 2022, Kosciusko Water & Light Plant's proportionate share was 0.020518 percent, which was a decrease of 0.0023210 from its proportionate share used to calculate the September 30, 2021 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended September 30, 2022, the City of Kosciusko recognized pension expense of \$825,184. For the year ended September 30, 2022, Kosciusko Water & Light Plant recognized pension expense of \$339,109.

At September 30, 2022, 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 118,059	
Net difference between projected and actual earnings on pension plan investments	564,185	
Changes of assumptions	275,338	
Changes in proportion and differences between entity contributions and proportionate share of contributions	348,530	47,122
Entity contributions subsequent to the measurement date	140,440	
Total	<u>\$ 1,446,552</u>	<u>47,122</u>

Kosciusko Water & Light Plant

Difference between expected and actual experience	\$ 62,725	
Net difference between projected and actual earnings on pension plan investments	142,259	
Changes of assumptions	162,593	
Changes in proportion and differences between entity contributions and proportionate share of contributions	17,501	253,053
Entity contributions subsequent to the measurement date	56,972	
Total	<u>\$ 442,050</u>	<u>253,053</u>

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

\$140,440 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, 2022. \$56,972 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Kosciusko

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 419,488	38,429
2024	352,067	8,693
2025	66,509	
2026	468,048	
Total	\$ <u>1,306,112</u>	<u>47,122</u>

Kosciusko Water & Light Plant

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 133,348	92,693
2024	87,385	92,693
2025	(64,824)	67,667
2026	229,169	
Total	\$ <u>385,078</u>	<u>253,053</u>

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	22.00	4.50
Global	12.00	4.80
Debt Securities	20.00	(0.25)
Real Assets	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	(1.00)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.55%. 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.

Sensitivity of the Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.550%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
City of Kosciusko's proportionate share of the net pension liability	\$ <u>11,257,255</u>	\$ <u>8,625,574</u>	\$ <u>6,455,887</u>
Kosciusko Water & Light Plant's proportionate share of the net pension liability	\$ <u>5,511,904</u>	\$ <u>4,223,351</u>	\$ <u>3,161,004</u>

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

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

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, 2022, the account had a balance of \$276,276. Also, at September 30, 2022, 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 September 27, 2023, 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 standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 87, *Leases*. The provisions of this standard have been incorporated into the financial statements and notes.

6. Effect of Deferred Amounts on Net Position.

The City of Kosciusko's unrestricted net position amount of (\$4,017,968) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$140,440 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$1,306,105 balance of deferred outflow of resources at September 30, 2022, 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 (\$4,017,968) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$47,122 balance of deferred inflows of resources at September 30, 2022, 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 (\$2,586,078) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$56,972 resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$385,078 balance of deferred outflow of resources at September 30, 2022, will be recognized as an expense and will decrease the unrestricted net position over the next three years.

CITY OF KOSCIUSKO

Notes to Financial Statements For the Year Ended September 30, 2022

Kosciusko Water & Light Plant's unrestricted net position amount of (\$2,586,078) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$253,053 balance of deferred inflows of resources at September 30, 2022, will be recognized as income and will increase the unrestricted net position over the next four years.

7. Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 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, 2022.

<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	43.35%	\$ 2,414

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, 2022 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,430,500	1,430,500	1,333,806	(96,694)
Franchise fees	92,500	92,500	115,412	22,912
Licenses and permits	28,000	28,000	32,777	4,777
Fines and forfeitures	150,000	150,000	200,273	50,273
Intergovernmental revenues	2,044,500	2,044,500	2,620,140	575,640
Charges for services	23,000	23,000	112,779	89,779
Interest earned	10,000	10,000	2,398	(7,602)
Miscellaneous revenues	446,900	446,900	7,256	(439,644)
Total Revenues	<u>4,225,400</u>	<u>4,225,400</u>	<u>4,424,841</u>	<u>199,441</u>
EXPENDITURES				
General government	793,441	793,441	796,363	(2,922)
Public safety	2,414,203	2,414,203	2,444,676	(30,473)
Public works	648,771	648,771	593,610	55,161
Health and welfare	254,539	254,539	332,857	(78,318)
Culture and recreation	453,135	453,135	475,988	(22,853)
Urban and economic development	282,890	282,890	74,350	208,540
Total Expenditures	<u>4,846,979</u>	<u>4,846,979</u>	<u>4,717,844</u>	<u>129,135</u>
Excess of Revenues Over (Under) Expenditures	<u>(621,579)</u>	<u>(621,579)</u>	<u>(293,003)</u>	<u>328,576</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	462,460	417,460
Transfers out	(273,000)	(273,000)	(175,315)	97,685
Total Other Financing Sources and Uses	<u>(228,000)</u>	<u>(228,000)</u>	<u>287,145</u>	<u>515,145</u>
Net Change in Fund Balance	(849,579)	(849,579)	(5,858)	843,721
Fund Balances - Beginning	<u>(4,633,622)</u>	<u>(4,633,622)</u>	<u>2,711,134</u>	<u>7,344,756</u>
Fund Balances - Ending	<u>\$ (5,483,201)</u>	<u>(5,483,201)</u>	<u>2,705,276</u>	<u>8,188,477</u>

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

CITY OF KOSCIUSKO
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *
For the Year Ended September 30, 2022 - UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	\$ 8,625,574	5,716,482	7,520,521	6,999,846	6,814,695	6,639,051	7,197,336	6,044,244	4,843,129
City's proportionate share of the net pension liability (asset)	0.041905	0.038676 %	0.038848	0.039790 %	0.040971	0.039938 %	0.040293 %	0.039101 %	0.039900 %
City's covered payroll	\$ 3,070,747	2,622,299	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	280.8949744	217.9950494	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	59.93 %	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

COMPONENT UNIT - KOSCIUSKO
WATER & LIGHT PLANT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Component Unit's proportion of the net pension liability (asset)	\$ 4,223,351	3,375,704	4,395,424	3,956,083	3,499,743	4,074,061	3,344,038	3,110,155	2,448,633
Component Unit's proportionate share of the net pension liability (asset)	0.020518 %	0.022839 %	0.022705 %	0.022488 %	0.021041 %	0.024508 %	0.018721 %	0.02012 %	0.020173 %
Component Unit's covered payroll	\$ 1,371,724	1,497,230	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	307.8863532	225.4632889	285.2969106	271.4651261	247.8415312	319.3949148	279.226891 %	247.43114 %	198.734289 %
Plan fiduciary net position as a percentage of the total pension liability	59.93 %	70.44 %	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 Contributions
PERS
Last 10 Fiscal Years*
For the Year Ended September 30, 2022 - UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 534,310	456,394	445,041	416,517	416,248	405,488	393,729	386,839
Contributions in relation to the contractually required contribution	<u>534,310</u>	<u>456,394</u>	<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>	<u>0</u>	<u>0</u>
City covered payroll	\$ 3,096,282	2,622,954	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%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

COMPONENT UNIT – KOSCIUSKO WATER & LIGHT PLANT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 238,680	260,518	261,809	236,073	222,404	246,929	247,026	198,366
Contributions in relation to the contractually required contribution	<u>238,680</u>	<u>260,518</u>	<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>	<u>0</u>	<u>0</u>
Component Unit's covered payroll	\$ 1,371,724	1,497,230	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%	17.40%	17.40%	15.75% 17.40% **	15.75%	15.75%	15.75%	15.75%

* 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, 2022 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
		<hr/>
Net Change in Fund Balance - Budget (Cash Basis)	\$	(5,858)
Increase (decrease):		
Net adjustments for revenue accruals		33,152
Net adjustments for expenditure accruals		<hr/> 29,677
Net Change in Fund Balance GAAP Basis	\$	<hr/> <hr/> 56,971

CITY OF KOSCIUSKO

Notes to the Required Supplementary Information For the Year Ended September 30, 2022 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, 2022 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%.

2021

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

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
For females, 84% of the female rates up to age 72, 100% for ages above 76.
Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

For males, 134% of male rates at all ages.
For females, 121% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

CITY OF KOSCIUSKO

Notes to the Required Supplementary Information For the Year Ended September 30, 2022 UNAUDITED

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contributions rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF KOSCIUSKO

OTHER INFORMATION

CITY OF KOSCIUSKO
Schedule of Surety Bonds For Municipal Officials
For the Year Ended September 30, 2022 - UNAUDITED

Name	Position	Surety Agency	Bond Amount
James R. Culpepper	Alderman	Tyler, King & Ryder/St. Paul Travelers	\$100,000
Henry G. Daniel	Alderman	Tyler, King & Ryder/St. Paul Travelers	\$100,000
Earl Price	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
Timothy C. Kyle	Mayor	Tyler, King & Ryder/St. Paul Travelers	\$100,000
Michelle Quesnot	City Clerk	Tyler, King & Ryder/St. Paul Travelers	\$50,000
Brandi Burdine	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
Dorothy Cotton	Court Clerk	Tyler, King & Ryder/St. Paul Travelers	\$50,000
R. J. Adams	Chief of Police	Tyler, King & Ryder/Western Surety	\$75,000
Richie Armstrong	Building Inspector	Tyler, King & Ryder/St. Paul Travelers	\$50,000
Kosciusko Police Department	Blanket Public Official	Tyle, King & Ryder/Western Surety	\$50,000
Lawrence Routt	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$50,000
Darren Milner	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$50,000
Katelin A. Adams	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$50,000
Anna Middleton	Tourism	Tyler, King & Ryder/St. Paul Travelers	\$50,000

Discretely-Presented Component Unit:
Kosciusko Water and Light Plant

Chad Kyle	Assistant General Manager	Renasant Insurance	\$50,000
Melissa Steen	Accounting Clerk	Renasant Insurance	\$50,000
Ronnie Ables	Commissioner/ KWL Board	Renasant Insurance	\$50,000
Timothy L. Cook	Commissioner/ KWL Board	Renasant Insurance	\$50,000
Jerry L. Price	Commissioner/ KWL Board	Renasant Insurance	\$50,000
Donnie Ray Gladney	Commissioner/ KWL Board	Renasant Insurance	\$50,000
William A. Tolleson	Public Official	Renasant Insurance	\$50,000
Jasmine Murray	Customer Service Rep.	Travelers	\$50,000
Jessica H. Grubbs	Customer Service Rep.	Travelers	\$50,000
Ashley B. Box	Customer Service Rep.	Travelers	\$50,000

CITY OF KOSCIUSKO

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
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, and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 27, 2023.

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.

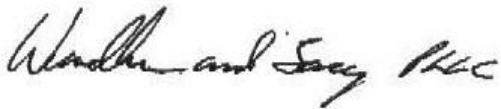
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

Windham and Lacey, PLLC
September 27, 2023

Windham and Lacey, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

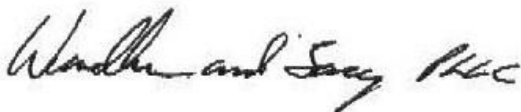
Honorable Mayor and
Members of the Board of Aldermen
City of Kosciusko, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2022, and have issued our report thereon dated September 27, 2023. 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
September 27, 2023

CITY OF KOSCIUSKO

SCHEDULE OF FINDINGS

CITY OF KOSCIUSKO

Schedule of Findings For the Year Ended September 30, 2022

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' 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*.