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CITY OF KOSCIUSKO, MISSISSIPPI

Financial Report

September 30, 2007

CITY OF KOSCIUSKO, MISSISSIPPI

Financial Report
Year Ended September 30, 2007

Public Officials

Jimmy W. Cockroft
Mayor

Janet P. Baird
City Clerk

Board of Aldermen

John Sullivan

Tim Kyle

Robert Ellis

Henry Daniel

Martha Kate Lawrence

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kosciusko, Mississippi's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the City of Kosciusko, Mississippi as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2008 on our consideration of the City of Kosciusko, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 10 and 42 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Kosciusko, Mississippi's basic financial statements. The accompanying required supplementary information is presented for purposes of additional analysis as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The accompanying other information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Kosciusko, Mississippi. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Home LLP

Grenada, Mississippi
January 10, 2008

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Kosciusko, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2007
Unaudited

This Discussion and Analysis of The City of Kosciusko, Mississippi financial performance provides an overall review of the City's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2007 were as follows:

The City's assets exceeded its liabilities by \$11,727,496 and \$10,701,645 (net assets) at September 30, 2007 and 2006, respectively.

Total net assets are comprised of the following:

1. Capital assets, net of related debt, of \$8,006,282 and \$7,023,903, include property and equipment, net of accumulated depreciation at September 30, 2007 and 2006, respectively.
2. Net assets of \$308,575 and \$301,737 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations at September 30, 2007 and 2006, respectively.
3. Unrestricted net assets of \$3,412,639 and \$3,376,005 represent the portion available to maintain the City's continuing obligations to citizens and creditors at September 30, 2007 and 2006, respectively. These assets include \$2,315,022 and \$2,484,321 in governmental activities and \$1,097,617 and \$891,684 in the enterprise funds at September 30, 2007 and 2006, respectively.
4. The Kosciusko Light & Water Plant has unrestricted net assets of \$705,750 and \$1,055,880 and restricted net assets of \$11,467,893 and \$10,742,193 at September 30, 2007 and 2006, respectively.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Kosciusko as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Kosciusko as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, parks, cemetery and general administration. Property taxes, franchise fees, sales tax and grants finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and solid waste departments are reported here.

Component Unit - The Kosciusko Light and Water Plant is listed as a component unit that charges a fee to customers to help it cover all or most of the cost of the services provided.

Reporting the City of Kosciusko's Most Significant Funds

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by the State law and by bond covenants. However, the City Board established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal

responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation adjacent to the fund financial statements.

Proprietary funds - When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds and component unit funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statement but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Kosciusko as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2007.

(Table 1)
SUMMARY OF NET ASSETS
 September 30, 2007
 (With Comparative Totals as of September 30, 2006)

	Governmental Activities	Enterprise Funds	2007 Total	(Memo- randum Only) 2006	2007 Component Unit - Kosc. Light & Water Plant	(Memo- randum Only) 2006
Assets:						
Current assets	\$ 2,419,694	\$ 1,116,710	\$ 3,536,404	\$ 3,378,979	\$ 1,641,309	\$ 1,898,570
Restricted assets	-	-	-	-	5,426,705	4,995,150
Capital assets	6,664,860	4,191,355	10,856,215	9,462,046	6,041,188	5,747,043
Note receivable	307,050	-	307,050	428,681	-	-
Total assets	9,391,604	5,308,065	14,699,669	13,269,706	13,109,202	12,640,763
Liabilities:						
Current liabilities	550,448	31,593	582,041	640,375	603,007	480,444
Non current liabilities	2,385,966	4,166	2,390,132	1,927,686	332,552	362,246
Total liabilities	2,936,414	35,759	2,972,173	2,568,061	935,559	842,690

	Governmental Activities	Enterprise Funds	2007 Total	(Memo- randum Only) 2006	2007 Component Unit - Kosc. Light & Water Plant	(Memo- randum Only) 2006
Net assets:						
Investment in capital assets	3,831,593	4,174,689	8,006,282	7,023,903	6,041,188	5,747,043
Restricted	308,575	-	308,575	301,737	5,426,705	4,995,150
Unrestricted	2,315,022	1,097,617	3,412,639	3,376,005	705,750	1,055,880
Total net assets	\$ 6,455,190	\$ 5,272,306	\$ 11,727,496	\$ 10,701,645	\$ 12,173,643	\$ 11,798,073

The City continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities was 4.40 to 1 and 4.20 to 1, 35.35 to 1 and 17.19 to 1 in the enterprise funds and 2.72 to 1 and 3.95 to 1 in the Light and Water plant at September 30, 2007 and 2006, respectively.

Table 2 shows the Change in Net Assets for the year ended September 30, 2007.

(Table 2)
STATEMENT OF ACTIVITIES
Year Ended September 30, 2007
(With Comparative Totals as of September 30, 2006)

	Governmental Activities	Business- Type Activities	2007 Total	(Memo- randum Only) 2006	2007 Component Unit Kosciusko Light and Water Plant	(Memo- randum Only) 2006
Revenues:						
Program:						
Charges for services/fines	\$ 248,795	\$ 1,044,262	\$ 1,293,057	\$ 1,297,417	\$ 6,829,846	\$ 7,506,635
Operating grants	235,932	25,289	261,221	437,347	10,156	72,265
Capital grants	841,587	-	841,587	782,771	-	-
General:						
Sales and use taxes	1,970,440	-	1,970,440	1,941,705	-	-
Property taxes	1,096,101	130,204	1,226,305	1,214,990	-	-
Franchise taxes	124,731	-	124,731	103,299	-	-
Unrestricted grants	91,224	-	91,224	87,343	-	-
Interest	107,768	45,781	153,549	113,060	234,880	168,502
Miscellaneous	365,865	-	365,865	270,539	27,659	18,573
Total revenues	5,082,443	1,245,536	6,327,979	6,248,471	7,102,541	7,765,976
Program expenses:						
General government	536,575	-	536,575	522,068	-	-
Public safety	1,706,347	-	1,706,347	1,650,810	-	-
Public works	564,216	-	564,216	557,938	-	-
Culture, health & welfare	400,770	-	400,770	365,857	-	-
Miscellaneous	1,255,637	-	1,255,637	1,429,601	-	-
Interest	96,936	-	96,936	68,942	-	-
Waste water	-	581,668	581,668	560,141	-	-
Solid waste	-	553,951	553,951	500,991	-	-
Kosciusko Water and Plant	-	-	-	-	6,332,571	6,983,513
Total expenses	4,560,481	1,135,619	5,696,100	5,656,348	6,332,571	6,983,513
(Deficiency) excess	521,962	109,917	631,879	592,123	769,970	782,462

	Governmental Activities	Business- Type Activities	2007 Total	(Memo- randum Only) 2006	2007 Component Unit Kosciusko Light and Water Plant	(Memo- randum Only) 2006
Transfers	397,900	(3,500)	394,400	394,400	(394,400)	(394,400)
Change in net assets	919,862	106,417	1,026,279	986,523	375,570	388,062
Beginning net assets	5,535,756	5,165,889	10,701,645	9,715,122	11,798,073	11,410,011
Ending net assets	\$ 6,455,618	\$ 5,272,306	\$ 11,727,924	\$ 10,701,645	\$ 12,173,643	\$ 11,798,073

Governmental Activities

Several revenue sources fund our governmental activities. Under the accrual basis of accounting, charges for services, grants and contributions accounted for \$173,396 and \$126,664 or 3% and 2% of gross revenues; Intergovernmental accounted for \$3,133,214 and \$3,225,564 or 62% and 64%; and property taxes accounted for \$1,096,101 and \$1,085,937 or 22% and 21% at September 30, 2007 and 2006, respectively.

Business-type Activities

While business-type activities are accounted for similarly to businesses and are primarily supported by user charges, the city attempts to keep these charges as low as possible.

The City's Funds

Information about the City's major governmental funds begins on page 42. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,075,431 and \$5,073,163 and expenditures of \$6,563,483 and \$5,525,632 at September 30, 2007 and 2006, respectively. Fund balances remained relatively constant while the change in fund balance was (\$162,461) and \$460,989 at September 30 2007 and 2006, respectively.

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant is the General Fund.

During the course of 2007, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Board of Aldermen for approval. The City does not allow budget changes that modify line items within departments without board approval. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments. For the General Fund, original budgeted revenues were \$3,278,411 and \$3,266,361; and actual revenue collections excluding other financing sources were \$3,552,438 and \$3,536,629 at September 30, 2007 and 2006, respectively. The fund's original budgeted expenditures were \$3,622,312 and \$3,513,689 and actual expenditures were \$3,537,964 and \$3,297,709 at September 30, 2007 and 2006, respectively.

CAPITAL ASSETS AND GENERAL LONG-TERM OBLIGATIONS

Capital Assets

The City had \$17 million and \$15 million in a broad range of capital assets at September 30, 2007 and 2006, respectively.

(Table 3)
CAPITAL ASSETS AT YEAR-END
 (Net of Depreciation)
 September 30, 2007
 (With Comparative Totals as of September 30, 2006)

	Govern- mental Activities	Enterprise Funds	Light and Water Plant	2007 Total	(Memo- randum Only) 2006
Land	\$ 1,213,702	\$ 618,928	\$ 46,470	\$ 1,879,100	\$ 1,663,754
Buildings	2,805,707	123,790	701,918	3,631,415	3,256,531
Construction in progress	1,459,864	-	-	1,459,864	223,522
Machinery and equipment	2,580,463	1,072,692	1,222,719	4,875,874	4,527,437
Equipment acquired under lease	563,945	-	-	563,945	452,308
Improvements other than building	1,260,185	9,947	-	1,270,132	1,270,132
Distribution system:					
Electric and water	-	-	11,217,288	11,217,288	11,024,195
Sewer	-	4,708,359	-	4,708,359	4,684,429
Total	9,883,866	6,533,716	13,188,395	29,605,977	27,102,308
Less accumulated depreciation	3,219,006	2,342,361	7,147,207	12,708,574	11,893,219
Net capital assets	\$ 6,664,860	\$ 4,191,355	\$ 6,041,188	\$ 16,897,403	\$ 15,209,089

The Construction in Progress includes a soccer field, sewer rehabilitation, and Highway 43 at September 30, 2007 and 2006. The City does not depreciate capital assets during construction. Upon completion, total construction costs will be added to the appropriate Capital Asset line above and depreciation will begin at that time. Capital outlay for the year ending September 30, 2007 and 2006 was \$1,871,091 and \$846,485, respectively.

General Long-Term Obligations

At September 30, 2007, the City's outstanding debt consisted of:

(Table 4)
OUTSTANDING DEBT AT YEAR-END
 September 30, 2007
 (With Comparative Totals as of September 30, 2006)

	Govern- mental Activities	Business- type Activities	2007 Total	(Memo- randum Only) 2006
General obligation bonds	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 1,775,000
Capital lease payable	164,911	-	164,911	140,050
Note payable	1,128,877	16,666	1,145,543	482,966
Total debt	\$ 2,793,788	\$ 16,666	\$ 2,810,454	\$ 2,398,016

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 to 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

The City did not exceed the limits for the years ended September 30, 2007 and 2006.

Current Financial Related Activities

The City of Kosciusko has and will continue to seek funding to update infrastructure as the funds allow. Over the past several years the City has been able to accomplish several long term goals.

The City was awarded a \$250,000 HOME Program Grant in 2006 to help assist 10 first time homeowners in building new homes. These 10 homes will be completed in the Cheri-Lynn-Rose Subdivision during 2007 and an additional \$250,000 grant was awarded for 10 new homes.

The City has continued to make improvements to the Sanitary Sewer System. The City has been awarded a \$1,050,000 Department of Environmental Quality loan and a \$450,000 Community Development Block Grant to repair this subsystem. The improvements to the sewer system were completed in 2007.

The City has also continued to make improvements to the parks. During 2007 the City During 2007 the City began work on a new soccer complex. This work will be completed by 2008.

The City in conjunction with the MS Department of Transportation has begun work on the widening of Highway 43 North inside the city limits.

The City of Kosciusko will continue to aggressively seek funding to maintain the needed level of services and infrastructure at the most economical cost.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk at 115 North Wells Street, Kosciusko, Mississippi 39090.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KOSCIUSKO, MISSISSIPPI

Statement of Net Assets

September 30, 2007

ASSETS	Governmental Activities	Business-type Activities Enterprise Funds	Total	Component Unit
				Kosciusko Light and Water Plant
Current assets				
Cash and cash equivalents	\$ 1,269,841	\$ 529,410	\$ 1,799,251	\$ 75,615
Investments	765,000	510,000	1,275,000	-
Receivables				
Accounts	-	-	-	868,206
Interest	11,375	9,371	20,746	33,012
Other	25,477	-	25,477	-
Due from other governments	345,338	26,840	372,178	4,185
Due from component unit	2,663	41,089	43,752	-
Unbilled revenues	-	-	-	357,291
Inventory, at cost	-	-	-	289,428
Other assets	-	-	-	13,572
Total current assets	2,419,694	1,116,710	3,536,404	1,641,309
Noncurrent assets:				
Restricted cash				
Customer deposits	-	-	-	99,249
Property, plant and equipment replacement	-	-	-	610,368
Restricted investments				
Customer deposits	-	-	-	233,303
Property, plant and equipment replacement	-	-	-	4,483,785
Note receivable	307,050	-	307,050	-
Capital assets (Note 5):				
Land, improvements and constuction in progress	2,673,566	618,928	3,292,494	46,470
Other capital assets, net of accumulated depreciation	3,991,294	3,572,427	7,563,721	5,994,718
Total capital assets	6,664,860	4,191,355	10,856,215	6,041,188
Total noncurrent assets	6,971,910	4,191,355	11,163,265	11,467,893
Total assets	9,391,604	5,308,065	14,699,669	13,109,202

See accompanying notes.

LIABILITIES	Governmental Activities	Business-type Activities Enterprise Funds	Total	Component Unit Kosciusko Light and Water Plant
Current liabilities				
Accounts payable	\$ 40,810	\$ 6,204	\$ 47,014	\$ 481,852
Accrued compensated absences	43,761	6,963	50,724	45,568
Accrued payroll	44,247	5,926	50,173	10,961
Due to primary government	-	-	-	43,752
General obligation bond, current	287,000	-	287,000	-
Capital lease payable, current	54,432	-	54,432	-
Note payable, current	75,810	12,500	88,310	-
Other liabilities	4,388	-	4,388	20,874
Total current liabilities	550,448	31,593	582,041	603,007
Noncurrent liabilities:				
Customer deposits	-	-	-	332,552
Due to other government agencies	9,420	-	9,420	-
General obligation bond, less current portion	1,213,000	-	1,213,000	-
Capital leases payable, less current portion	110,479	-	110,479	-
Note payable, less current portion	1,053,067	4,166	1,057,233	-
Total noncurrent liabilities	2,385,966	4,166	2,390,132	332,552
Total liabilities	2,936,414	35,759	2,972,173	935,559
NET ASSETS				
Investment in capital assets, net of related debt	3,831,593	4,174,689	8,006,282	6,041,188
Restricted for:				
Customer deposits	-	-	-	332,552
Property, plant and equipment replacement	-	-	-	5,094,153
Grant project	1,525	-	1,525	-
Loans receivable	307,050	-	307,050	-
Unrestricted	2,315,022	1,097,617	3,412,639	705,750
Total net assets	\$ 6,455,190	\$ 5,272,306	\$ 11,727,496	\$ 12,173,643

CITY OF KOSCIUSKO, MISSISSIPPI

Statement of Activities
Year Ended September 30, 2007

Activities	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 536,575	\$ 338	\$ 183,893	\$ 841,587
Public safety	1,706,347	248,457	52,039	-
Public works	564,216	-	-	-
Culture, health, and welfare	400,770	-	-	-
Miscellaneous	1,255,637	-	-	-
Interest on long-term debt	96,936	-	-	-
Total governmental activities (see Note 5)	4,560,481	248,795	235,932	841,587
Business-type activities				
Waste water	581,668	608,288	25,289	-
Solid waste	553,951	435,974	-	-
Total business-type activities	1,135,619	1,044,262	25,289	-
Total primary government	\$ 5,696,100	\$ 1,293,057	\$ 261,221	\$ 841,587
Component unit				
Kosciusko Light and Water Plant	\$ 6,332,571	\$ 6,829,846	\$ 10,156	\$ -
Total component units	\$ 6,332,571	\$ 6,829,846	\$ 10,156	\$ -

General revenues:

Taxes-

Property taxes, levied for general purposes

Sales and use taxes, levied for general purposes

Franchise taxes

Grants and contributions not restricted to specific programs

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - October 1, 2006

Net assets - September 30, 2007

See accompanying notes.

Net (Expense) Revenues and Changes in Net Assets			Component Unit
Governmental Activities	Business-type Activities	Total	Kosciusko Light and Water Plant
\$ 489,243	\$ -	\$ 489,243	\$ -
(1,405,851)	-	(1,405,851)	-
(564,216)	-	(564,216)	-
(400,770)	-	(400,770)	-
(1,255,637)	-	(1,255,637)	-
(96,936)	-	(96,936)	-
(3,234,167)	-	(3,234,167)	-
-	51,909	51,909	-
-	(117,977)	(117,977)	-
-	(66,068)	(66,068)	-
\$ (3,234,167)	\$ (66,068)	\$ (3,300,235)	\$ -
\$ -	\$ -	\$ -	\$ 507,431
\$ -	\$ -	\$ -	\$ 507,431
1,096,101	130,204	1,226,305	-
1,970,440	-	1,970,440	-
124,731	-	124,731	-
91,224	-	91,224	-
107,768	45,781	153,549	234,880
365,865	-	365,865	27,659
397,900	(3,500)	394,400	(394,400)
4,154,029	172,485	4,326,514	(131,861)
919,862	106,417	1,026,279	375,570
5,535,756	5,165,889	10,701,645	11,798,073
\$ 6,455,618	\$ 5,272,306	\$ 11,727,924	12,173,643

FUND FINANCIAL STATEMENTS

CITY OF KOSCIUSKO, MISSISSIPPI
 Balance Sheet
 Governmental Funds
 September 30, 2007
 (With Comparative Totals as of September 30, 2006)

ASSETS	General	Special	Capital	Nonmajor	Total	
		Revenue	Projects		Governmental	
		Fund	Fund	Governmental	Funds	
		Airport	Sewer Rehabilitation	Funds	2007	(Memorandum Only) 2006
Cash and cash equivalents	\$ 580,062	\$ 23,782	\$ 45,193	\$ 620,804	\$ 1,269,841	\$ 1,314,705
Investments	565,000	-	-	200,000	765,000	936,000
Receivables						
Interest	6,651	-	294	4,430	11,375	12,962
Other	25,477	-	-	-	25,477	3,033
Due from						
Other governments	183,174	128,483	-	33,681	345,338	198,115
Other funds	134,474	-	-	-	134,474	10,105
Note receivable	-	-	-	307,050	307,050	428,681
Total assets	\$ 1,494,838	\$ 152,265	\$ 45,487	\$ 1,165,965	\$ 2,858,555	\$ 2,903,601

See accompanying notes.

LIABILITIES AND FUND BALANCES	General	Special	Capital	Nonmajor	Total	
		Revenue	Projects		Governmental	Governmental
		Fund	Fund	Funds	2007	(Memorandum
		Airport	Sewer Rehabilitation			Only)
						2006
Liabilities						
Accounts payable	\$ 15,118	\$ 15,719	-	\$ 9,973	\$ 40,810	\$ 44,535
Accrued compensated absences	-	-	-	4,282	4,282	4,077
Accrued payroll	38,752	-	-	5,495	44,247	42,833
Other liabilities	4,388	-	-	-	4,388	4,526
Due to						
Other funds	-	113,987	-	17,824	131,811	7,780
Other government agencies	9,420	-	-	-	9,420	13,792
Total liabilities	67,678	129,706	-	37,574	234,958	117,543
Fund balances						
Reserved for grant project	-	-	-	1,525	1,525	(858)
Reserved for loans receivable	-	-	-	307,050	307,050	302,595
Reserved for advances to other funds	-	-	-	-	-	-
Unreserved	1,427,160	22,559	45,487	-	1,495,206	1,482,504
Unreserved in nonmajor governmental funds:						
Special revenue funds	-	-	-	811,264	811,264	990,031
Debt service fund	-	-	-	8,552	8,552	11,786
Total fund balances	1,427,160	22,559	45,487	1,128,391	2,623,597	2,786,058
Total liabilities and fund balances	\$ 1,494,838	\$ 152,265	45,487	\$ 1,165,965	\$ 2,858,555	\$ 2,903,601

CITY OF KOSCIUSKO, MISSISSIPPI
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 September 30, 2007

Total fund balances for governmental funds at September 30, 2007		\$	2,623,597
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,883,866 and the accumulated depreciation is \$3,219,006			
			6,664,860
Long-term liabilities at September 30, 2007			
General obligation bond	\$	(1,500,000)	
Capital leases payable		(164,911)	
Note payable		(1,128,877)	
Accrued compensated absences		(39,479)	(2,833,267)
Total net assets of governmental activities at September 30, 2007		\$	<u>6,455,190</u>

See accompanying notes.

CITY OF KOSCIUSKO, MISSISSIPPI
Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2007
(With Comparative Totals as of September 30, 2006)

	General	Special Revenue Fund	Capital Project Fund	Nonmajor Governmental Funds	Totals (Memorandum Only)	
		Airport	Sewer Rehabilitation		2007	2006
Revenues						
Taxes	\$ 920,399	\$ -	\$ -	\$ 175,702	\$ 1,096,101	\$ 1,085,937
Franchise fees	124,731	-	-	-	124,731	103,299
Licenses and permits	54,846	-	-	-	54,846	38,007
Donations	47,000	-	-	475	47,475	500
Intergovernment	2,011,164	228,658	444,648	448,791	3,133,261	3,225,564
Fines and forfeits	128,457	-	-	338	128,795	166,203
Interest income	59,253	1,435	2,161	44,919	107,768	77,014
Rent	3,850	-	-	13,900	17,750	12,750
Miscellaneous	225,109	1,800	-	11,874	238,783	237,726
Graud Gulf in lieu of taxes	5,921	-	-	-	5,921	6,164
Fee revenue	-	-	-	120,000	120,000	120,000
Total revenues	3,580,730	231,893	446,809	815,999	5,075,431	5,073,163
Current expenditures						
Administrative	509,061	-	-	-	509,061	496,127
Public safety	1,564,212	-	-	-	1,564,212	1,499,244
Public works	499,953	-	-	-	499,953	502,504
Culture, health and welfare	361,955	-	-	-	361,955	331,702
Miscellaneous	382,296	232,086	-	570,108	1,184,490	1,407,999
Debt service						
Principal retirement	-	-	-	475,785	475,785	372,629
Interest and fiscal charges	-	-	-	96,936	96,936	68,942
Capital outlay	258,336	-	1,223,316	389,439	1,871,091	846,485
Total current expenditures	3,575,813	232,086	1,223,316	1,532,268	6,563,483	5,525,632
Excess (deficiency) of revenues over expenditures	4,917	(193)	(776,507)	(716,269)	(1,488,052)	(452,468)
Other financing sources (uses)						
Gain on disposition of property	7,011	-	-	-	7,011	2,250
Operating transfers in	405,900	5,118	-	537,734	948,752	1,036,610
Operating transfers out	(546,852)	-	-	(4,000)	(550,852)	(508,710)
Long-term notes issued	73,680	-	769,043	77,957	920,680	383,307
Total other financing sources (uses)	(60,261)	5,118	769,043	611,691	1,325,591	913,457
Net change in fund balances	(55,344)	4,925	(7,464)	(104,578)	(162,461)	460,989
Fund balance at beginning of year	1,482,504	17,634	52,951	1,232,969	2,786,058	2,325,069
Fund balance at end of year	\$ 1,427,160	\$ 22,559	\$ 45,487	\$ 1,128,391	\$ 2,623,597	\$ 2,786,058

See accompanying notes.

CITY OF KOSCIUSKO, MISSISSIPPI
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended September 30, 2007

Total net changes in fund balances at September 30, 2007 per Statement
 of Revenues, Expenditures, and Changes in Fund Balances \$ (162,461)

The change in net assets reported for governmental activities in the
 statement of activities is 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.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 1,871,091	
Depreciation expense for the year ended September 30, 2007	<u>(344,522)</u>	1,526,569

In the statement of activities, only the gain on the disposition of
 property is reported, whereas in the governmental funds, the proceeds
 from the sales increase financial resources. Thus, the change in net assets
 differs from the change in fund balance by the basis of assets sold

Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year.		649
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Governmental funds report loan proceeds as other financial sources. However, the other financial source does not appear in the statement of activities since the other financial source is applied to the payable on the statement of net assets		(920,680)
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Governmental funds report bonded debt repayments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the bond payable balance on the statement of net assets		<u>475,785</u>
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Total changes in net assets at September 30, 2007 per Statement of Activities		<u><u>\$ 919,862</u></u>
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See accompanying notes.

CITY OF KOSCIUSKO, MISSISSIPPI
Statement of Fund Net Assets
Enterprise Funds and Discretely Presented Component Unit
September 30, 2007

ASSETS	Waste Water	Solid Waste	Total	Component Unit Kosciusko Light and Water Plant
Current assets				
Cash and cash equivalents	\$ 416,685	\$ 112,725	\$ 529,410	\$ 75,615
Accounts receivable, net of allowance for doubtful accounts of \$8,867 for 2007 and 2006	-	-	-	868,206
Investments	480,000	30,000	510,000	-
Interest receivable	8,754	617	9,371	33,012
Inventory	-	-	-	289,428
Unbilled revenues	-	-	-	357,291
Other current assets	-	-	-	13,572
Due from				
Other governments	25,289	1,551	26,840	4,185
Component unit	20,000	21,089	41,089	-
Total current assets	950,728	165,982	1,116,710	1,641,309
Restricted assets				
Cash – customer deposits	-	-	-	99,249
Cash – equipment replacement	-	-	-	610,368
Investments – customer deposits	-	-	-	233,303
Investments – equipment replacement	-	-	-	4,483,785
Total restricted assets	-	-	-	5,426,705
Noncurrent assets				
Land, improvements and construction in progress	610,928	8,000	618,928	46,470
Other capital assets, net of accumulated depreciation	3,510,589	61,838	3,572,427	5,994,718
Total capital assets	4,121,517	69,838	4,191,355	6,041,188
Total assets	5,072,245	235,820	5,308,065	13,109,202

See accompanying notes.

LIABILITIES	Waste Water	Solid Waste	Total	Component Unit Kosciusko Light and Water Plant
Current liabilities				
Accounts payable	\$ 4,172	\$ 2,032	\$ 6,204	\$ 481,852
Due to primary government	-	-	-	43,752
Accrued payroll	3,810	2,116	5,926	10,961
Accrued compensated absences	3,910	3,053	6,963	45,568
Capital lease payable, current	-	-	-	-
Note payable to State of Mississippi, current	12,500	-	12,500	-
Other liabilities	-	-	-	20,874
Total current liabilities	24,392	7,201	31,593	603,007
Noncurrent liabilities				
Customer deposits	-	-	-	332,552
Capital lease payable, net of current portion	-	-	-	-
Note payable to State of Mississippi, net of current portion	4,166	-	4,166	-
Total noncurrent liabilities	4,166	-	4,166	332,552
Total liabilities	28,558	7,201	35,759	935,559
NET ASSETS				
Invested in capital assets, net of related debt	4,104,851	69,838	4,174,689	6,041,188
Restricted for:				
Customer deposits	-	-	-	332,552
Property, plant and equipment replacement	-	-	-	5,094,153
Unrestricted	938,836	158,781	1,097,617	705,750
Total net assets	\$ 5,043,687	\$ 228,619	\$ 5,272,306	\$ 12,173,643

CITY OF KOSCIUSKO, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds and Discretely Presented Component Unit
Year Ended September 30, 2007
(With Comparative Totals for Year Ended September 30, 2006)

	Waste Water	Solid Waste	Total	Component Unit	Totals	
				Kosciusko Light and Water Plant	(Memorandum Only) Reporting Entity	
					2007	2006
Operating revenues						
Water sales	\$ -	\$ -	\$ -	\$ 925,870	\$ 925,870	\$ 909,431
Electric sales	-	-	-	5,814,447	5,814,447	6,500,765
Sewer charges	602,688	-	602,688	-	602,688	605,578
Other charges for services	5,600	435,974	441,574	89,529	531,103	502,075
Total operating revenues	608,288	435,974	1,044,262	6,829,846	7,874,108	8,517,849
Cost of production						
Water	-	-	-	524,563	524,563	455,565
Electric	-	-	-	4,696,225	4,696,225	5,490,087
Garbage collection fees	-	358,465	358,465	-	358,465	330,543
Total cost of production	-	358,465	358,465	5,220,788	5,579,253	6,276,195
Operating expenses						
Salaries and wages	164,280	102,038	266,318	297,188	563,506	555,156
Employee benefits	45,981	32,492	78,473	245,213	323,686	297,867
Supplies	-	-	-	18,138	18,138	16,233
General and administrative	107,246	26,821	134,067	191,974	326,041	285,404
Depreciation	166,143	14,269	180,412	314,153	494,565	460,793
Maintenance and repairs	97,478	19,866	117,344	45,117	162,461	151,694
Total operating expenses	581,128	195,486	776,614	1,111,783	1,888,397	1,767,147
Operating income (loss)	27,160	(117,977)	(90,817)	497,275	406,458	474,507
Non-operating revenues (expenses):						
Federal aid	25,289	-	25,289	-	25,289	17,438
State aid	-	-	-	10,156	10,156	72,265
Tap fees	-	-	-	27,659	27,659	18,609
Loss on disposition of property	-	-	-	-	-	(3,263)
Interest income	39,969	5,812	45,781	234,880	280,661	204,548
Interest expense	(540)	-	(540)	-	(540)	(1,303)
Taxes	-	130,204	130,204	-	130,204	129,053
Total non-operating revenues	64,718	136,016	200,734	272,695	473,429	437,347
Income before operating transfers	91,878	18,039	109,917	769,970	879,887	911,854
Operating transfers						
Operating transfers out	(2,500)	(1,000)	(3,500)	(394,400)	(397,900)	(527,900)
Increase in net assets	89,378	17,039	106,417	375,570	481,987	383,954
Net assets - beginning of year	4,954,309	211,580	5,165,889	11,798,073	16,963,962	16,580,008
Net assets - end of year	\$ 5,043,687	\$ 228,619	\$ 5,272,306	\$ 12,173,643	\$ 17,445,949	\$ 16,963,962

See accompanying notes.

CITY OF KOSCIUSKO, MISSISSIPPI
 Combined Statement of Cash Flows
 Enterprise Funds and Discretely Presented Component Unit
 Year Ended September 30, 2007

	Waste Water	Solid Waste	Total	Component Unit Kosciusko Light and Water Plant
Cash flows from operating activities				
Receipts from customers	\$ 608,288	\$ 433,994	\$ 1,042,282	\$ 6,795,853
Payments to suppliers	(249,883)	(78,997)	(328,880)	(5,598,095)
Payments to employees	(164,679)	(101,966)	(266,645)	(280,369)
Other payments	-	(358,465)	(358,465)	-
Net cash provided by (used by) operating activities	<u>193,726</u>	<u>(105,434)</u>	<u>88,292</u>	<u>917,389</u>
Cash flows from non-capital financing activities				
Taxes collected	-	130,856	130,856	-
Operating transfers to other funds	(2,500)	(1,000)	(3,500)	(394,400)
Grant proceeds	-	-	-	10,156
Other receipts	-	-	-	39,399
Net cash (used by) provided by non-capital financing activities	<u>(2,500)</u>	<u>129,856</u>	<u>127,356</u>	<u>(344,845)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(36,670)	(13,080)	(49,750)	(608,298)
Principal payments – notes/leases	(32,885)	-	(32,885)	-
Interest payments on capital expenditure debt	(540)	-	(540)	-
Net cash used by capital and related financing activities	<u>(70,095)</u>	<u>(13,080)</u>	<u>(83,175)</u>	<u>(608,298)</u>
Cash flows from investing activities				
Purchase of investments	(179,000)	(10,000)	(189,000)	(219,319)
Interest received on investments	36,671	5,755	42,426	227,569
Net cash (used by) provided by investing activities	<u>(142,329)</u>	<u>(4,245)</u>	<u>(146,574)</u>	<u>8,250</u>
Net (decrease) increase in cash and cash equivalents	(21,198)	7,097	(14,101)	(27,504)
Restricted - customer deposits	-	-	-	87,466
Restricted - equipment replacement	-	-	-	409,915
Unrestricted	437,883	105,628	543,511	315,355
Cash and cash equivalents, October 1	<u>437,883</u>	<u>105,628</u>	<u>543,511</u>	<u>812,736</u>
Restricted - customer deposits	-	-	-	99,249
Restricted - equipment replacement	-	-	-	610,368
Unrestricted	416,685	112,725	529,410	75,615
Cash and cash equivalents, September 30	<u>\$ 416,685</u>	<u>\$ 112,725</u>	<u>\$ 529,410</u>	<u>\$ 785,232</u>
Reconciliation of operating loss to net cash provided by (used by) operating activities				
Operating income (loss)	\$ 27,160	\$ (117,977)	\$ (90,817)	\$ 497,275
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation	166,143	14,269	180,412	314,153
Basis in donated property	1,739	-	1,739	-
Changes in current assets and liabilities				
Increase in accounts receivable	-	-	-	(29,096)
Increase in due from other funds	-	(1,980)	(1,980)	-
Decrease in due from other governments	-	-	-	70,680
Increase (decrease) in accounts payable	(917)	182	(735)	65,876
Increase (decrease) in accrued compensated absences	(397)	281	(116)	16,243
Increase (decrease) in accrued payroll	(2)	(209)	(211)	576
Decrease in inventory	-	-	-	(12,556)
Decrease in unbilled revenues	-	-	-	(4,897)
Decrease in other current assets	-	-	-	701
Increase in due to other funds	-	-	-	2,318
Decrease in other liabilities	-	-	-	(3,884)
Net cash provided (used) by operating activities	<u>\$ 193,726</u>	<u>\$ (105,434)</u>	<u>\$ 88,292</u>	<u>\$ 917,389</u>

See accompanying notes.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

Reporting Entity

The criteria of oversight responsibility, special financing relationships and scope of public service were used in determining the agencies or entities which comprise the City for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the following entity 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. The E-911 Fund is also a blended component unit.

Discretely Presented Component Unit

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

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Neither fiduciary funds nor component units that are fiduciary in nature are included.

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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. The various funds of the primary government (including one component unit) are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

a. 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. The following are the City's Governmental Fund Types:

General Fund--is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds--are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

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).

b. 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.

In accordance with GASB 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting," the City has elected to apply all applicable GASB's, and only FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

The major funds of the City are identified below:

- Governmental Funds:

- General Fund

- Airport - This fund is used to make improvements to the airport.

- Sewer Rehabilitation - This fund is used to make improvements to the sewer system.

- Enterprise Funds:

- Waste Water

- Solid Waste

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Budgets and Budgetary Accounting

Budgets are adopted on the cash basis of accounting. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, 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 them.
2. As required by State law, the City conducts public hearings on the budget.
3. The budget as submitted is reviewed by the Board of Aldermen and necessary revisions are made to the budget. Then the budget is approved prior to September 15.
4. The budget may be formally revised at any time during the current fiscal year unless it is the first year in which the governing authorities enter upon the discharge of their duties. In said original year, authorities may revise budget at any one regular meeting held not later than August.
5. Budgetary comparisons are employed by management as a management control device during the year for all governmental funds. The budget and actual comparisons are formally presented in the financial statements to the Mayor and Board of Aldermen. Budgetary

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

control over other funds is achieved through applicable state law, bond ordinances, or other restrictions imposed when the fund is created.

Budgeted amounts are as originally adopted as of September 5, 2006 or as amended by the Board of Aldermen, thereafter.

Budgeted amounts for lease payments in the debt service funds included both interest and principal in the line item "principal retirement." In the financial statements, all interest is reported in the line item "interest and fiscal charges."

Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include investments in highly liquid investments with a maturity of three months or less, when purchased, including amounts whose use is limited by board designation.

Investments

As allowed by Government Accounting Standards Board Standard No. 31, the City carries all their investments at amortized cost. The City's investments are comprised of nonparticipating contracts (certificates of deposit) which have a remaining maturity at time of purchase of more than three months.

State law authorizes municipalities to invest in interest-bearing time certificates of deposit and in obligations of the U S. Treasury, State of Mississippi, or any county, municipality, or school district of the state. Further, the municipality may invest in certain repurchase agreements.

Interfund Receivables/Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified in the same manner. Long-term interfund loans are classified as "advances to other funds" and "advances from other funds" on the balance sheet.

Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

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.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Inventory

Inventory is valued at cost. The inventory in the Light and Water Enterprise Fund of \$289,428 consists of expendable supplies held for consumption. Governmental fund types, which had no material inventory at September 30, 2007, use the purchase method which expenses inventory when purchased.

Capital Assets

Purchased general capital assets and proprietary fund type property and equipment are accounted for at historical cost or estimated historical cost if actual historical cost is not known. Donated fixed assets and property and equipment are accounted for at their estimated fair value on the date received. Infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems were not capitalized prior to October 1, 2003. For purpose of GASB 34, the City is considered a small government. Therefore, the City elected to report infrastructure prospectively only.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is computed using the straight-line method. The estimated useful lives used to depreciate assets, by asset class, are as follows:

Buildings and improvements	40 years
Equipment	3 to 10 years
Waterworks and electric system	25 to 50 years
Wastewater treatment system	10 to 50 years
Vehicles	5 years
Infrastructure	20 to 50 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.

Compensated Absences

Employees receive vacation days annually on their anniversary dates of hire. These vacation days must be used before their next anniversary date or they are lost. At September 30, 2007, the liability for accrued compensated absences was \$39,479, \$6,963, \$45,568, and \$4,282 for the general fund, primary government enterprise fund, discretely presented component unit, and special revenue funds, respectively.

CITY OF KOSCIUSKO, MISSISSIPPI
Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

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.

Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations or other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Estimates

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

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Continued

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

Total Columns on Combined Statements - Overview

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Property Tax

Property taxes attach as an enforceable lien on property as of the first Monday in April. Taxes are levied by December 15 and are payable by February 1. City property tax revenues are recognized when measurable and available. Attala County collects the City's taxes and remits them to the City.

Note 3. Cash and Investments

A summary of cash and investment balances at September 30, 2007, follows:

	Cash on Hand	Cash and Investments in Bank		Total
		Checking Accounts	Certificates Of Deposit	
General fund	\$ 250	\$ 429,812	\$ 715,000	\$ 1,145,062
Debt service fund	-	6,452	-	6,452
Special revenue funds	150	345,581	350,000	695,731
Capital projects funds	-	42,596	145,000	187,596
Enterprise funds and component unit	2,000	1,107,642	5,432,088	6,541,730
Total	\$ 2,400	\$ 1,932,083	\$ 6,642,088	\$ 8,576,571

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 3. Continued

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The City's deposits at year-end were entirely insured by federal depository insurance or by collateral held by the State Treasurer.

At September 30, 2007, all funds held as investments were in certificates of deposit with a financial institution.

A summary of restricted cash and investment balances at September 30, 2007, follows:

Description	Checking Accounts	Certificate of Deposit	Total
Component Unit			
Kosciusko Light and Water Plant			
Operating investments			
customers' deposits	\$ 99,249	\$ 233,303	\$ 332,552
Replacement of property, plant			
And equipment	610,368	4,483,785	5,094,153

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2007 for governmental activities was as follows:

	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Land	\$ 998,356	\$ 215,346	\$ -	\$ 1,213,702
Buildings	2,785,121	20,586	-	2,805,707
Construction in progress	223,522	1,236,342	-	1,459,864
Machinery and equipment	2,293,283	287,180	-	2,580,463
Machinery and equipment acquired under capital				
Lease	452,308	111,637	-	563,945
Improvements other than buildings	1,260,185	-	-	1,260,185

CITY OF KOSCIUSKO, MISSISSIPPI
Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 4. Continued

	Balance September 30, 2006	Additions	Deletions	Balance September 30, 2007
Total	\$ 8,012,775	\$ 1,871,091	\$ -	\$ 9,883,866
Less accumulated depreciation	2,874,484	344,522	-	3,219,006
Governmental activities capital assets, net	<u>\$ 5,138,291</u>	<u>\$ 1,526,569</u>	<u>\$ -</u>	<u>\$ 6,664,860</u>

The following is a summary of proprietary fund type capital assets at September 30, 2007:

	Component Unit Kosciusko Light and Water Plant	Waste Water Fund	Solid Waste Fund
Land	\$ 46,470	\$ 610,928	\$ 8,000
Buildings	701,918	123,790	-
Improvements other than buildings	-	9,947	-
Water and electric system	11,217,288	-	-
Machinery and equipment	1,222,719	765,860	306,832
Wastewater system	-	4,708,359	-
Total fixed assets	13,188,395	6,218,884	314,832
Less accumulated depreciation and amortization	7,147,207	2,097,367	244,994
Net capital assets	<u>\$ 6,041,188</u>	<u>\$ 4,121,517</u>	<u>\$ 69,838</u>

Amortization expense for equipment acquired under capital leases was \$60,774 for the year ended September 30, 2007. Accumulated amortization at September 30, 2007 for assets acquired under capital lease was \$222,377. These amounts are included in depreciation expense and accumulated depreciation.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 4. Continued

Depreciation expense was charged to governmental activities as follows:

General government	\$ 28,162
Police	62,800
Fire	41,290
Streets	37,284
Cemetery	10,828
Park and recreation	22,952
Shop	1,361
Grounds	6,440
Construction projects	3,448
MDOT	15,730
EMS	511
Airport	392
E911	26,198
UDAG	6,021
Fire station construction	38,045
Domestic preparedness	9,828
Court	1,201
Outdoor recreation	5,035
Sewer rehabilitation	26,996
Total depreciation expense	<u>\$ 344,522</u>

Depreciation expense was charged to business-type activities as follows:

Kosciusko Water and Light Plant	\$ 314,153
Waste water	166,143
Solid waste	14,269
Total depreciation expense	<u>\$ 494,565</u>

Note 5. Notes Receivable

An urban development action grant was awarded to the City for the year ended September 30, 1987, for \$390,000 to help expand Luvel Dairy operations. The grant stated that the proceeds would be loaned to the Entity and paid back to the City over a specified period of time. At June 30, 2001, the note was renewed for \$274,464 at an interest rate of 5 percent. It is payable in 120 monthly installments of \$2,911 beginning August 1, 2000, and maturing July 1, 2010. At September 30, 2007, the balance of the note was \$0. The loan was paid off early in March 2007.

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

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5. Continued

been signed by the entity. Interest will accrue at the rate of 1 percent per annum on the principal amount outstanding from November 1, 2007, until paid in full on or before November 30, 2046. Promisor shall make equal annual installments on the amount commencing October 31, 2007, 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 any unpaid installments. The City will use repaid HOME funds for future housing projects.

Note 6. Interfund Transactions

The following schedule as of September 30, 2007, represents interfund receivables and payables and advances:

Fund Type	Interfund Receivables and Advances	Interfund Payables and Advances
General fund	\$ 134,474	\$ -
Special revenue funds		
Waste tire	-	1,892
Cemetery	-	13,560
Mosquito grant	-	2,372
Airport	-	113,987
Enterprise funds		
Waste water	20,000	-
Solid waste	21,089	-
Component unit		
Water and electric	-	43,752
Total	\$ 175,563	\$ 175,563
Classified as		
Due from other funds – balance sheet - governmental funds	\$ 134,474	\$ -
Due to other funds – balance sheet – governmental funds	-	131,811
Due from component unit – statement of net assets - enterprise funds	41,089	-
Due to primary government – statement of net assets - Kosciusko Water and Light Plant	-	43,752
Total	\$ 175,563	\$ 175,563

CITY OF KOSCIUSKO, MISSISSIPPI
Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 6. Continued

Operating transfers consisted of the following at September 30, 2007:

Fund Type	Operating Transfers In	Operating Transfers Out
Governmental funds		
General fund	\$ 405,900	\$ 546,852
Nonmajor governmental funds	537,734	4,000
Airport	5,118	-
Proprietary funds		
Waste water	-	2,500
Solid waste	-	1,000
Discretely presented component unit		
Kosciusko Water and Light Plant	-	394,400
Total	<u>\$ 948,752</u>	<u>\$ 948,752</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in accordance with budgetary authorization.

Note 7. General Long-Term Debt

Accrued Compensated Absences

At September 30, 2007, the liability for accrued compensated absences for the General Fund totaled \$39,479.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2007:

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 7. Continued

	Beginning Balance		Additions		Reductions		Ending Balance		Amounts Due Within One Year
Governmental activities:									
General obligation bonds	\$ 1,775,000	\$	-	\$	275,000	\$	1,500,000	\$	287,000
Capital lease payable	119,666		111,637		66,392		164,911		54,432
Note payable	453,800		809,043		133,966		1,128,877		75,810
Governmental activities long-term liabilities	\$ 2,348,466	\$	920,680	\$	475,358	\$	2,793,788	\$	417,242
Business-type activities:									
Capital lease payable	\$ 20,384	\$	-	\$	20,384	\$	-	\$	-
Note payable	29,166		-		12,500		16,666		12,500
Business-type activities long-term liabilities	\$ 49,550	\$	-	\$	32,884	\$	16,666	\$	12,500

General Obligation Bonds

Bonds payable at September 30, 2007, are comprised of the following individual issues:

\$2,000,000 1998 Street Bonds due in annual installments ranging from \$165,000 to \$240,000 through September 1, 2008, plus interest ranging from 4.00 percent to 5.60 percent, payable on March 1 and September 1 of each year, beginning September 1, 2000	\$ 240,000
\$1,348,000 bonds due in annual installments ranging from \$43,000 to \$99,000 through June 2025, plus interest of 4.25 percent, payable in June of each year, beginning June, 2007.	1,260,000
Total	<u>\$ 1,500,000</u>

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 7. Continued

The annual requirements to amortize bonds outstanding as of September 30, 2007, are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 287,000	\$ 63,390	\$ 350,390
2009	49,000	51,553	100,553
2010	51,000	49,470	100,470
2011	53,000	47,303	100,303
2012	56,000	45,050	101,050
Thereafter	1,004,000	324,912	1,328,912
Total	\$ 1,500,000	\$ 581,678	\$ 2,081,678

Leases

The City had the following capital lease payables at September 30, 2007:

\$143,445 lease payable, due in monthly payments of \$2,596, until January 2010, 3.29 percent interest	\$ 69,877
\$33,680 lease payable, due in monthly installments of \$764 until January 2012, 4.23 percent interest	27,790
\$77,975 lease payable, due in monthly payments of \$1,766 until February 2011, 4.19 percent interest	67,244
Total	\$ 164,911

The above leases are collateralized by equipment.

The following is a schedule of maturities of the capital lease as of September 30, 2007:

Year Ending September 30,	Amount
2008	\$ 59,812
2009	59,812
2010	39,044
2011	16,188
2012	623
Total minimum lease payments	175,479
Less amount representing interest	10,568
Present value of minimum lease payments	\$ 164,911

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 7. Continued

Notes Payable

The City had the following note payables as follows at September 30, 2007:

\$40,000 note payable to individual due in annual installments of \$10,000 until 2011	\$ 40,000
\$344,000 note payable to financial institution due in annual installments of \$77,337 until 2011, 4.03% interest	280,526
\$1,050,000 note payable to Department of Environmental Quality due in 237 monthly installments of \$5,618 beginning August 2008, 2.50% interest	<u>808,351</u>
Total	1,128,877
Less current portion	<u>75,810</u>
Total	<u>\$ 1,053,067</u>

The annual requirements to amortize notes payable outstanding as of September 30, 2007 are as follows:

Year Ending September 30,	Amount
2008	\$ 75,810
2009	98,265
2010	129,579
2011	134,356
2012	50,726
Thereafter	<u>640,141</u>
Total	<u>\$ 1,128,877</u>

The City does not capitalize interest cost. Interest costs are recorded in expenses. For the year ended September 30, 2007, interest costs charged to expenses were \$96,936.

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 8. Enterprise Fund Long-Term Debt

Notes Payable

The City has note payable to the State of Mississippi as follows:

\$250,000 1989 note payable, due in monthly installments of \$1,041.66 until 2009, which is being withheld from monthly sales tax remittances; interest free	\$ 16,666
Less current portion	<u>12,500</u>
Total	<u>\$ 4,166</u>

The annual requirements to amortize notes payable outstanding in the Proprietary Funds as of September 30, 2007, are as follows:

Year Ending September 30,	Notes Payable
2008	\$ 12,500
2009	<u>4,166</u>
Total	<u>\$ 16,166</u>

Note 9. Limitation of Indebtedness

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2007:

	15 Percent	20 Percent
Authorized debt limit		
Assessed valuation for fiscal year ended September 30, 2007 (\$41,576,511)	\$ 6,236,477	\$ 8,315,302
Present debt subject to 15 percent Limitation	(1,820,004)	-
Present debt subject to 20 percent limitation including debt subject to 15 percent limitation	<u>-</u>	<u>(1,836,670)</u>
Margin for further debt under respective debt limits	<u>\$ 4,416,473</u>	<u>\$ 6,478,632</u>

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 9. Continued

	15 Percent	20 Percent
Debt subject to limits		
Notes payable to State of Mississippi	\$ -	\$ 16,166
General fund debt	1,820,004	1,820,004
Total	<u>\$ 1,820,004</u>	<u>\$ 1,836,670</u>

No municipality shall hereafter issue bonds for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed 15 percent of the assessed value of the taxable property within such municipality, according to the then last completed assessment for taxation. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas, and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed 20 percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore issued by any municipality for school purposes, or to bonds heretofore or hereafter issued by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 to 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

Note 10. Deficit Fund Balance

MDOT- Community Service Officer had a deficit fund balance of \$951 at September 30, 2007. The deficit will be eliminated in the fiscal year ending September 30, 2008 as grant revenue is received.

Note 11. Pension Plan

Plan Description. The City of Kosciusko, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State

CITY OF KOSCIUSKO, MISSISSIPPI
Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 11. Continued

law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25 percent of their annual covered salary and the City of Kosciusko, Mississippi, is required to contribute at an actuarially determined rate. The current rate is 11.85 percent of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Kosciusko, Mississippi's contributions to PERS for the years ended September 30, 2007, 2006, and 2005 were \$357,130, \$318,798, and \$281,600, respectively, equal to the required contributions for each year.

Note 12. Commitments and Contingencies

The City of Kosciusko had entered into a 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, 2007. No assessment was made or is probable for the year ended September 30, 2007.

The City now utilizes a medical benefit account for health insurance claims. Amounts are periodically paid into the account, and claims are disbursed from the account.

As of September 30, 2007, the account had a balance of \$55,120 as well as investments totaling \$25,000. Also, there were no amounts due by the City for unpaid insurance claims. There were no amounts due to the City by the re-insurance company.

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City.

In the normal course of business, the City is occasionally a defendant in various lawsuits filed against it. These cases are turned over to the City's insurer's attorneys, who handle the defense of these suits. At present, it is impossible to predict if any loss may be incurred from these suits.

During the year ended September 30, 2006, the Municipal Energy Agency of Mississippi (MEAM) entered into a power purchase agreement with Plum Point Energy Associates. The City's discretely presented component unit, Kosciusko Light and Water Plant, is one of six members of MEAM. This agreement will not have a direct impact on the financial operations of

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 12. Continued

the Kosciusko Light and Water Plant until 2010. The current cost of energy is approximately \$70/MWh. Under the Plum Point Energy agreement, the Kosciusko Light and Water Plant anticipates paying approximately \$45/MWh beginning in 2010.

Note 13. Segment Information - Enterprise Funds and Presented Component Unit

The City maintains two enterprise funds which are intended to be self-supporting through user fees charged for waste and garbage removal to the public. The City also reports a component unit which is intended to be self-supporting through user fees charged for water and electric services to the public. Financial segment information as of and for the year ended September 30, 2007, is presented below:

	Waste Water Fund	Solid Waste Fund	Component Unit Kosciusko Light and Water Plant
Total assets	\$ 5,072,245	\$ 235,820	\$ 13,109,202
Current assets	950,728	165,982	1,641,309
Capital assets	4,121,517	69,838	6,041,188
Other assets	-	-	5,426,705
Due from component unit	20,000	21,089	-
Total liabilities	28,558	7,201	935,559
Current liabilities	24,392	7,201	603,007
Long-term liabilities	4,166	-	332,552
Due to primary government	-	-	43,752
Total net assets	5,043,687	228,619	12,173,643
Invested in capital assets, net of related debt	4,104,851	69,838	6,041,188
Restricted net assets	-	-	5,426,705
Unrestricted net assets	938,836	158,781	705,750
Water revenue	-	-	925,870
Electric revenue	-	-	5,814,447
Sewer revenue	602,688	-	-
Garbage revenue	-	435,974	-
Other revenue	5,600	-	89,529
Cost of production-water	-	-	524,563
Cost of production-electric	-	-	4,696,225

CITY OF KOSCIUSKO, MISSISSIPPI

Year Ended September 30, 2007

NOTES TO BASIC FINANCIAL STATEMENTS

Note 13. Continued

		Waste Water Fund	Solid Waste Fund	Component Unit Kosciusko Light and Water Plant
Cost of production-garbage collection fees	\$	-	\$ 358,465	\$ -
Operating expense		581,128	195,486	1,111,783
Depreciation expense		166,143	14,269	314,153
Operating income (loss)		27,160	(117,977)	497,275
Non-operating revenues		64,718	136,016	272,695
Tax revenues		-	130,204	-
Operating transfers out		(2,500)	(1,000)	(394,400)
Change in net assets		89,378	17,039	375,570
Beginning net assets		4,954,309	211,580	11,798,073
Ending net assets		5,043,687	228,619	12,173,643
Net cash provided (used) by:				
Operating activities		193,726	(105,434)	917,389
Noncapital financing activities		(2,500)	129,856	(344,845)
Capital and related financing activities		(70,095)	(13,080)	(608,298)
Investing activities		(142,329)	(4,245)	8,250
Beginning cash and cash equivalent balances		437,883	105,628	812,736
Ending cash and cash equivalent balances		416,685	112,725	785,232

Note 14. Budgetary Basis vs. GAAP

The accompanying budgetary comparison schedules presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the results of operations for the year follows.

Excess of revenues and other sources over (under) expenditures and other uses:

	General Fund	Waste Water	Solid Waste	Airport	Sewer Rehabilitation
Budget (cash basis)	\$ 1,396,717	\$ 5,116,932	\$ 224,644	\$ (97,101)	\$ 45,193
Increase (decrease)					-
Net adjustment for revenue accruals	28,342	9,274	7,981	128,365	294
Net adjustment for expenditure accruals	2,101	14,069	(2,817)	(8,705)	-
Capital outlay	-	36,670	13,080	-	-
Debt service	-	32,885	-	-	-
Depreciation expense	-	(166,143)	(14,269)	-	-
GAAP Basis	\$ 1,427,160	\$ 5,043,687	\$ 228,619	\$ 22,559	\$ 45,487

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KOSCIUSKO, MISSISSIPPI
 Bugetary Comparison Schedule-General Fund
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u>	<u>(Memorandum</u>
				<u>(Unfavorable)</u>	<u>Only) 2006</u>
Revenues					
Fire aid	\$ -	\$ -	\$ -	\$ -	27,364
State aid	3,850	3,850	3,843	(7)	3,843
Sales tax	1,800,000	1,800,000	1,934,787	134,787	1,920,048
Franchise tax	110,000	110,000	102,287	(7,713)	102,819
Ad valorem tax	911,500	911,500	929,640	18,140	921,156
Road tax	88,000	88,000	91,384	3,384	90,546
Land redemptions	3,000	3,000	6,486	3,486	3,602
Privilege licenses	17,000	17,000	17,589	589	18,337
Police fines	150,000	150,000	124,085	(25,915)	155,285
Cemetery lots and grave openings	35,000	35,000	44,583	9,583	39,070
Building permits	17,000	17,000	37,257	20,257	19,671
Interest on investments	30,000	30,000	61,254	31,254	42,403
Miscellaneous receipts	59,011	59,011	100,315	41,304	71,876
Rent income	3,850	3,850	3,850	-	3,850
Grand Gulf in lieu of taxes	5,200	5,200	5,920	720	6,164
Housing authority in lieu of taxes	-	-	12,971	12,971	13,201
Recreation	45,000	45,000	62,382	17,382	55,827
Grants	-	13,805	13,805	-	41,567
 Total general fund revenues	 \$ 3,278,411	 \$ 3,292,216	 \$ 3,552,438	 \$ 260,222	 \$ 3,536,629

CITY OF KOSCIUSKO, MISSISSIPPI
 Budgetary Comparison Schedule-General Fund (continued)
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u>	
				<u>(Unfavorable)</u>	
Administrative					
Salaries	\$ 480,380	\$ 496,380	\$ 485,146	\$ 11,234	\$ 453,648
Supplies	22,950	30,200	29,059	1,141	24,316
Other services	87,550	86,550	90,845	(4,295)	95,806
Capital outlay	41,000	35,950	79,925	(43,975)	22,539
Total administrative	<u>631,880</u>	<u>649,080</u>	<u>684,975</u>	<u>(35,895)</u>	<u>596,309</u>
Public safety					
Salaries	1,290,780	1,290,780	1,282,979	7,801	1,223,877
Supplies	124,600	126,600	122,984	3,616	121,195
Other services	72,260	70,260	64,516	5,744	66,334
Capital outlay	36,000	62,250	60,262	1,988	39,535
Total public safety	<u>1,523,640</u>	<u>1,549,890</u>	<u>1,530,741</u>	<u>19,149</u>	<u>1,450,941</u>
Public works					
Salaries	396,622	394,622	375,353	19,269	369,493
Supplies	93,600	96,600	81,064	15,536	76,031
Other services	49,750	49,750	43,270	6,480	57,235
Capital outlay	20,225	21,925	21,094	831	4,501
Total public works	<u>560,197</u>	<u>562,897</u>	<u>520,781</u>	<u>42,116</u>	<u>507,260</u>
Culture, health and welfare					
Salaries	303,245	294,745	267,677	27,068	239,415
Supplies	45,150	53,650	44,667	8,983	38,189
Other services	50,450	52,000	49,772	2,228	53,917
Capital outlay	90,000	90,000	57,055	32,945	34,740
Total culture, health and welfare	<u>488,845</u>	<u>490,395</u>	<u>419,171</u>	<u>71,224</u>	<u>366,261</u>
Miscellaneous					
Other services	<u>417,750</u>	<u>422,750</u>	<u>382,296</u>	<u>40,454</u>	<u>376,938</u>
Total general fund expenditures	<u>\$ 3,622,312</u>	<u>\$ 3,675,012</u>	<u>\$ 3,537,964</u>	<u>\$ 137,048</u>	<u>\$ 3,297,709</u>
Other financing sources (uses)					
Gain on disposition of property	-	-	7,011	7,011	2,250
Operating transfers out	(581,118)	(581,118)	(546,852)	34,266	(408,221)
Operating transfers in	404,400	404,400	405,900	1,500	408,101
Loan proceeds	47,000	47,000	33,680	(13,320)	-
Total other financing (uses) sources	<u>(129,718)</u>	<u>(129,718)</u>	<u>(100,261)</u>	<u>29,457</u>	<u>2,130</u>
Total general fund (uses) sources	<u>\$ (473,619)</u>	<u>\$ (512,514)</u>	<u>\$ (85,787)</u>	<u>\$ 426,727</u>	<u>\$ 241,050</u>
Fund balance at beginning of year		<u>1,482,504</u>	<u>1,482,504</u>	-	<u>1,286,887</u>
Fund balance at end of year		<u>\$ 969,990</u>	<u>1,396,717</u>	<u>\$ 426,727</u>	<u>1,527,937</u>
Adjustments required for generally accepted accounting principles			<u>30,443</u>		<u>(45,433)</u>
Fund balance at end of year (GAAP basis)			<u>\$ 1,427,160</u>		<u>\$ 1,482,504</u>

CITY OF KOŠCIUSKO, MISSISSIPPI
 Budgetary Comparison Schedule-Sewer Rehabilitation
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual (Memorandum Only) 2006</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Interest income	-	-	1,867	1,867	268
Grant	\$ 450,000	\$ 450,000	\$ 444,648	\$ (5,352)	\$ 2,852
Total revenues	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 446,515</u>	<u>\$ (3,485)</u>	<u>\$ 3,120</u>
Expenditures					
Other services	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	1,552,660	1,552,660	1,223,316	329,344	89,497
Total expenditures	<u>1,552,660</u>	<u>1,552,660</u>	<u>1,223,316</u>	<u>329,344</u>	<u>89,497</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	100,020
Proceeds from loan	1,050,000	1,050,000	769,043	(280,957)	39,308
Total other financing sources	<u>1,050,000</u>	<u>1,050,000</u>	<u>769,043</u>	<u>(280,957)</u>	<u>139,328</u>
Total fund (uses) sources	<u>\$ (52,660)</u>	<u>\$ (52,660)</u>	<u>\$ (7,758)</u>	<u>\$ 44,902</u>	<u>\$ 52,951</u>
Fund balance at beginning of year		52,951	52,951	-	-
Fund balance at end of year		<u>\$ 291</u>	45,193	<u>\$ 44,902</u>	<u>\$ 52,951</u>
Adjustments required for generally accepted accounting principles			294		-
Fund balance at end of year (GAAP basis)			<u>\$ 45,487</u>		<u>52,951</u>

CITY OF KOSCIUSKO, MISSISSIPPI
 Budgetary Comparison Schedule-Airport
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual (Memorandum Only) 2006</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Interest income	800	800	1,553	753	876
Intergovernmental income	22,236	22,236	22,236	-	16,000
Miscellaneous income	500	500	1,800	1,300	400
Grant	\$ 243,157	\$ 243,157	\$ 87,057	\$ (156,100)	\$ 294,997
Total revenues	\$ 266,693	\$ 266,693	\$ 112,646	\$ (154,047)	\$ 312,273
Expenditures					
Supplies and other services	\$ 13,300	\$ 18,300	\$ 8,331	\$ 9,969	\$ 2,338
Capital outlay	249,393	249,393	215,050	34,343	300,840
Total expenditures	262,693	267,693	223,381	44,312	303,178
Other financing sources (uses)					
Transfers out	(4,000)	(4,000)	(4,000)	-	(4,000)
Total other financing uses	(4,000)	(4,000)	(4,000)	-	(4,000)
Total fund (uses) sources	\$ -	\$ (5,000)	\$ (114,735)	\$ (109,735)	\$ 5,095
Fund balance at beginning of year		17,634	17,634	-	27,634
Fund balance at end of year		<u>\$ 12,634</u>	<u>(97,101)</u>	<u>\$ (109,735)</u>	<u>32,729</u>
Adjustments required for generally accepted accounting principles			<u>119,660</u>		<u>(15,095)</u>
Fund balance at end of year (GAAP basis)			<u>\$ 22,559</u>		<u>17,634</u>

CITY OF KOSCIUSKO, MISSISSIPPI
 Budgetary Comparison Schedule-Waste Water
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual (Memorandum Only) 2006</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Sewer charges	\$ 570,000	\$ 570,000	\$ 601,642	\$ 31,642	\$ 604,532
Federal aid	-	-	25,289	25,289	1,286
Interest income	15,000	15,000	31,741	16,741	25,763
Other charges for services	6,000	6,000	5,600	(400)	7,383
Total revenues	\$ 591,000	\$ 591,000	\$ 664,272	\$ 73,272	\$ 638,964
Expenditures					
Salaries and wages	\$ 216,370	\$ 220,370	\$ 217,436	\$ 2,934	\$ 207,192
Supplies and other services	256,000	282,000	211,619	70,381	205,278
Capital outlay	27,500	27,500	36,670	(9,170)	66,304
Debt Service	25,105	25,105	32,884	(7,779)	36,301
Interest expense	-	-	540	(540)	1,303
Total expenditures	524,975	554,975	499,149	55,826	516,378
Other financing uses					
Loss on disposition of property	-	-	-	-	(3,227)
Operating transfers out	(2,500)	(2,500)	(2,500)	-	(132,500)
Total other financing uses	(2,500)	(2,500)	(2,500)	-	(135,727)
Total fund sources (uses)	\$ 63,525	\$ 33,525	\$ 162,623	\$ 129,098	\$ (13,141)
Fund balance at beginning of year		4,954,309	4,954,309	-	5,005,238
Fund balance at end of year		<u>\$ 4,987,834</u>	5,116,932	<u>\$ 129,098</u>	4,992,097
Adjustments required for generally accepted accounting principles			<u>(73,245)</u>		<u>(37,788)</u>
Fund balance at end of year (GAAP basis)			<u>\$ 5,043,687</u>		<u>4,954,309</u>

CITY OF KOSCIUSKO, MISSISSIPPI
 Budgetary Comparison Schedule-Solid Waste
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual (Memorandum Only) 2006</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Garbage fees	\$ 420,000	\$ 420,000	\$ 428,554	\$ 8,554	\$ 392,161
Federal aid	-	-	-	-	16,152
Taxes	128,600	128,600	130,204	1,604	129,053
Interest income	2,500	2,500	5,252	2,752	4,851
Total revenues	551,100	551,100	564,010	12,910	542,217
Expenditures					
Salaries	156,730	144,730	138,471	6,259	129,354
Other services	349,000	361,000	379,977	(18,977)	340,544
Supplies	35,800	45,800	18,418	27,382	19,524
Capital outlay	1,000	16,000	13,080	2,920	52,114
Total expenditures	542,530	567,530	549,946	17,584	541,536
Other financing sources (uses)					
Proceeds from loan	-	-	-	-	-
Operating transfers out	(1,000)	(1,000)	(1,000)	-	(1,000)
Total other financing uses	(1,000)	(1,000)	(1,000)	-	(1,000)
Total fund sources (uses)	\$ 7,570	\$ (17,430)	\$ 13,064	\$ 30,494	\$ (319)
Fund balance at beginning of year		211,580	211,580	-	164,759
Fund balance at end of year		<u>\$ 194,150</u>	224,644	<u>\$ 30,494</u>	\$ 164,440
Adjustments required for generally accepted accounting principles			<u>3,975</u>		<u>47,140</u>
Fund balance at end of year (GAAP basis)			<u>\$ 228,619</u>		<u>211,580</u>

OTHER INFORMATION

CITY OF KOSCIUSKO, MISSISSIPPI

Schedule of Expenditures of Federal Awards (2)

Year Ended September 30, 2007

	Federal CFDA Number	Pass- Through Grantor's Number	Program or Award Amount	Federal Revenues	Expenditures
Department of Agriculture	10.766	28-026-64600556	\$ 13,805	\$ 13,805	\$ 13,805
Department of Housing and Urban Development passed through Mississippi Development of Authority	14.228	1122-05-224-PF-01	\$ 450,000	\$ 444,648	\$ 444,648 (1)
Department of Housing and Urban Development passed through Mississippi Development of Authority	14.239	1217-M05-SG-280-115	\$ 250,000	\$ 50,000	\$ 50,000
Department of Transportation	20.106	3-28-0039-006-2007	\$ 155,981	\$ 114,064	\$ 111,064
Department of Transportation	20.106	3-28-0039-005-2006	\$ 236,922	\$ 75,845	\$ 75,845
Department of Transportation	20.106	3-28-0039-004-2005	\$ 163,619	\$ 17,389	\$ 17,389
Department of Transportation	20.205	STP 8925-00(002)	\$ 755,222	\$ 145,976	\$ 145,976
Department of Transportation	20.205	8931-00(03)	\$ 380,108	\$ 12,581	\$ 12,581
Environmental Protection Agency	66.458	SRF-C280903-01	\$ 1,050,000	\$ 769,043	\$ 769,043 (1)
Corporation for National and Community Service	94.002	07SR069415	\$ 34,382	\$ 34,382	\$ 34,382
Federal Emergency Management Agency	97.036	007-38320-0	\$ 25,289	\$ 25,289	\$ 25,289
Total Federal Assistance				<u>\$ 1,700,022</u>	<u>\$ 1,700,022</u>

(1) Major Program

CFDA Number	Grantor's Number	Award Amount	Federal Revenues	Expenditures
Department of Agriculture	10.766	28-026-64600556	\$ 13,805	\$ 13,805
Department of Housing and Urban Development passed through Mississippi Development of Authority	14.228	1122-05-224-PF-01	\$ 450,000	\$ 444,648 (1)
Department of Housing and Urban Development passed through Mississippi Development of Authority	14.239	1217-M05-SG-280-115	\$ 250,000	\$ 50,000
Department of Transportation	20.106	3-28-0039-006-2007	\$ 155,981	\$ 111,064
Department of Transportation	20.106	3-28-0039-005-2006	\$ 236,922	\$ 75,845
Department of Transportation	20.106	3-28-0039-004-2005	\$ 163,619	\$ 17,389
Department of Transportation	20.205	STP 8925-00(002)	\$ 755,222	\$ 145,976
Department of Transportation	20.205	8931-00(03)	\$ 380,108	\$ 12,581
Environmental Protection Agency	66.458	SRF-C280903-01	\$ 1,050,000	\$ 769,043 (1)
Corporation for National and Community Service	94.002	07SR069415	\$ 34,382	\$ 34,382
Federal Emergency Management Agency	97.036	007-38320-0	\$ 25,289	\$ 25,289
Total Federal Assistance			\$ 1,700,022	\$ 1,700,022

(1) Major Program.

(2) This schedule is prepared on the same basis of accounting as the financial report. See summary of significant accounting policies at Note 1.

CITY OF KOSCIUSKO, MISSISSIPPI
 General Fund
 Balance Sheet
 September 30, 2007
 (With Comparative Totals for September 30, 2006)

	2007	(Memorandum Only) 2006
ASSETS		
Cash	\$ 580,062	\$ 791,161
Investments	565,000	578,000
Interest receivable	6,651	8,652
Due from other funds	134,474	10,105
Other receivables	25,477	3,033
Due from other governments	183,174	165,841
	<u>\$ 1,494,838</u>	<u>\$ 1,556,792</u>
LIABILITIES		
Accounts payable	\$ 15,118	\$ 18,452
Other liabilities	4,388	4,526
Accrued payroll	38,752	37,518
Due to other governments	9,420	13,792
Total liabilities	<u>67,678</u>	<u>74,288</u>
FUND EQUITY		
Fund balance		
Unreserved fund balance	1,427,160	1,482,504
Total fund equity	<u>1,427,160</u>	<u>1,482,504</u>
Total liabilities and fund equity	<u>\$ 1,494,838</u>	<u>\$ 1,556,792</u>

CITY OF KOSCIUSKO, MISSISSIPPI
 Sewer Rehabilitation
 Balance Sheet
 September 30, 2007
 (With Comparative Totals for September 30, 2006)

	2007	(Memorandum Only) 2006
ASSETS		
Cash	\$ 45,193	\$ 52,951
Interest receivable	294	-
Total assets	\$ 45,487	\$ 52,951
FUND EQUITY		
Fund balance		
Unreserved	45,487	52,951
Total liabilities and fund equity	\$ 45,487	\$ 52,951

CITY OF KOSCIUSKO, MISSISSIPPI
 Airport
 Balance Sheet
 September 30, 2007
 (With Comparative Totals for September 30, 2006)

	2007	(Memorandum Only) 2006
ASSETS		
Cash	\$ 23,782	\$ 24,531
Due from other governments	128,483	-
Interest receivable	-	118
Total assets	\$ 152,265	\$ 24,649
LIABILITIES		
Accounts payable	\$ 15,719	\$ 7,015
Due to other funds	113,987	-
Total liabilities	129,706	7,015
FUND EQUITY		
Fund balance		
Unreserved	22,559	17,634
Total liabilities and fund equity	\$ 152,265	\$ 24,649

CITY OF KOSCIUSKO, MISSISSIPPI
 Enterprise Funds
 Combining Statement of Fund Net Assets
 September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

ASSETS	Waste Water	Solid Waste	Total	(Memorandum Only) 2006
Current assets				
Cash and cash equivalents	\$ 416,685	\$ 112,725	\$ 529,410	543,511
Investments	480,000	30,000	510,000	321,000
Interest receivable	8,754	617	9,371	6,016
Due from				
Other governments	25,289	1,551	26,840	2,203
Component unit	20,000	21,089	41,089	39,109
Total current assets	950,728	165,982	1,116,710	911,839
Noncurrent assets				
Land, improvements and construction in progress	610,928	8,000	618,928	618,928
Other capital assets, net of accumulated depreciation	3,510,589	61,838	3,572,427	3,704,827
Total capital assets	4,121,517	69,838	4,191,355	4,323,755
Total assets	\$ 5,072,245	\$ 235,820	\$ 5,308,065	5,235,594

See accompanying notes.

LIABILITIES	Waste Water	Solid Waste	Total	(Memorandum Only) 2006
Current liabilities				
Accounts payable	\$ 4,172	\$ 2,032	\$ 6,204	6,939
Accrued payroll	3,810	2,116	5,926	6,137
Accrued compensated absences	3,910	3,053	6,963	7,079
Capital lease payable, current	-	-	-	20,384
Note payable to State of Mississippi, current	12,500	-	12,500	12,500
Total current liabilities	24,392	7,201	31,593	53,039
Noncurrent liabilities				
Capital lease payable, net of current portion	-	-	-	-
Note payable to State of Mississippi, net of current portion	4,166	-	4,166	16,666
Total noncurrent liabilities	4,166	-	4,166	16,666
Total liabilities	28,558	7,201	35,759	69,705
NET ASSETS				
Invested in capital assets, net of related debt	4,104,851	69,838	4,174,689	4,274,205
Unrestricted	938,836	158,781	1,097,617	891,684
Total net assets	\$ 5,043,687	\$ 228,619	\$ 5,272,306	5,165,889

CITY OF KOSCIUSKO, MISSISSIPPI
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2007
 (With Comparative Totals for September 30, 2006)

	Partnership For a Healthy Attala County		Forfeiture Fund		Cemetery Fund		UDAG	
ASSETS								
Cash	\$	1,525	\$	2,056	\$	-	\$	116,350
Investments		-		5,000		65,000		25,000
Due from other governments		-		-		-		-
Note receivable		-		-		-		-
Interest receivable		-		24		1,534		519
Total assets	\$	1,525	\$	7,080	\$	66,534	\$	141,869
LIABILITIES								
Accounts payable	\$	-	\$	-	\$	-	\$	-
Accrued payroll		-		-		-		-
Accrued compensated absences		-		-		-		-
Due to other funds		-		-		13,560		-
Total liabilities		-		-		13,560		-
Fund balance								
Reserved for grant project		1,525		-		-		-
Reserved for loans receivable		-		-		-		-
Unreserved		-		7,080		52,974		141,869
Total fund equity		1,525		7,080		52,974		141,869
Total liabilities and fund equity	\$	1,525	\$	7,080	\$	66,534	\$	141,869

Special Revenue Funds

Tourism Fund	RSVP Fund	Home Grant	E911 Fund	War On Crime	Economic Development Rent
44,489	\$ 37,576	\$ -	\$ 152,398	\$ 1,876	\$ 17,685
-	-	-	55,000	-	50,000
2,904	-	-	-	-	-
-	-	307,050	-	-	-
-	-	-	734	-	448
47,393	\$ 37,576	\$ 307,050	\$ 208,132	\$ 1,876	\$ 68,133
4,845	\$ -	\$ -	\$ 278	\$ -	\$ -
-	963	-	4,029	-	-
-	-	-	3,289	-	-
-	-	-	-	-	-
4,845	963	-	7,596	-	-
-	-	-	-	-	-
-	-	307,050	-	-	-
42,548	36,613	-	200,536	1,876	68,133
42,548	36,613	307,050	200,536	1,876	68,133
47,393	\$ 37,576	\$ 307,050	208,132	\$ 1,876	\$ 68,133

CITY OF KOSCIUSKO, MISSISSIPPI
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2007
 (With Comparative Totals for September 30, 2006)

	Waste Tire Grant	EMS Grant	LAW	Home Program Grant	Mosq Gra
ASSETS					
Cash	\$ -	\$ 38	\$ 13	\$ 20	\$ -
Investments	-	-	-	-	-
Due from other governments	1,892	-	120	-	-
Note receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Total assets	\$ 1,892	\$ 38	\$ 133	\$ 20	\$ -
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Accrued compensated absences	-	-	-	-	-
Due to other funds	1,892	-	-	-	-
Total liabilities	1,892	-	-	-	-
Fund balance					
Reserved for grant project	-	-	-	-	-
Reserved for loans receivable	-	-	-	-	-
Unreserved	-	38	133	20	-
Total fund equity	-	38	133	20	-
Total liabilities and fund equity	\$ 1,892	\$ 38	\$ 133	\$ 20	\$ -

Special Revenue Funds (continued)

	Outdoor Recreation Grant		Fire		Historical Preservation		National Park Service
-	\$ 46,156	\$	45,534	\$	525	\$	100
-	-		-		-		-
2,372	24,293		-		-		-
-	-		-		-		-
-	280		479		-		-
2,372	\$ 70,729	\$	46,013	\$	525	\$	100
-	\$ 4,850	\$	-	\$	-	\$	-
-	-		-		-		-
-	-		-		-		-
2,372	-		-		-		-
2,372	4,850		-		-		-
-	-		-		-		-
-	-		-		-		-
-	65,879		46,013		525		100
-	65,879		46,013		525		100
2,372	\$ 70,729	\$	46,013	\$	525	\$	100

	MDOT	MDOT Community Service Officer	Total
ASSETS			
Cash	\$ 5,064	\$ 545	\$ 471,950
Investments	-	-	200,000
Due from other governments	-	-	31,581
Note receivable	-	-	307,050
Interest receivable	-	-	4,018
Total assets	\$ 5,064	\$ 545	\$ 1,014,599
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 9,973
Accrued payroll	-	503	5,495
Accrued compensated absences	-	993	4,282
Due to other funds	-	-	17,824
Total liabilities	-	1,496	37,574
Fund balance			
Reserved for grant project	-	-	1,525
Reserved for loans receivable	-	-	307,050
Unreserved	5,064	(951)	668,450
Total fund equity	5,064	(951)	977,025
Total liabilities and fund equity	\$ 5,064	\$ 545	\$ 1,014,599

MSKO, MISSISSIPPI

Governmental Funds

Balance Sheet

September 30, 2007

(for September 30, 2006)

Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds	
Construction Projects	Debt Service	2007	(Memoran- dum Only) 2006
142,402	\$ 6,452	\$ 620,804	\$ 523,544
-	-	200,000	358,000
-	2,100	33,681	21,584
-	-	307,050	428,681
412	-	4,430	4,310
142,814	\$ 8,552	\$ 1,165,965	\$ 1,336,119
-	\$ -	\$ 9,973	\$ 10,938
-	-	5,495	5,315
-	-	4,282	4,077
-	-	17,824	7,780
-	-	37,574	28,110
-	-	1,525	(858)
-	-	307,050	307,050
142,814	8,552	819,816	1,001,817
142,814	8,552	1,128,391	1,308,009
142,814	\$ 8,552	\$ 1,165,965	\$ 1,336,119

CITY OF KOSCIUSKO, MISSISSIPPI
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	Partnership					\$
	For a					
	Healthy	Forfeiture	Cemetery	UDAG	Tourism	
	Attala County	Fund	Fund		Fund	
Revenues						
Federal aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State aid	54,634	-	-	-	-	-
Miscellaneous	-	-	11,416	-	-	-
Interest income	32	304	7,896	6,605	80	-
Donations	-	-	-	-	-	-
Intergovernment	-	-	-	-	32,358	-
Forfeiture revenue	-	338	-	-	-	-
Rent income	-	-	-	-	-	-
Fee revenue	-	-	-	-	-	-
Total revenues	<u>54,666</u>	<u>642</u>	<u>19,312</u>	<u>6,605</u>	<u>32,438</u>	<u>0</u>
Expenditures						
Supplies	-	-	-	-	1,668	-
Other services	10,695	2,047	5,160	11	12,682	-
Personnel	41,588	-	-	-	6,186	-
Capital outlay	-	-	118,346	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>52,283</u>	<u>2,047</u>	<u>123,506</u>	<u>11</u>	<u>20,536</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>2,383</u>	<u>(1,405)</u>	<u>(104,194)</u>	<u>6,594</u>	<u>11,902</u>	<u>0</u>
Other financing sources (uses)						
Operating transfers in (out)	-	-	(4,000)	-	-	-
Loan proceeds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year	<u>(858)</u>	<u>8,485</u>	<u>161,168</u>	<u>135,275</u>	<u>30,646</u>	<u>3</u>
Fund balance at end of year	<u>\$ 1,525</u>	<u>\$ 7,080</u>	<u>\$ 52,974</u>	<u>\$ 141,869</u>	<u>\$ 42,548</u>	<u>\$ 3</u>

Revenue Funds

Home Grant	E911 Fund	War On Crime	Economic Development Rent	Waste Tire Grant
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,775
-	-	-	-	-
-	10,552	78	3,021	-
-	-	360	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	13,900	-
-	120,000	-	-	-
-	130,552	438	16,921	3,775
-	1,329	-	-	-
-	73,834	-	461	3,270
-	205,699	-	-	-
-	77,957	-	-	-
-	-	-	-	-
-	-	-	-	-
-	358,819	-	461	3,270
-	(228,267)	438	16,460	505
-	125,125	-	-	-
-	77,957	-	-	-
-	203,082	-	-	-
307,050	225,721	1,438	51,673	(505)
\$ 307,050	\$ 200,536	\$ 1,876	\$ 68,133	\$ -

CITY OF KOSCIUSKO, MISSISSIPPI
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	EMS Grant	LAW	Home Program Grant	Mosquito Grant	Outdoor Recreation Grant	Fire
Revenues						
Federal aid	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -
State aid	3,348	2,784	-	3,847	25,903	34,811
Miscellaneous	-	-	-	-	-	-
Interest income	71	-	-	-	4,406	9,111
Donations	-	-	-	-	-	-
Intergovernment	-	-	-	-	-	-
Forfeiture revenue	-	-	-	-	-	-
Rent income	-	-	-	-	-	-
Fee revenue	-	-	-	-	-	-
Total revenues	3,419	2,784	50,000	3,847	30,309	35,811
Expenditures						
Supplies	-	-	-	-	-	-
Other services	3,348	360	50,000	3,847	4,850	-
Personnel	-	-	-	-	-	-
Capital outlay	804	2,600	-	-	43,756	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	4,152	2,960	50,000	3,847	48,606	-
Excess (deficiency) of revenues over expenditures	(733)	(176)	-	-	(18,297)	35,811
Other financing sources (uses)						
Operating transfers in (out)	-	309	-	-	-	-
Loan proceeds	-	-	-	-	-	-
Total other financing sources (uses)	-	309	-	-	-	-
Fund balance at beginning of year	771	-	20	-	84,176	10,191
Fund balance at end of year	\$ 38	\$ 133	\$ 20	\$ -	\$ 65,879	\$ 46,001

Historical Preservation	National Park Service	MDOT	MDOT Community Service Officer	Total
\$ -	\$ -	\$ 155,495	\$ -	\$ 239,877
7,350	-	-	6,923	143,450
-	-	-	-	11,874
-	-	-	209	34,286
-	-	-	-	475
-	-	-	-	65,464
-	-	-	-	338
-	-	-	-	13,900
-	-	-	-	120,000
7,350	-	155,495	7,132	629,664
-	-	-	-	3,397
-	-	-	-	190,293
-	-	-	29,387	330,219
-	-	145,976	-	389,439
-	-	-	-	-
-	-	-	-	-
-	-	145,976	29,387	913,348
7,350	-	9,519	(22,255)	(283,684)
-	-	-	20,000	141,434
-	-	-	-	77,957
-	-	-	20,000	219,391
(6,825)	100	(4,455)	1,304	1,041,318
\$ 525	\$ 100	\$ 5,064	\$ (951)	\$ 977,025

CITY OF KOSCIUSKO, MISSISSIPPI
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended September 30, 2007
 (With Comparative Totals for Year Ended September 30, 2006)

	Capital Projects	Debt Service Fund	Total Nonmajor Governmental Funds	
	Construction Projects	Debt Service	2007	(Memoran- dum Only) 2006
Revenues				
Federal aid	\$ -	\$ -	\$ 239,877	\$ 546,744
State aid	-	-	143,450	234,152
Miscellaneous	-	-	11,874	10,310
Interest income	7,765	2,868	44,919	30,359
Donations	-	-	475	500
Intergovernment	-	175,702	241,166	244,728
Forfeiture revenue	-	-	338	16,380
Rent income	-	-	13,900	8,900
Fee revenue	-	-	120,000	120,000
Total revenues	<u>7,765</u>	<u>178,570</u>	<u>815,999</u>	<u>1,212,073</u>
Expenditures				
Supplies	-	-	3,397	6,325
Other services	44,816	1,383	236,492	710,440
Personnel	-	-	330,219	314,297
Capital outlay	-	-	389,439	310,446
Debt service				
Principal retirement	-	475,785	475,785	372,629
Interest and fiscal charges	-	96,936	96,936	68,942
Total expenditures	<u>44,816</u>	<u>574,104</u>	<u>1,532,268</u>	<u>1,783,079</u>
Excess (deficiency) of revenues over expenditures	<u>(37,051)</u>	<u>(395,534)</u>	<u>(716,269)</u>	<u>(571,006)</u>
Other financing sources (uses)				
Operating transfers in (out)	-	392,300	533,734	526,191
Loan proceeds	-	-	77,957	383,308
Total other financing sources (uses)	<u>-</u>	<u>392,300</u>	<u>611,691</u>	<u>909,499</u>
Fund balance at beginning of year	<u>179,865</u>	<u>11,786</u>	<u>1,232,969</u>	<u>969,516</u>
Fund balance at end of year	<u>\$ 142,814</u>	<u>\$ 8,552</u>	<u>\$ 1,128,391</u>	<u>\$ 1,308,009</u>

CITY OF KOSCIUSKO, MISSISSIPPI
Kosciusko Light and Water Plant
Statement of Fund Net Assets
September 30, 2007
(With Comparative Totals for September 30, 2006)

ASSETS	2007	(Memorandum Only) 2006
Current assets		
Cash	\$ 75,615	\$ 315,355
Accounts receivable, net of allowance for doubtful accounts of \$9,167 for 2007 and \$9,167 for 2006	868,206	839,110
Due from other governments	4,185	74,865
Interest receivable	33,012	25,701
Inventory	289,428	276,872
Unbilled revenues	357,291	352,394
Other current assets	13,572	14,273
	1,641,309	1,898,570
Restricted assets		
Cash – customer deposits	99,249	87,466
Cash – equipment replacement	610,368	409,915
Investments – customer deposits	233,303	233,346
Investments – equipment replacement	4,483,785	4,264,423
	5,426,705	4,995,150
Capital assets (Note 5):		
Land, improvements and constuction in progress	46,470	46,470
Other capital assets, net of accumulated depreciation	5,994,718	5,700,573
	6,041,188	5,747,043
	13,109,202	12,640,763

(Memorandum

Only)

2006

LIABILITIES AND NET ASSETS

2007

Current liabilities		
Accounts payable	\$ 481,852	\$ 415,976
Due to primary government	43,752	41,434
Accrued payroll	10,961	10,385
Accrued compensated absences	45,568	29,325
Other liabilities	20,874	24,758
	<hr/>	<hr/>
Total current liabilities	603,007	521,878
	<hr/>	<hr/>
Noncurrent liabilities		
Customer deposits	332,552	320,812
	<hr/>	<hr/>
Total liabilities	935,559	842,690
	<hr/>	<hr/>
Net assets		
Invested in capital assets, net of related debt	6,041,188	5,747,043
Restricted for:		
Customer deposits	332,552	320,812
Property, plant and equipment replacement	5,094,153	4,674,338
Unrestricted	705,750	1,055,880
	<hr/>	<hr/>
Total net assets	\$ 12,173,643	\$ 11,798,073
	<hr/>	<hr/>

CITY OF KOSCIUSKO, MISSISSIPPI
Kosciusko Light and Water Plant
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Year Ended September 30, 2007
(With Comparative Totals for Year Ended September 30, 2006)

	(Memorandum Only)	
	2007	2006
Operating revenues		
Water sales	\$ 925,870	\$ 909,431
Electric sales	5,814,447	6,500,765
Other charges for services	89,529	96,439
Total operating revenues	6,829,846	7,506,635
Cost of production		
Water	524,563	455,565
Electric	4,696,225	5,490,087
Total cost of production	5,220,788	5,945,652
Gross profit	1,609,058	1,560,983
Operating expenses		
Salaries and wages	297,188	293,752
Employee benefits	245,213	227,623
Supplies	18,138	16,233
General and administrative	191,974	169,382
Depreciation	314,153	292,766
Maintenance and repairs	45,117	38,105
Total operating expenses	1,111,783	1,037,861
Operating income	497,275	523,122
Non-operating revenues (expenses)		
Tap fees	27,659	18,609
Intergovernment	10,156	72,265
Interest income	234,880	168,502
Gain (loss) on disposition of property	-	(36)
Total non-operating revenues	272,695	259,340
Income before operating transfers out	769,970	782,462
Operating transfers out	(394,400)	(394,400)
Net income (loss)	375,570	388,062
Net assets, beginning	11,798,073	11,410,011
Net assets, ending	\$ 12,173,643	\$ 11,798,073

CITY OF KOSCIUSKO, MISSISSIPPI
Schedule of Reconciliation of Original Ad Valorem
Tax Rolls to Fund Collections
Year Ended September 30, 2007

	Assessed Value		Tax
Adjusted assessed valuation			
City			
Realty	\$ 26,840,221		
Personal – other than auto	5,783,575		
Public utilities	2,015,483		
Personal – auto (remitted of County)	<u>6,937,232</u>		
Total City at 31.00 Mills	<u>\$ 41,576,511</u>	\$ 1,288,872	
Less: Homestead exemption allowed		<u>(125,828)</u>	\$ 1,163,044
Separate school district			
Realty	\$ 42,637,825		
Personal – other than auto	8,389,192		
Public utilities	7,587,803		
Personal – auto (remitted by County)	<u>14,253,371</u>		
Total separate school district at 56.25 Mills	<u>\$ 72,868,191</u>	4,098,836	
Less: Homestead exemption allowed			
Special homestead		(374,630)	
Regular credit		<u>(148,500)</u>	3,575,706
Add: Actual homestead reimbursement			254,048
Prior year tax collections			29,543
Deduct: County tax collector's commissions:			
Auto			(50,840)
Real			(73,433)
Prior year			-
Refund			<u>-</u>
Total to be accounted for			<u>\$ 4,898,068</u>

	Taxes	Homestead Reimbursement	Total
Credits			
Collections allocated to			
General fund	\$ 746,245	\$ 69,747	\$ 815,992
Library fund	110,084	10,282	120,366
Solid waste fund	119,258	11,139	130,397
Debt service fund	160,622	15,080	175,702
SSD maintenance and minimum program	<u>3,456,658</u>	<u>147,800</u>	<u>3,604,458</u>
Total			\$ 4,846,915
Balance represented by unpaid realty and personal			18,057
Unaccounted for - undersettled			<u>33,096</u>
Total accounted for			<u><u>\$ 4,898,068</u></u>

CITY OF KOSCIUSKO, MISSISSIPPI
Schedule of Surety Bonds
September 30, 2007

Personnel Covered	Dates of Coverage		Insurance Company	Coverage Amount at September 30, 2007
	From	To		
City Clerk	1/6/07	1/6/08	Tyler, King and Ryder, Inc.	\$ 50,000
Deputy Clerks	Various from 5/2/07	5/6/08	Tyler, King and Ryder, Inc.	\$ 10,000 each
Mayor	7/1/07	7/1/08	Tyler, King and Ryder, Inc.	\$ 100,000
Five Aldermen	Various from 7/1/05	7/1/09	Tyler, King and Ryder, Inc.	\$ 100,000 each
Police Department Deputy Clerk	10/20/06	10/20/07	Tyler, King and Ryder, Inc.	\$ 10,000
Chief of Police	9/27/07	9/27/08	Tyler, King and Ryder, Inc.	\$ 50,000
Policemen Bonds	Blanket Bond	Blanket Bond	Tyler, King and Ryder, Inc.	\$ 25,000 each
Seven E911 Dispatchers	Various from 1/14/07	10/16/08	Tyler, King and Ryder, Inc.	10,000 each
Five Tourism Council Members	Various from 2/10/07	10/24/08	Tyler, King and Ryder, Inc.	\$ 10,000 each
Four Court Clerks	Various from 5/11/07	10/28/08	Tyler, King and Ryder, Inc.	\$ 10,000 each
Water and Light Department				
Commissioner Bonds:				
William A. Tolleson	1/1/07	1/1/08	Tyler, King and Ryder, Inc.	\$ 10,000
Hunter Jordan, III	1/1/05	1/1/09	Tyler, King and Ryder, Inc.	\$ 10,000
Donnie Gladney	2/4/07	2/4/08	Tyler, King and Ryder, Inc.	\$ 10,000
Morris Massy, Jr.	1/1/05	1/1/10	Tyler, King and Ryder, Inc.	\$ 10,000
Public Employee Dishonesty Crime Policy – Blanket	10/21/05	10/21/08	Tyler, King and Ryder, Inc.	\$ 50,000
Notary Bond Juanita Oliver	10/21/03	10/21/07	Western Surety Company	\$ 10,000

CITY OF KOSCIUSKO, MISSISSIPPI

Schedule of Investments

September 30, 2007

Depository	Date Invested	Maturity Date	Interest Rate	Amount
Merchants & Farmers Bank	4/18/07	10/15/07	5.22 \$	150,000
Merchants & Farmers Bank	6/18/07	12/15/07	5.23	200,000
Merchants & Farmers Bank	8/27/07	12/3/07	5.06	125,000
Merchants & Farmers Bank	8/27/07	1/3/08	5.09	150,000
Merchants & Farmers Bank	8/27/07	2/5/08	5.12	150,000
Citizens National Bank	5/23/07	11/19/07	5.21	200,000
Citizens National Bank	5/8/07	11/4/07	5.18	150,000
Merchants & Farmers Bank	8/10/07	2/6/08	5.26	150,000
Merchants and Farmers Bank	3/7/06	3/7/08	4.93	243,203
Citizens National Bank	8/25/07	8/25/08	5.04	125,655
Merchants and Farmers Bank	2/6/06	2/6/08	4.78	500,951
Citizens National Bank	9/6/07	9/6/08	5.14	296,669
Merchants and Farmers Bank	3/2/07	3/2/09	5.27	481,496
Citizens National Bank	8/9/07	8/9/08	5.16	349,732
Merchants and Farmers Bank	2/25/07	2/25/09	5.38	440,165
Merchants and Farmers Bank	6/27/06	6/27/08	5.53	556,729
Merchants and Farmers Bank	7/13/07	7/13/09	5.41	747,205
Citizens National Bank	10/3/05	10/3/07	4.26	446,609
Merchants and Farmers Bank	7/13/07	7/13/08	5.27	190,031
Merchants and Farmers Bank	7/13/07	7/13/09	5.41	338,643
Total			\$	<u>5,992,088</u>

Summary of investments by fund

Amount

Discretely presented component unit	
Restricted - customer deposits	\$ 233,303
Restricted - equipment replacement	4,483,785
Enterprise fund	510,000
General fund	565,000
Nonmajor governmental funds	<u>200,000</u>
	<u>\$ 5,992,088</u>

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kosciusko, Mississippi, as of and for the year ended September 30, 2007 which collectively comprises the City's basic financial statements and have issued our report thereon dated January 10, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

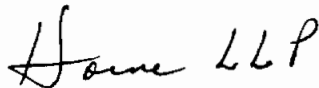
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of aldermen, management, federal awarding agencies and the Office of the Mississippi State Auditor, and is not intended to be and should not be used by anyone other than those specified parties.

Handwritten signature in cursive script that reads "Home LLP".

Grenada, Mississippi
January 10, 2008



**INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Kosciusko, Mississippi, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.


A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2007, and have issued our report thereon dated January 10, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Grenada, Mississippi
January 10, 2008

CITY OF KOSCIUSKO
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2007

The prior year audit and single audit disclosed no significant findings, and no significant uncorrected or unresolved findings exist from prior audits.

CITY OF KOSCIUSKO
Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

CFDA Number(s) 14.228, 66.458

Name of federal program or cluster: Community Development Block
Grants
Capitalization Grants for Clean
State Revolving Funds

Dollar threshold used to distinguish
between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? X yes _____ no _____ N/A

CITY OF KOSCIUSKO
Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

No matters were reported.